



# Public Accounts

VOLUME 2—AGENCIES AND FUNDS  
for the fiscal year 2002-2003

The Honourable Peter G. Christie,  
Minister of Finance



**PROVINCE OF NOVA SCOTIA**  
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## 3052155 NOVA SCOTIA LIMITED

**Balance Sheet**  
as at March 31, 2003

## ASSETS

	2003	2002
	(In thousands)	
Cash and short term investments .....	\$ 12,802	\$ ---
Subscriptions receivable .....	<u>1</u>	<u>1</u>
<b>Total Assets</b> .....	<u>\$ 12,803</u>	<u>\$ 1</u>

## LIABILITIES AND SHAREHOLDER'S EQUITY

Due to Nova Scotia Resources Limited .....	\$ 12,802	\$ ---
<b>Total Liabilities</b> .....	<u>\$ 12,802</u>	<u>\$ ---</u>

## SHAREHOLDER'S EQUITY

Capital Stock		
Authorized 100,000 common shares without par value		
Issued and outstanding 1000 common shares .....	\$ 1	\$ 1
<b>Total Shareholder's Equity</b> .....	<u>\$ 1</u>	<u>\$ 1</u>
<b>Total Liabilities and Shareholder's Equity</b> .....	<u>\$ 12,803</u>	<u>\$ 1</u>

3052155 NOVA SCOTIA LIMITED

Notes to Financial Statements  
as at March 31, 2003

**1. Income taxes:**

As a Crown Corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

## AUDITORS' REPORT

To the shareholder of AgraPoint International Inc.

We have audited the balance sheet of AgraPoint International Inc. as at March 31, 2003 and the statements of earnings and retained earnings and cash flow 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 Canadian 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, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Lyle Tilley Davidson  
Chartered Accountants

Halifax, Nova Scotia  
June 11, 2003

**AGRAPOINT INTERNATIONAL INC.**

**Balance Sheet  
as at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash .....	\$ 80,205	\$ 160,345
Short term investments (market value \$1,035,979) (note 4) .....	1,047,299	794,817
Accounts receivables .....	44,978	38,628
Subscriptions receivable .....	1	1
HST recoverable (note 5) .....	236,109	141,619
Prepaid expenses .....	<u>20,267</u>	<u>4,470</u>
	<u>1,428,859</u>	<u>1,139,880</u>
<b>Capital Assets (note 6) .....</b>	206,377	187,066
<b>Other Long Term Assets (note 7) .....</b>	<u>23,950</u>	<u>30,794</u>
	<u>\$ 1,659,186</u>	<u>\$ 1,357,740</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities .....	\$ 151,597	\$ 123,140
Current portion of capital lease obligation (note 10) .....	7,926	6,493
Current portion of long-term debt (note 11) .....	<u>8,842</u>	<u>---</u>
	<u>168,365</u>	<u>129,633</u>
<b>Deferred Government Assistance (note 8) .....</b>	134,276	184,711
<b>Capital Lease Obligation (note 10) .....</b>	25,322	33,699
<b>Long-term Debt (note 11) .....</b>	<u>30,211</u>	<u>---</u>
	<u>358,174</u>	<u>348,043</u>
<b>SHAREHOLDER'S EQUITY</b>		
<b>Capital Stock (note 12) .....</b>	1	1
<b>Retained Earnings .....</b>	<u>1,301,011</u>	<u>1,009,696</u>
	<u>1,301,012</u>	<u>1,009,697</u>
	<u>\$ 1,659,186</u>	<u>\$ 1,357,740</u>

See accompanying notes to the financial statements.

**AGRAPOINT INTERNATIONAL INC.**

**Statement of Earnings and Retained Earnings  
for the year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Government contribution .....	\$ 2,200,000	\$ 2,200,000
Other .....	172,912	114,004
	<u>2,372,912</u>	<u>2,314,004</u>
 <b>Operating Expenses (note 8)</b>		
Advertising and promotion .....	49,393	1,382
Amortization .....	69,166	38,130
Bad debts .....	1,600	---
Contracts .....	119,514	110,526
Director's expenses .....	18,605	10,002
Dues and professional development .....	63,351	24,562
Industry development and workshops .....	25,057	32,032
Information technology .....	52,301	7,066
Insurance .....	19,461	2,707
Interest and bank charges .....	2,345	883
Interest on capital lease obligation .....	4,839	4,300
Office .....	45,470	34,391
Postage and courier .....	6,670	9,643
Professional fees .....	29,540	9,144
Rent and utilities .....	50,061	33,555
Repairs and maintenance .....	3,215	9,086
Salaries, wages and benefits .....	1,299,035	909,245
Telephone .....	42,970	38,780
Travel .....	217,184	164,049
	<u>2,119,777</u>	<u>1,439,483</u>
	<u>253,135</u>	<u>874,521</u>
 <b>Other Income (Expenses)</b>		
Amortization of deferred government assistance .....	50,435	30,718
Loss on disposal of capital assets .....	(12,255)	---
	<u>38,180</u>	<u>30,718</u>
<b>Earnings for the year .....</b>	<b>291,315</b>	<b>905,239</b>
<b>Retained Earnings - Beginning of Year .....</b>	<b>1,009,696</b>	<b>104,457</b>
<b>Retained Earnings - End of Year .....</b>	<b>\$ 1,301,011</b>	<b>\$ 1,009,696</b>

See accompanying notes to the financial statements.



**AGRAPOINT INTERNATIONAL INC.**

**Statement of Cash Flow  
for year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Earnings for the year . . . . .	\$ 291,315	\$ 905,239
Adjustments for:		
Amortization of capital assets . . . . .	62,323	34,708
Amortization of other assets . . . . .	6,843	3,422
Amortization of deferred government assistance . . . . .	(50,435)	(30,718)
Loss on disposal of capital assets . . . . .	12,255	---
	322,301	912,651
 Changes in non-cash working capital		
Accounts receivable . . . . .	(100,840)	429,312
Prepaid expenses . . . . .	(15,798)	(2,767)
Accounts payable and accrued liabilities . . . . .	28,460	(508,314)
	234,123	830,882
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Deposits on equipment . . . . .	---	25,000
Decrease in bank indebtedness . . . . .	---	(24,475)
Proceeds of capital lease obligation . . . . .	---	44,730
Repayment of capital lease obligation . . . . .	(6,944)	(4,538)
Government assistance related to capital assets . . . . .	---	215,429
Proceeds on financing of leasehold improvements . . . . .	44,211	---
Repayment of financing on leasehold improvements . . . . .	(5,158)	---
	32,109	256,146
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets . . . . .	(95,690)	(198,147)
Purchase of other assets . . . . .	---	(34,215)
Proceeds from sale of capital assets . . . . .	1,800	---
Purchase of short-term investments . . . . .	(252,482)	(694,321)
	(346,372)	(926,683)
 <b>INCREASE (DECREASE) IN CASH DURING THE YEAR . . . . .</b>	 <b>(80,140)</b>	 <b>160,345</b>
 <b>CASH - BEGINNING OF YEAR . . . . .</b>	 <b>160,345</b>	 <b>---</b>
 <b>CASH - END OF YEAR . . . . .</b>	 <b>\$ 80,205</b>	 <b>\$ 160,345</b>

See accompanying notes to the financial statements.

AGRAPOINT INTERNATIONAL INC.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended March 31, 2003

1. CONTENT OF FINANCIAL STATEMENTS

The Agricultural Development Institute Limited was incorporated under the Nova Scotia Companies Act on August 21, 2000, and actively began providing services to the agricultural industry of Nova Scotia in April 2001. Effective October 15, 2002, the Institute changed its name to AgraPoint International Inc. Established by the Province of Nova Scotia, AgraPoint's objectives are to provide innovative development services that empower the agri-food industry to create new value. Its three main core values are empowerment of the client, importance of rural life and commitment to the future development of the agri-food industry.

2. ACCOUNTING POLICIES

**Financial instruments**

The company's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, long-term debt and capital lease obligation. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the company's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

**Capital Assets**

Capital assets are recorded at cost, and are amortized using the following annual rates and methods:

Asset	Rate %	Method
Computer equipment	30	Declining balance
Computer software	100	Declining balance
Furniture and fixtures	20	Declining balance
Capital leases of equipment	20	Declining balance
Leasehold improvements	20	Straight-line

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

**Other assets**

Other assets are recorded at cost, and are amortized using the straight-line method over five years. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

**Government assistance**

Government assistance related to capital assets and other assets is deferred and amortized to earnings on the same basis as the related asset.

### 3. TAXATION

The Institute and its property are exempt from taxation under section 149(1)(e) of the Income Tax Act.

### 4. SHORT-TERM INVESTMENTS

The investments are comprised of government bonds, treasury bills and other interest bearing investments.

### 5. HST RECOVERABLE

The company has booked the HST paid on its expenditures as full input tax credits and as at March 31, 2003 was awaiting a ruling from the HST division of Canada Customs and Revenue Agency (CCRA) to confirm that this is the proper treatment. Subsequent to the year and date ; favourable ruling has been received, and this amount is expected to be received in full during the next fiscal year.

### 6. CAPITAL ASSETS

	<u>2003</u>			<u>2002</u>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>	<b>Net</b>
Computer equipment. . . . .	125,336	49,927	75,409	97,768
Computer software. . . . .	22,237	14,878	7,359	3,731
Furniture and fixtures. . . . .	67,416	15,803	51,613	45,310
Capital leases of equipment. . . . .	44,730	12,524	32,206	40,257
Leasehold improvements. . . . .	44,211	4,421	39,790	---
	<u>\$ 303,930</u>	<u>\$ 97,553</u>	<u>\$ 206,377</u>	<u>\$ 187,066</u>

### 7. OTHER ASSETS

	<u>2003</u>			<u>2002</u>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>	<b>Net</b>
Web site development. . . . .	<u>\$ 34,215</u>	<u>\$ 10,265</u>	<u>\$ 23,950</u>	<u>\$ 30,794</u>

During the year ending March 31, 2002, the company incurred various web site development and creation costs. These costs have been capitalized and are being amortized using the straight-line method over five years.

### 8. GRANT FOR STARTUP COSTS

The Nova Scotia Department of Agriculture and Fisheries transferred \$600,000 to the Institute on April 17, 2001. This amount is restricted to assist in start-up costs and to provide appropriate contingency funds for wind-up or other liabilities. It may also be used to fund specific projects identified by the Board, or for capital purchases. The portion of these funds used to acquire capital assets and other assets amounted to \$215,429 and has been recorded as deferred government assistance in these financial statements. The remaining \$384,571 was recorded as reductions of the corresponding expenses in the fiscal year ending March 31, 2002. The balance remaining unallocated at March 31, 2002 was nil.

**9. ECONOMIC DEPENDENCE**

The corporation receives annual operating contributions from the Province of Nova Scotia to cover its operating expenses. Although the corporation is working towards self-sufficiency through the development of alternate revenue streams, the continued operation of the corporation currently depends on the receipt of the annual operating contribution.

**10. CAPITAL LEASE OBLIGATION**

	<b>2003</b>	<b>2002</b>
Capital lease obligations, bearing interest at 13.69%, repayable in blended quarterly instalments of \$2,946 until June 2006. . . . .	\$ 33,248	\$ 40,192
Less: current portion. . . . .	<u>(7,926)</u>	<u>(6,493)</u>
	<u>\$ 25,322</u>	<u>\$ 33,699</u>

**11. LONG-TERM DEBT**

	<b>2003</b>	<b>2002</b>
Financing of leasehold improvements, non-interest bearing, repayable in monthly principal instalments of \$737, until August 2007. . . . .	\$ 39,053	\$ ---
Less: current portion. . . . .	<u>(8,842)</u>	<u>---</u>
	<u>\$ 30,211</u>	<u>\$ ---</u>

The aggregate amount of principal payments required in each of the next five years to meet retirement provisions are as follows:

Year ending March 31,	2004	\$ 8,842
	2005	8,842
	2006	8,842
	2007	8,842
	2008	3,685

**12. CAPITAL STOCK**

	<b>2003</b>	<b>2002</b>
Authorized -		
1,000,000 common shares without nominal or par value		
1,000,000 common shares with a par value of \$1.00 each		
Issued -		
1 common share without nominal or par value . . . . .	<u>\$ 1</u>	<u>\$ 1</u>

**13. COMMITMENTS**

The aggregate annual payments under long term property leases expiring October 2003 and August 2007 are as follows:

Year ending March 31,	2004	\$	42,579
	2005		32,482
	2006		33,972
	2007		33,972
	2008		14,155

**14. CONTINGENT LIABILITY**

A customer of the company asserted a \$45,000 claim in January 2003 with respect to a loss they allege resulted on the advice of staff of AgraPoint International Inc. The insurance adjustors have advised the claimant that the claim for damages was denied and that any action would be defended. There has been no response from the claimant and it is management's opinion that the claim is without merit and will be unsuccessful; therefore, no provision for this claim has been recorded in the accounts.

## AGRI TECH PARK INC

**Statement of Financial Position**  
as at March 31, 2003, with comparatives

	March 31, 2003		March 31, 2002
<b>Liability</b>			
Due to Department of Agriculture and Fisheries. . . . .	\$ 174,216	\$	118,666
<b>Shareholder's Deficiency</b>			
Common stock (1 common share issued and outstanding)			
Accumulated deficits . . . . .	\$ ---	\$	---
	(174,216)		(118,666)

These financial statements do not include disclosure recommended by generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes.

**Statement of Operations**  
as at March 31, 2003, with comparatives

	2003		2002
<b>Revenues</b>	\$ 496,441	\$	358,731
<b>Expenses:</b>			
Operating goods and services. . . . .	284,791		210,582
Professional and special services fees. . . . .	128,440		93,827
Salaries and benefits. . . . .	125,942		94,609
Other. . . . .	10,263		3,271
Travel. . . . .	2,555		534
	<u>551,991</u>		<u>402,823</u>
<b>Net loss during the year . . . . .</b>	<u>(55,550)</u>		<u>(44,092)</u>
<b>Accumulated deficits, beginning of year . . . . .</b>	<u>(118,666)</u>		<u>(74,574)</u>
<b>Accumulated deficits, end of year . . . . .</b>	\$ <u><u>(174,216)</u></u>	\$	\$ <u><u>(118,666)</u></u>

These financial statements do not include disclosure recommended by generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes.

## AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of  
Annapolis Valley District Health Authority

We have audited the statement of financial position of the Annapolis Valley District Health Authority as at March 31, 2003 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 District Health 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 Canadian 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 District Health Authority as at March 31, 2003 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP  
Chartered Accountants

June 20, 2003

**ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY**

**Statement of Operations  
for the year ended March 31, 2003**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 15) 2002 Total</b>
<b>Revenue</b>				
Department of Health Funding. . . . .	\$ 61,315,896	\$ ---	\$ 61,315,896	\$ 58,390,950
Department of Veteran's Affairs . . . . .	1,872,685	---	1,872,685	1,778,938
Patient . . . . .	2,012,169	---	2,012,169	1,927,093
Physician funding . . . . .	1,277,042	---	1,277,042	755,059
Program recoveries and sales. . . . .	2,579,961	---	2,579,961	2,224,807
Amortization of deferred capital grants . . . . .	---	2,989,498	2,989,498	3,451,705
Other . . . . .	172,798	14,282	187,080	181,730
	<u>69,230,551</u>	<u>3,003,780</u>	<u>72,234,331</u>	<u>68,710,282</u>
<b>Expenses</b>				
Administration and support . . . . .	3,349,307	---	3,349,307	2,371,907
Addiction. . . . .	1,383,482	---	1,383,482	1,274,570
Diagnostic imaging . . . . .	3,491,438	---	3,491,438	3,127,769
Environmental. . . . .	2,688,934	---	2,688,934	2,629,065
Finance. . . . .	798,771	---	798,771	611,501
Food and nutrition . . . . .	3,182,561	---	3,182,561	3,030,084
Health information . . . . .	1,824,422	---	1,824,422	1,622,405
Human resources . . . . .	628,886	---	628,886	503,049
Information technology. . . . .	1,235,212	---	1,235,212	1,020,318
Laboratory . . . . .	4,526,903	---	4,526,903	4,193,985
Materials management. . . . .	1,560,181	---	1,560,181	1,475,345
Mental health . . . . .	4,437,636	---	4,437,636	3,958,174
Nursing. . . . .	29,010,461	---	29,010,461	27,707,014
Pharmacy . . . . .	691,648	---	691,648	652,875
Plant and support. . . . .	4,884,271	---	4,884,271	3,888,059
Public health . . . . .	1,558,603	---	1,558,603	1,352,872
Rehabilitation. . . . .	1,359,339	---	1,359,339	1,246,996
Other programs. . . . .	1,574,063	---	1,574,063	1,280,348
Amortization of property, plant and equipment. . . . .	---	3,274,192	3,274,192	3,773,795
Employee future benefits. . . . .	451,103	---	451,103	431,324
Sundry. . . . .	593,330	22,144	615,474	2,386,918
Miller building removal. . . . .	---	---	---	500,000
	<u>69,230,551</u>	<u>3,296,336</u>	<u>72,526,887</u>	<u>69,038,373</u>
<b>Deficiency of revenues over expenses</b>	---	(292,556)	(292,556)	(328,091)
Department of Health Funding of 2001 operating deficiency. . . . .	---	---	---	25,491
Deficiency of revenues over expenses. . . . .	<u>---</u>	<u>(292,556)</u>	<u>(292,556)</u>	<u>(302,600)</u>



**ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY**

**Statement of Financial Position  
as at March 31, 2003**

**ASSETS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 15) 2002 Total</b>
<b>Current</b>				
Cash and cash equivalents . . . . .	\$ 3,578,998	\$ (1,423,491)	\$ 2,155,507	\$ 1,588,465
Accounts receivable (Note 3) . . . . .	9,074,634	2,230,928	11,305,562	10,912,916
Inventory . . . . .	1,010,852	---	1,010,852	934,203
Prepaid expenses . . . . .	194,080	167,870	361,950	301,763
	<u>13,858,564</u>	<u>975,307</u>	<u>14,833,871</u>	<u>13,737,347</u>
<b>Long-term assets (Note 4) . . . . .</b>	4,302,283	---	4,302,283	3,764,965
<b>Property, plant and equipment (Note 5) . . . . .</b>	---	45,546,658	45,546,658	45,542,519
	<u>\$ 18,160,847</u>	<u>\$ 46,521,965</u>	<u>\$ 64,682,812</u>	<u>\$ 63,044,831</u>

**LIABILITIES**

<b>Current</b>				
Accounts payable and accrued liabilities (Note 7) . . . . .	\$ 10,994,402	\$ 641,750	\$ 11,636,152	\$ 11,196,171
Current portion of long-term debt (Note 8) . . . . .	---	---	---	29,440
Revenue received in advance . . . . .	3,442,866	---	3,442,866	2,663,686
	<u>14,437,268</u>	<u>641,750</u>	<u>15,079,018</u>	<u>13,889,297</u>
<b>Long-term debt (Note 8) . . . . .</b>	---	---	---	67,877
<b>Employee future benefits (Note 13) . . . . .</b>	3,723,579	---	3,723,579	3,517,145
<b>Deferred capital grants (Note 9) . . . . .</b>	---	44,914,265	44,914,265	44,312,006
	<u>18,160,847</u>	<u>45,556,015</u>	<u>63,716,862</u>	<u>61,786,325</u>

**FUND BALANCES**

<b>Restricted (Page 18) . . . . .</b>	---	347,231	347,231	322,028
<b>Unrestricted (Page 18) . . . . .</b>	---	618,719	618,719	936,478
	<u>---</u>	<u>965,950</u>	<u>965,950</u>	<u>1,258,506</u>
	<u>\$ 18,160,847</u>	<u>\$ 46,521,965</u>	<u>\$ 64,682,812</u>	<u>\$ 63,044,831</u>

Commitments (Note 10)

**ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY**

**Statement of Changes in Fund Balances  
For the Year Ended March 31, 2003**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 15) 2002 Total</b>
<b>Restricted Fund Balances</b>				
Balance, beginning of period. . . . . \$	---	\$ 322,028	\$ 322,028	\$ 243,341
Transfer from unrestricted fund balance . . . . .	---	13,787	13,787	---
Excess of revenues over expenses . . . .	---	11,416	11,416	78,687
Balance, end of period. . . . .	---	347,231	347,231	322,028
<b>Unrestricted Fund Balances</b>				
Balance, beginning of period. . . . .	---	936,478	936,478	1,317,765
Transfer to restricted fund balance. . . .	---	(13,787)	(13,787)	(78,687)
Deficiency of revenues over expenses. . . . .	---	(303,972)	(303,972)	(302,600)
<b>Balance, end of period . . . . .</b>	---	618,719	618,719	936,478
<b>Total Fund Balances. . . . . \$</b>	---	\$ 965,950	\$ 965,950	\$ 1,258,506

**ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY**

**Statements of Cash Flows  
Year Ended March 31, 2003**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 15) 2002 Total</b>
<b>Net inflow (outflow) of cash related to the following activities:</b>				
<b>Operating</b>				
Excess (deficiency) of revenues over expenditures. . . . . \$	---	\$ (292,556)	\$ (292,556)	\$ (302,600)
Adjusted for:				
Amortization of property, plant and equipment (Page 16). . . . .	---	3,274,192	3,274,192	3,773,795
Amortization of deferred capital grants (Page 16). . . . .	---	(2,989,498)	(2,989,498)	(3,451,705)
Employee future benefits (Page 16). . . . .	451,103	---	451,103	431,324
Changes in non-cash working capital items (Note 12). . . . .	2,172,148	(1,482,469)	689,679	288,045
Payment of employee future benefits (Note 13). . . . .	(244,669)	---	(244,669)	(156,061)
	<u>2,378,582</u>	<u>(1,490,331)</u>	<u>888,251</u>	<u>582,798</u>
<b>Financing</b>				
Proceeds from capital grants (Note 9). . . . .	---	3,591,757	3,591,757	1,453,528
Repayment of long term debt. . . . .	---	(97,317)	(97,317)	(29,440)
	<u>---</u>	<u>3,494,440</u>	<u>3,494,440</u>	<u>1,424,088</u>
<b>Investing</b>				
Investment in long term assets. . . . .	(537,318)	---	(537,318)	(429,464)
Acquisition of property, plant and equipment. . . . .	---	(3,278,331)	(3,278,331)	(2,887,415)
Proceeds on disposal of property, plant and equipment . . . . .	---	---	---	20,000
	<u>(537,318)</u>	<u>(3,278,331)</u>	<u>(3,815,649)</u>	<u>(3,296,879)</u>
<b>Net cash inflow (outflow). . . . .</b>	<b>1,841,264</b>	<b>(1,274,222)</b>	<b>567,042</b>	<b>(1,289,993)</b>
Cash and cash equivalents (bank indebtedness), beginning of period. . . . .	<u>1,737,734</u>	<u>(149,269)</u>	<u>1,588,465</u>	<u>2,878,458</u>
Cash and cash equivalents (bank indebtedness), end of period. . . . . \$	<u><u>3,578,998</u></u>	<u><u>(1,423,491)</u></u>	<u><u>2,155,507</u></u>	<u><u>1,588,465</u></u>

# ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

## Notes to the Financial Statements Year Ended March 31, 2003

### 1. DESCRIPTION OF ORGANIZATION

The Annapolis Valley District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The District Health Authority's mission "Working together to support and improve the health of individuals and communities in the Annapolis Valley".

The facilities owned and operated by the District Health Authority are Annapolis Community Health Centre, Eastern Kings Memorial Community Health Centre, Soldiers Memorial Hospital and Valley Regional Hospital. In addition, the District Health Authority leases space to operate certain programs at the Western Kings Memorial Health Centre and other locations throughout Annapolis and Kings counties for the delivery of certain programs and services and supports five (5) Community Health Boards.

### 2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies 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 Annapolis Valley District Health Authority's capital assets and special purposes and endowment funds.

#### b) Revenue Recognition

The Annapolis Valley District Health Authority 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.

#### c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

#### d) Inventory

Inventories are recorded at the lower of average cost and replacement cost, and include medical/surgical, drugs, and other general inventory.

**e) 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. Capital assets transferred from Western Regional Health Board are recorded at original cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 20%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

**f) 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 amortization of the related assets.

**g) Employee Future Benefits**

Employee future benefits are determined based on assumptions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

**h) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Actual results may differ from those estimates.

**3. ACCOUNTS RECEIVABLE**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
Department of Health				
Operating funding . . . . . \$	5,318,256	---	5,318,256	\$ 7,765,689
Transition support program . . . .	607,373	---	607,373	360,717
Capital grants . . . . .	---	1,120,402	1,120,402	245,868
Department of Veteran's Affairs . .	25,056	---	25,056	161,710
Patient Care . . . . .	605,798	---	605,798	564,974
HST rebates . . . . .	247,123	117,768	364,891	662,392
Charitable foundations . . . . .	66,820	636,924	703,744	682,005
Psychiatric recoveries . . . . .	182,200	---	182,200	163,729
Federal grant funding . . . . .	250,606	---	250,606	288,288
Trade . . . . .	1,771,402	355,834	2,127,236	17,544
	<u>\$ 9,074,634</u>	<u>\$ 2,230,928</u>	<u>\$ 11,305,562</u>	<u>\$ 10,912,916</u>

**4. LONG-TERM ASSETS**

Long-term assets are comprised of employee advances to accommodate the change in pay dates, as a result of payroll conversions and accounts receivable from the Department of Health for employee future benefits.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	Net Book Value	
			2003	2002
Land and land improvements . . . \$	687,344	\$ 269,212	\$ 418,132	\$ 190,150
Building and building service equipment . . . . .	60,145,074	20,432,206	39,712,868	39,349,745
Equipment . . . . .	34,724,910	29,309,252	5,415,658	6,002,624
	<u>\$ 95,557,328</u>	<u>\$ 50,010,670</u>	<u>\$ 45,546,658</u>	<u>\$ 45,542,519</u>

**6. BANK INDEBTEDNESS**

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling \$4.1 million. As well, the District Health Authority has available a capital line of credit in the amount of \$1,025,000 with a Canadian chartered bank. As of March 31, 2003, interest charges on any overdraft accounts are prime less .75%. There were no amounts owing on these lines at March 31, 2003 as the consolidated bank balance for South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority was positive. Subsequent to year-end, capital bank indebtedness was eliminated through the collection of receivables.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	Operating Fund	Capital Fund	2003 Total	2002 Total
Trade payables . . . . . \$	1,348,128	\$ 232,949	\$ 1,581,077	\$ 1,534,585
Accrued liabilities . . . . .	1,307,427	408,801	1,716,228	1,428,185
Vacation pay. . . . .	3,955,168	---	3,955,168	3,479,952
Salary and benefits . . . . .	3,565,545	---	3,565,545	3,980,180
Miller building removal . . . . .	500,000	---	500,000	500,000
Other . . . . .	318,134	---	318,134	273,269
	<u>\$ 10,994,402</u>	<u>\$ 641,750</u>	<u>\$ 11,636,152</u>	<u>\$ 11,196,171</u>

In 2002 a decision was taken to cease operations within the Miller Building, a discrete building on Valley Regional Hospital site. It is the intention of the District to have the building removed at some future date yet to be determined. The amount shown is mangement's best estimate of the costs associated with the removal.

**8. LONG-TERM DEBT**

	2003	2002
Obligations Under Capital Leases		
- repaid during the year. . . . . \$	---	\$ 97,317
Current portion . . . . .	---	(29,440)
	<u>\$ ---</u>	<u>\$ 67,877</u>

**9. DEFERRED CAPITAL GRANTS**

	2003	2002
Balance, beginning of period . . . . . \$	44,312,006	\$ 46,310,183
Grant received for:		
Capital assets purchased. . . . .	1,304,652	1,453,528
Future capital asset purchases . . . . .	2,287,105	---
	47,903,763	47,763,711
Amortization of deferred capital grants . . . . .	(2,989,498)	(3,451,705)
Balance, end of period. . . . . \$	<u>44,914,265</u>	<u>44,312,006</u>

**10. COMMITMENTS**

**Leases and Purchase Commitments**

The Annapolis Valley District Health Authority has committed funds from operations for the purchase of lab reagents, occupancy and equipment leases. Estimated minimum lease payments and film purchases over the next five years are expected to be as follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
	\$ 1,197,389	\$ 1,131,671	\$ 733,743	\$ 508,836	\$ 508,836

**11. PENSION PLAN**

The Annapolis Valley District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The second plan is administered by the Province of Nova Scotia. The Annapolis Valley District Health Authority bears no direct financial responsibility for the unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2003 was \$2,106,051.

**12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
Accounts receivable . . . . .	\$ 749,752	\$ (1,142,398)	\$ (392,646)	\$ (2,866,976)
Inventory . . . . .	(76,649)	---	(76,649)	(41,358)
Prepaid expenses . . . . .	82,120	(142,307)	(60,187)	(48,755)
Accounts payable and accrued liabilities . . . . .	637,745	(197,764)	439,981	2,875,820
Revenue received in advance . . . . .	779,180	---	779,180	369,314
	<u>\$ 2,172,148</u>	<u>\$ (1,482,469)</u>	<u>\$ 689,679</u>	<u>\$ 288,045</u>

**13. EMPLOYEE FUTURE BENEFITS**

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Annapolis Valley District Health Authority, upon retirement. The most recent actuarial valuation was for the year ended December 31, 2000. Actuarial liabilities as at March 31, 2002 and 2003 were extrapolated from the results of the December 31, 2000 actuarial valuation.

Financial position of the program as follows:

<b>Continuity Schedule</b>	<b>2003</b>	<b>2002</b>
Liability, beginning of year . . . . .	\$ 3,517,145	\$ 3,241,882
Current service costs . . . . .	235,600	202,000
Interest on liability . . . . .	229,100	220,100
Benefits paid out to retirees . . . . .	(244,669)	(156,061)
Current year amortized actuarial loss (gain) . . . . .	(13,597)	9,224
Liability, end of year . . . . .	<u>\$ 3,723,579</u>	<u>\$ 3,517,145</u>

Significant actuarial assumptions were adopted in measuring the financial position of the program as at March 31, 2003 using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2000. The discount rate used was 6.17% and the salary growth rate 3.65% per year, plus promotional scale. Amortization is calculated over the expected average remaining service life of the employee group covered by the plans, namely 12.9 years. The net expenditure related to these employee future benefits was \$451,103 (2002-431,324) for the year.

All accumulated liabilities of the retiring allowance program of the Annapolis Valley District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2003.

#### **14. FINANCIAL INSTRUMENTS**

##### **Fair Value**

The reported values of financial instruments which consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

##### **Credit Risk**

The Annapolis Valley District Health Authority performs a continuous evaluation, of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2003.

#### **15. COMPARATIVE FIGURES**

Certain of the comparative figures shown in these financial statements have been reclassified to conform to the current year's presentation.



## AUDITORS' REPORT

To the Chairman and Members of  
Annapolis Valley Regional School Board

We have examined the Operating Fund and Trust Fund balance sheets of the Annapolis Valley Regional School Board as at March 31, 2003, 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 Canadian 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, 2003, and results of its operations for the year then ended in accordance with generally accepted accounting principles adopted for Nova Scotia School Boards.

MACKENZIE, MORSE AND BREWSTER  
Chartered Accountants

Berwick, Nova Scotia  
June 19, 2003

**ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD**

**Balance Sheet  
For the Year Ended March 31, 2003**

**Financial and Capital Assets**

	<u>2003</u>	<u>2002</u>
<b>Financial Assets</b>		
Cash .....	\$ 806,117	\$ 5,450
Accounts Receivables		
Province of Nova Scotia .....	10,899,204	9,518,780
Government of Canada .....	732,012	1,118,546
Municipalities .....	27,040	---
Other school boards .....	---	32,196
Other .....	1,007,766	892,532
Due from Trust Funds .....	27,635	126,008
Prepaid Expenses .....	449,852	357,696
Inventories .....	---	127,091
Restricted Cash & Investments (Note 2) .....	17,895	18,298
<b>Total Financial Assets</b> .....	<u>\$ 13,967,521</u>	<u>\$ 12,196,597</u>
<b>Capital Assets</b>		
Net Book Value of Capital Assets (Note 1) .....	<u>84,353,915</u>	<u>84,736,592</u>
<b>Financial and Capital Assets</b> .....	<u>\$ 98,321,436</u>	<u>\$ 96,933,189</u>

**Liabilities and Retained Earnings**

<b>Liabilities</b>		
Bank Indebtedness .....	\$ ---	\$ 1,180,637
Payables and Accruals-Trade .....	806,696	351,688
Payables and Accruals-Government .....		
Province of Nova Scotia .....	94,063	---
Government of Canada .....	1,114	---
Municipalities .....	20,286	---
Other .....	3,270,232	330,469
Current portion of Long-term Debt .....	376,048	---
Deferred Revenues .....	1,064,102	1,467,805
Retirement Obligations (Note 3) .....	7,505,000	7,505,000
Equity-Capital .....	<u>84,353,915</u>	<u>84,736,592</u>
<b>Total Liabilities</b> .....	<u>\$ 97,491,456</u>	<u>\$ 95,572,191</u>
<b>Retained Earnings</b>		
Retained Earnings represented by:		
Unrestricted Retained Earnings .....	\$ 812,085	\$ 1,342,700
Restricted Retained Earnings .....	<u>17,895</u>	<u>18,298</u>
<b>Total Retained Earnings</b> .....	<u>\$ 829,980</u>	<u>\$ 1,360,998</u>
<b>Liabilities and Retained Earnings</b> .....	<u>\$ 98,321,436</u>	<u>\$ 96,933,189</u>

Commitments (Note 6)

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, 2003**

	<u>2003 Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Revenue (Schedule A)</b>			
Province of Nova Scotia .....	\$ 73,779,155	\$ 75,183,771	\$ 72,321,643
Government of Canada .....	1,117,742	1,388,352	513,435
Municipal Contributions .....	14,669,291	14,669,095	14,315,935
Other Revenues .....	4,001,854	4,070,896	4,674,676
	<u>\$ 93,568,042</u>	<u>\$ 95,312,114</u>	<u>\$ 91,825,689</u>
<b>Expenses (Schedule B)</b>			
Total Board Governance .....	\$ 286,582	\$ 278,152	\$ 210,229
Total Regional Management .....	2,699,429	2,607,579	2,266,595
Total School Management .....	8,035,604	7,994,370	6,774,745
Total Instruction .....	52,862,687	54,047,432	53,477,880
Total Student Support .....	11,145,429	10,982,071	10,262,787
Total Adult Education .....	1,403,318	1,583,181	1,850,384
Total Property Services .....	8,772,416	8,907,330	7,896,997
Total Student Transportation .....	6,745,403	6,809,096	6,533,013
Other Programs .....	1,617,174	1,463,602	1,352,143
Interest Expenses .....	---	438,000	469,000
	<u>\$ 93,568,042</u>	<u>\$ 95,110,813</u>	<u>\$ 91,093,773</u>
<b>Annual Operating Surplus .....</b>	<u>\$ ---</u>	<u>\$ 201,301</u>	<u>\$ 731,916</u>

**Statement of Retained Earnings  
For the Year Ended March 31, 2003**

	<u>2003</u>	<u>2002</u>
Opening Balance, Unrestricted Retained Earnings .....	\$ 1,342,700	\$ 610,784
Annual Operating Surplus .....	201,301	731,916
Less: Transfers to Operating .....	<u>731,916</u>	<u>---</u>
Closing Balance, Unrestricted Retained Earnings .....	<u>\$ 812,085</u>	<u>\$ 1,342,700</u>
Opening Balance, Reserves .....	610,784	610,784
Plus: Transfers from Unrestricted Retained Earnings .....	<u>201,301</u>	<u>731,916</u>
Closing Balance, Reserves .....	<u>\$ 812,085</u>	<u>\$ 1,342,700</u>
Total Balance, Retained Earnings .....	<u>\$ 812,085</u>	<u>\$ 1,342,700</u>

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

**ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD**

**Trust Fund Balance Sheet  
For the Year Ended March 31, 2003**

**ASSETS**

	<u>2003</u>		<u>2002</u>
Cash .....	\$ 882,987	\$	670,685
Investment at cost .....	3,700		3,700
Receivables			
Province of N.S. ....	54,233		96,831
Other .....	<u>10,901</u>		<u>---</u>
	\$ <u>951,821</u>	\$	<u>771,216</u>

**LIABILITIES**

Payables and Accruals-Trade .....	\$ 62,237	\$	---
Payables and Accruals-Other .....	547		---
Conversion .....	(6)		---
Due to operating .....	<u>27,635</u>		<u>126,008</u>
	90,413		126,008

**EQUITY**

Trust Funds (Note 4) .....	<u>861,408</u>		<u>645,208</u>
	\$ <u>951,821</u>	\$	<u>771,216</u>

**ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD**

**Schedule A - Supplementary Detail of Revenues  
For the Year Ended March 31, 2003**

<b>Revenue</b>	<u><b>2003 Budget</b></u>	<u><b>2003 Actual</b></u>	<u><b>2002 Actual</b></u>
<b>Province of Nova Scotia:</b>			
Operating. ....	\$ 64,729,400	\$ 65,234,446	\$ 65,253,203
Restricted. ....	6,275,780	6,278,379	6,184,223
Capital. ....	343,000	308,700	---
Other. ....	2,241,000	3,192,263	884,217
Recoveries. ....	189,975	169,983	---
<b>Total Province of Nova Scotia. ....</b>	<u><b>\$ 73,779,155</b></u>	<u><b>\$ 75,183,771</b></u>	<u><b>\$ 72,321,643</b></u>
<b>Government of Canada</b>			
IA Northern Development. ....	\$ 210,000	\$ 241,756	\$ 209,584
HRDC. ....	625,711	844,165	35,428
Secretary of State. ....	282,031	263,842	268,423
Other. ....	---	38,589	---
<b>Total Government of Canada. ....</b>	<u><b>\$ 1,117,742</b></u>	<u><b>\$ 1,388,352</b></u>	<u><b>\$ 513,435</b></u>
<b>Municipal Contributions:</b>			
Manadatory. ....	\$ 14,669,291	\$ 14,669,095	\$ 14,315,935
<b>Total Municipal Contributions. ....</b>	<u><b>\$ 14,669,291</b></u>	<u><b>\$ 14,669,095</b></u>	<u><b>\$ 14,315,935</b></u>
<b>Other Revenues</b>			
Board Generated-Other. ....	\$ 2,849,871	\$ 1,878,268	\$ 2,848,899
Other Revenue-Schools. ....	---	599,162	1,664,107
Tuition-Students. ....	646,983	189,024	---
Registration. ....	343,500	375,422	---
Rentals. ....	6,500	25,457	10,000
Interest/Investments. ....	135,000	106,422	151,670
Recoveries-Non-governmental. ....	---	66,709	---
Sale of Assets. ....	20,000	12,384	---
Transfer from Unrestricted Retained Earnings. . .	---	731,916	---
From Other-GSO's. ....	---	86,132	---
<b>Total Other Revenues. ....</b>	<u><b>\$ 4,001,854</b></u>	<u><b>\$ 4,070,896</b></u>	<u><b>\$ 4,674,676</b></u>
<b>Total Revenues. ....</b>	<u><b>\$ 93,568,042</b></u>	<u><b>\$ 95,312,114</b></u>	<u><b>\$ 91,825,689</b></u>

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

**ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD**

**Schedule B - Supplementary Details of Expenditures  
For the Year Ended March 31, 2003**

	<u>2003 Budget</u>		<u>2003 Actual</u>		<u>2002 Actual</u>
<b>Expenses:</b>					
<b>Board Governance:</b>					
Board Members .....	\$ 191,350	\$	177,872	\$	106,144
Board Secretary .....	24,072		29,878		23,188
NSSBA & Other. ....	<u>71,160</u>		<u>70,402</u>		<u>80,897</u>
<b>Total Board Governance .....</b>	<b>\$ 286,582</b>	<b>\$</b>	<b><u>278,152</u></b>	<b>\$</b>	<b><u>210,229</u></b>
<b>Regional Management:</b>					
Management Services .....	\$ 1,465,719	\$	1,449,776	\$	1,153,890
Financial Services .....	301,530		314,741		307,098
Human Resources Services .....	798,178		716,131		750,899
Communication Services .....	58,452		57,326		54,708
ITS - Regional. ....	<u>75,550</u>		<u>69,605</u>		<u>---</u>
<b>Total Regional Management .....</b>	<b>\$ 2,699,429</b>	<b>\$</b>	<b><u>2,607,579</u></b>	<b>\$</b>	<b><u>2,266,595</u></b>
<b>School Management &amp; Support:</b>					
School Management .....	\$ 5,811,435	\$	5,749,864	\$	5,666,780
Program & Curriculum Support .....	1,226,457		1,199,220		932,373
ITS - Site Specific .....	<u>997,712</u>		<u>1,045,286</u>		<u>175,592</u>
<b>Total School Management .....</b>	<b>\$ 8,035,604</b>	<b>\$</b>	<b><u>7,994,370</u></b>	<b>\$</b>	<b><u>6,774,745</u></b>
<b>Instructional &amp; School Services:</b>					
Instruction. ....	\$ 50,940,807	\$	52,180,457	\$	51,793,642
Guidance Services .....	931,623		931,623		899,674
Library Services .....	<u>990,257</u>		<u>935,351</u>		<u>784,564</u>
<b>Total Instruction .....</b>	<b>\$ 52,862,687</b>	<b>\$</b>	<b><u>54,047,431</u></b>	<b>\$</b>	<b><u>53,477,880</u></b>
<b>Student Support:</b>					
Program Management .....	\$ 116,923	\$	104,817	\$	156,257
Instruction. ....	10,159,711		9,958,587		9,039,231
Program & Curriculum Support .....	<u>868,795</u>		<u>918,667</u>		<u>1,067,299</u>
<b>Total Student Support .....</b>	<b>\$ 11,145,429</b>	<b>\$</b>	<b><u>10,982,071</u></b>	<b>\$</b>	<b><u>10,262,787</u></b>

**ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD**

**Schedule B - Supplementary Details of Expenditures (Continued)  
For the Year Ended March 31, 2003**

**Adult & Community Education:**

Program Management . . . . .	\$ 161,476	\$ 159,652	\$ 150,868
Instruction . . . . .	1,180,878	1,364,282	1,666,795
Program & Curriculum Support . . . . .	<u>60,964</u>	<u>59,247</u>	<u>32,721</u>
<b>Total Adult Education . . . . .</b>	<b>\$ <u>1,403,318</u></b>	<b>\$ <u>1,583,181</u></b>	<b>\$ <u>1,850,384</u></b>

**Property Services:**

Management Services . . . . .	\$ 454,932	\$ 482,010	\$ 432,234
Custodial Services . . . . .	3,092,571	2,946,153	3,118,299
Maintenance Services . . . . .	4,959,913	5,205,481	4,052,612
Grounds Services . . . . .	<u>265,000</u>	<u>273,686</u>	<u>293,852</u>
<b>Total Property Services . . . . .</b>	<b>\$ <u>8,772,416</u></b>	<b>\$ <u>8,907,330</u></b>	<b>\$ <u>7,896,997</u></b>

**Student Transportation:**

Management Services . . . . .	\$ 297,826	\$ 291,702	\$ 304,409
Transportation (Board) . . . . .	1,896,995	1,862,044	1,550,156
Maintenance (Board) . . . . .	652,149	732,742	841,828
Transportation (Contract) . . . . .	3,898,433	3,921,091	3,835,837
Site Maintenance . . . . .	<u>---</u>	<u>1,517</u>	<u>783</u>
<b>Total Student Transportation . . . . .</b>	<b>\$ <u>6,745,403</u></b>	<b>\$ <u>6,809,096</u></b>	<b>\$ <u>6,533,013</u></b>

Other Programs . . . . .	\$ 1,617,174	\$ 1,463,603	\$ 1,352,143
Interest Expense . . . . .	<u>---</u>	<u>438,000</u>	<u>469,000</u>
<b>Total Expenses . . . . .</b>	<b>\$ <u>1,617,174</u></b>	<b>\$ <u>1,901,603</u></b>	<b>\$ <u>1,821,143</u></b>
<b>Total . . . . .</b>	<b>\$ <u><u>93,568,042</u></u></b>	<b>\$ <u><u>95,110,813</u></u></b>	<b>\$ <u><u>91,093,773</u></u></b>

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

# ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

## Notes to the Financial Statements March 31, 2003

### 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 of 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.

#### **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 cost 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 noted 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 from December 31, 1981 to March 31, 2001 have been recorded at actual cost. Effective April 1, 2002, the Province of Nova Scotia adopted tangible Capital Assets Accounting Guidelines and as a result only expenditures which meet the TCA Thresholds will be capitalized. 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:	2003	2002
Operating fund (pg. 26)		
Surplus - Restricted (Cafeterias) . . . . .	\$ <u>17,895</u>	\$ <u>18,298</u>

**3. Retirement Allowance**

During the 2000-2001 fiscal year the Province of Nova Scotia assumed full responsibility for accumulated liability associated with employee retirement allowances. School boards are responsible only for the current service cost of this benefit.

**4. 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.

Managed Trust Funds:

	<b>March 31, 2002</b>	<b>Additions</b>	<b>Interest</b>	<b>Disburse- ments</b>	<b>March 31, 2003</b>
ACES Trust . . . . .	\$ 1,387	\$ ---	\$ 40	\$ 700	\$ 727
ARRA Library Trust . . . . .	6,465	---	176	1,266	5,375
Atkinson Trust . . . . .	1,833	---	49	350	1,532
Barteau Trust . . . . .	4,452	---	124	500	4,076
Bateman Trust . . . . .	2,730	499	87	---	3,316
Beals Trust . . . . .	144,743	77,555	5,952	5,000	223,250
Beattie Trust . . . . .	10,495	---	295	325	10,465
Bergevin Trust . . . . .	7	---	---	7	---
Blackburn Trust . . . . .	3	351	6	350	10
Borden Trust . . . . .	3,367	---	95	115	3,347
Brannon Trust . . . . .	925	---	26	66	885
Carter Trust . . . . .	6,902	---	193	500	6,595
Clarke . . . . .	6,576	---	186	200	6,562
Coldwell Trust . . . . .	5,142	---	146	180	5,108
Cummings Trust . . . . .	13,304	188	379	500	13,371
Dalton Trust . . . . .	15,519	---	438	480	15,477
DeEll Trust . . . . .	55,444	1,001	1,575	3,900	54,120
Evans Trust . . . . .	888	---	25	50	863
Harvey . . . . .	---	2,100	51	100	2,051
Haskell Trust . . . . .	24,152	1,000	705	1,000	24,857
Hibbard Trust . . . . .	10,578	---	298	315	10,561
Horton Alumni . . . . .	2,155	---	61	75	2,141
Hudgins Trust . . . . .	414	---	12	14	412
Inglis Trust . . . . .	21,456	---	604	859	21,201
Jones - BRES . . . . .	5,162	---	146	---	5,308
Jones-BRHS . . . . .	14,177	3,178	406	6,035	11,726
Johnson Trust . . . . .	11,214	---	317	345	11,186
KCA Closing . . . . .	32	---	---	32	---
KCDSB Trust(Warner) . . . . .	5,366	113	152	300	5,331
Lightfoot Trust . . . . .	689	26	17	500	232
Lockhart Trust . . . . .	1,127	---	29	500	656
Lyons Trust . . . . .	4,707	---	134	165	4,676
Margeson . . . . .	1,482	---	37	900	619
MacFarlane . . . . .	8,436	50	239	259	8,466
MacNutt Trust . . . . .	34,645	701	992	500	35,838
Mitchell Trust . . . . .	1,313	---	38	---	1,351
MRHS 40 th Ann. Trust . . . . .	16,016	12	453	400	16,081
Neily Trust . . . . .	430	---	11	9	432
Nixon Trust . . . . .	5,692	249	166	250	5,857
Harry E. Parker Trust . . . . .	4,545	550	138	200	5,033
Rena B. Parker Trust . . . . .	37,351	---	1,053	1,300	37,104
Quartermain Trust . . . . .	694	250	23	250	717
Rainforth Trust . . . . .	452	---	12	---	464
Leah Rhoddy Trust . . . . .	5,000	100	140	300	4,940
Sinnott Trust . . . . .	10,784	---	304	375	10,713
Earle Spicer Trust . . . . .	22,134	---	521	630	22,025
Worthylake Trust . . . . .	14,063	4,479	451	1,000	17,993
Champlain Refresh . . . . .	31,915	40,527	441	26,870	46,013
Horton Refresh . . . . .	(54,016)	300,000	51	289,537	(43,502)
Northeast Kings . . . . .	9,095	126,480	38	114,325	21,288
Pine Ridge Refresh . . . . .	17,080	85,189	302	32,182	70,389
Horton Capital Refresh . . . . .	---	12,500	36	3,885	8,651

Funds held temporarily for redistribution:

Foundation . . . . .	<u>96,686</u>	<u>119,775</u>	<u>2,594</u>	<u>83,536</u>	<u>135,519</u>
	<u>\$ 645,208</u>	<u>\$ 776,873</u>	<u>\$ 20,764</u>	<u>\$ 581,437</u>	<u>\$ 861,408</u>

**5. Pension Plan**

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

**6. Commitments**

Facility Rental

The Annapolis Valley Regional School Board currently leases 21,408 sq. ft. of office and storage space from the Western Kings Memorial Health Centre to house the regional school board's administrative operations. The ten year lease agreement will expire in July 2007. Rental charges for 2003/2004 will be approximately \$188,000 and will increase in subsequent years by the prior year's Consumer Price Index increase for Nova Scotia.

**7. Financial Statement Presentation and Comparative Figures**

These Financial Statements are presented in the format contained in the Department of Finance School Board Financial Handbook and reflect the structure of the new SAP financial system implemented for 2002-2003. The comparative figures have been restated to conform with this new format.

## 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, 2003
Gallery, Gallery Shop, Product Development and Western Branch	- Balance Sheet as at March 31, 2003
Gallery	- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2003
Gallery Shop	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2003
Product Development	- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2003
Western Branch	- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2003
Endowment Fund	- Balance Sheet as at March 31, 2003 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2003
Phase II Expansion Fund	- Balance Sheet as at March 31, 2003 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2003
Acquisition Fund	- Balance Sheet as at March 31, 2003 - Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2003

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 Canadian 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, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

ERNST & YOUNG LLP  
Chartered Accountants

Halifax, Canada  
May 23, 2003

**ART GALLERY OF NOVA SCOTIA**

**Combined Balance Sheet  
As at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (note 2) . . . . .	\$ 240,111	\$ 1,055,074
Accounts receivable . . . . .	119,069	109,273
Prepays . . . . .	550	12,500
Inventory . . . . .	143,951	161,825
	<u>503,681</u>	<u>1,338,672</u>
Investments (note 2 and 5) . . . . .	2,358,103	2,505,510
	<u>\$ 2,861,784</u>	<u>\$ 3,844,182</u>
<b>LIABILITIES AND SURPLUS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities . . . . .	\$ 536,388	\$ 369,462
Phase II expansion liability . . . . .	---	1,307,201
Deferred revenue . . . . .	103,714	---
	<u>640,102</u>	<u>1,676,663</u>
(Deficit) - Gallery . . . . .	(190,441)	(118,451)
Surplus - Gallery Shop . . . . .	86,725	134,589
(Deficit) - Product Development . . . . .	(14,831)	(3,083)
(Deficit) surplus - Western Branch . . . . .	(115,995)	175,039
Surplus - Endowment Fund . . . . .	2,349,348	1,848,159
Surplus - Phase II Expansion Fund . . . . .	124,016	133,286
(Deficit) - Acquisition Fund . . . . .	(17,140)	(2,020)
	<u>2,221,682</u>	<u>2,167,519</u>
	<u>\$ 2,861,784</u>	<u>\$ 3,844,182</u>

See accompanying notes

**ART GALLERY OF NOVA SCOTIA**

**Gallery, Gallery Shop, Product Development and Western Branch  
Balance Sheet  
As at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents . . . . .	\$ 215,216	\$ 332,500
Accounts receivable . . . . .	114,468	98,305
Due from Endowment Fund . . . . .	4,820	139,862
Due from Acquisition Fund . . . . .	42,500	2,500
Prepays . . . . .	550	12,500
Inventory . . . . .	143,951	161,825
	<u>\$ 521,505</u>	<u>\$ 747,492</u>
<b>LIABILITIES AND SURPLUS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities . . . . .	\$ 531,383	\$ 350,448
Due to Phase II Expansion Fund . . . . .	120,950	193,950
Due to Acquisition Fund . . . . .	---	15,000
Deferred revenue . . . . .	103,714	---
	<u>756,047</u>	<u>559,398</u>
 (Deficit) - Gallery . . . . .	 (190,441)	 (118,451)
Surplus - Gallery Shop . . . . .	86,725	134,589
(Deficit) - Product Development . . . . .	(14,831)	(3,083)
(Deficit) surplus - Western Branch . . . . .	(115,995)	175,039
	<u>(234,542)</u>	<u>188,094</u>
	<u>\$ 521,505</u>	<u>\$ 747,492</u>

See accompanying notes

**ART GALLERY OF NOVA SCOTIA**

**Gallery  
Statement of Revenue, Expenditures and Deficit  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Province of Nova Scotia (note 3) . . . . .	\$ 1,177,000	\$ 1,091,283
Sponsorships . . . . .	205,893	177,277
Grants . . . . .	166,513	176,118
Other income . . . . .	83,166	102,974
Admission . . . . .	78,570	199,979
Donations - AGNS appeal, major gifts . . . . .	54,648	52,316
Memberships . . . . .	53,296	65,649
Public Education Programs . . . . .	50,213	46,586
Special events . . . . .	48,814	46,178
Corporate Campaign . . . . .	8,948	19,292
Interest . . . . .	4,117	3,534
	<u>1,931,178</u>	<u>1,981,186</u>
 <b>Expenditures (Schedule)</b>		
Salaries and benefits . . . . .	771,832	768,128
Building operations . . . . .	691,235	638,539
Exhibitions and programming . . . . .	583,585	493,880
Administration . . . . .	199,072	126,240
Development/public relations . . . . .	87,120	141,528
Printing and publication . . . . .	32,760	34,260
Miscellaneous . . . . .	13,440	6,916
Technology . . . . .	12,124	12,188
	<u>2,391,168</u>	<u>2,221,679</u>
 Contribution from Gallery Shop . . . . .	 50,000	 50,000
Contribution from Phase II . . . . .	123,000	---
Contribution from Endowment Fund . . . . .	215,000	215,000
	<u>388,000</u>	<u>265,000</u>
 <b>Excess of (expenditures over revenue) revenue over expenditures for the year . . . . .</b>	 (71,990)	 24,507
 Deficit, beginning of year . . . . .	 <u>(118,451)</u>	 <u>(142,958)</u>
<b>Deficit, end of year . . . . .</b>	<b>\$ <u>(190,441)</u></b>	<b>\$ <u>(118,451)</u></b>

See accompanying notes

**ART GALLERY OF NOVA SCOTIA**

**Gallery  
Schedule of Expenditures  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Salaries and Benefits</b>		
Salaries and employee benefits .....	\$ 771,832	\$ 768,128
	<u>771,832</u>	<u>768,128</u>
<b>Building Operations</b>		
Utilities .....	227,923	221,340
Security .....	182,654	177,887
Climate control .....	100,358	125,342
Building maintenance and cleaning .....	89,799	63,067
Insurance .....	53,905	27,386
Building repairs .....	31,016	13,139
Elevator maintenance .....	5,580	10,378
	<u>691,235</u>	<u>638,539</u>
<b>Exhibitions and Programming</b>		
Programs .....	559,008	470,965
Workshop supplies .....	7,816	8,988
Vehicle .....	7,739	5,385
Conservation lab .....	5,677	1,160
Collections management and gallery services .....	3,345	7,382
	<u>583,585</u>	<u>493,880</u>
<b>Administration</b>		
Stationery and postage .....	43,830	42,259
Professional fees .....	62,284	16,845
Travel .....	34,394	16,874
Telephone .....	27,942	26,029
Equipment rental .....	16,455	14,331
Memberships .....	7,851	5,051
Equipment maintenance .....	4,665	3,688
Delivery administration .....	1,651	1,163
	<u>199,072</u>	<u>126,240</u>
<b>Development/public relations</b>		
Development/public relations .....	87,120	141,528
	<u>87,120</u>	<u>141,528</u>
<b>Printing and Publication</b>		
Printing and publication .....	32,358	33,513
Photography .....	402	747
	<u>32,760</u>	<u>34,260</u>
<b>Technology</b>		
Technology .....	10,341	10,539
Training and development .....	1,783	1,649
	<u>12,124</u>	<u>12,188</u>
<b>Miscellaneous</b>		
Miscellaneous .....	8,718	981
Bank charges .....	4,722	5,935
	<u>13,440</u>	<u>6,916</u>
<b>Total expenditures</b> .....	\$ <u>2,391,168</u>	\$ <u>2,221,679</u>
See accompanying notes		



**ART GALLERY OF NOVA SCOTIA**

**Gallery Shop  
Statement of Revenue, Expenditures and Surplus  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Art and craft sales . . . . .	\$ 223,909	\$ 287,026
Art and craft sales on consignment . . . . .	79,250	95,416
Books, notes and posters . . . . .	<u>35,432</u>	<u>30,801</u>
	338,591	413,243
<b>Cost of sales . . . . .</b>	<u>193,256</u>	<u>246,301</u>
<b>Gross profit . . . . .</b>	<u>145,335</u>	<u>166,942</u>
 <b>Expenditures</b>		
Salaries and employee benefits . . . . .	95,983	92,965
Office and administration . . . . .	<u>42,216</u>	<u>40,473</u>
	<u>138,199</u>	<u>133,438</u>
 <b>Excess of gross profit over expenditures for the year . . . . .</b>		
	7,136	33,504
Surplus, beginning of year . . . . .	134,589	166,085
Contribution to Gallery . . . . .	(50,000)	(50,000)
Contribution to Acquisition Fund . . . . .	<u>(5,000)</u>	<u>(15,000)</u>
<b>Surplus, end of year . . . . .</b>	<u>\$ 86,725</u>	<u>\$ 134,589</u>

**Product Development  
Statement of Revenue, Expenditures and Deficit  
Year ended March 31, 2003**

<b>Revenue . . . . .</b>	\$ 134,630	\$ 112,077
<b>Cost of sales . . . . .</b>	<u>84,781</u>	<u>75,235</u>
<b>Gross profit . . . . .</b>	<u>49,849</u>	<u>36,842</u>
 <b>Expenditures</b>		
Salaries and employee benefits . . . . .	30,294	25,737
Office and administration . . . . .	11,100	6,567
Members' discount . . . . .	10,843	4,608
Promotional . . . . .	<u>9,360</u>	<u>6,889</u>
	<u>61,597</u>	<u>43,801</u>
 <b>Excess of expenditures over gross profit for the year . . . . .</b>		
	(11,748)	(6,959)
Deficit, beginning of year . . . . .	<u>(3,083)</u>	<u>3,876</u>
<b>Deficit, end of year . . . . .</b>	<u>\$ (14,831)</u>	<u>\$ (3,083)</u>

See accompanying notes

**ART GALLERY OF NOVA SCOTIA**

**Western Branch  
Statement of Revenue, Expenditures and Deficit  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Donations . . . . .	\$ 81,828	\$ 186,859
Grants (note 3) . . . . .	98,000	80,000
Fundraising . . . . .	263	2,119
Interest . . . . .	467	1,224
	<u>180,558</u>	<u>270,202</u>
<b>Expenditures</b>		
Building capital cost . . . . .	418,884	72,950
Office and miscellaneous . . . . .	13,758	17,879
Building operations . . . . .	38,950	6,165
Building fundraising . . . . .	---	919
	<u>471,592</u>	<u>97,913</u>
<b>Excess of (expenditures over revenue) revenue over expenditures for the year . . . . .</b>		
	(291,034)	172,289
Surplus, beginning of year . . . . .	175,039	2,750
<b>(Deficit) surplus, end of year . . . . .</b>	<u>\$ (115,995)</u>	<u>\$ 175,039</u>

**Endowment Fund  
Balance Sheet  
as at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS (note 4)</b>		
<b>Current</b>		
Cash and cash equivalents . . . . .	\$ 5,852	\$ 12,009
Accounts receivable . . . . .	83	118
Due from Acquisition Fund . . . . .	---	3,892
Due from Phase II . . . . .	2,738	---
	<u>8,673</u>	<u>16,019</u>
Investments (notes 2 and 5) . . . . .	2,358,103	2,505,510
	<u>\$ 2,366,776</u>	<u>\$ 2,521,529</u>

**LIABILITIES AND SURPLUS**

<b>Current</b>		
Accounts payable . . . . .	\$ 1,500	\$ 1,632
Due to Gallery . . . . .	4,820	139,862
Due to Acquisition Fund . . . . .	11,108	---
	<u>17,428</u>	<u>141,494</u>
Due to Phase II . . . . .	---	531,876
	<u>17,428</u>	<u>673,370</u>
<b>Surplus</b>		
Restricted . . . . .	380,000	310,000
Unrestricted . . . . .	1,969,348	1,538,159
	<u>2,349,348</u>	<u>1,848,159</u>
	<u>\$ 2,366,776</u>	<u>\$ 2,521,529</u>

See accompanying notes

**ART GALLERY OF NOVA SCOTIA**

**Endowment Fund  
Statement of Revenue, Expenditures and Surplus  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue (Note 4)</b>		
Investment income . . . . .	\$ 106,510	\$ 87,729
Life memberships . . . . .	10,500	12,375
Restricted donations . . . . .	---	10,475
Oyler project . . . . .	---	4,000
Gallery endowments . . . . .	122,538	3,500
Higgins . . . . .	725	---
	<u>240,273</u>	<u>118,079</u>
 <b>Expenditures (note 4)</b>		
Trustee fees . . . . .	23,419	25,574
Administration . . . . .	1,600	10,903
Promotion and public relations . . . . .	7,044	8,368
Donor restricted projects . . . . .	8,642	7,329
Printing and postage . . . . .	---	6,000
Miscellaneous . . . . .	255	4,153
Receptions . . . . .	---	1,169
	<u>40,960</u>	<u>63,496</u>
Contributions from Phase II . . . . .	531,876	---
<b>Excess of revenue over expenditures for the year . . . . .</b>	731,189	54,583
Surplus, beginning of year . . . . .	1,848,159	2,023,576
Contribution to Gallery . . . . .	(215,000)	(215,000)
Contribution to Acquisition Fund . . . . .	<u>(15,000)</u>	<u>(15,000)</u>
<b>Surplus, end of year . . . . .</b>	2,349,348	1,848,159
Less: restricted surplus . . . . .	<u>(380,000)</u>	<u>(310,000)</u>
<b>Unrestricted surplus, end of year . . . . .</b>	\$ <u>1,969,348</u>	\$ <u>1,538,159</u>

See accompanying notes

**ART GALLERY OF NOVA SCOTIA**

**Phase II Expansion Fund  
Balance Sheet  
as at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash .....	\$ 4,010	\$ 667,653
Due from Gallery .....	120,950	193,950
Due from Acquisition Fund. ....	---	50,000
Accounts receivable. ....	<u>3,799</u>	<u>430</u>
	128,759	912,033
Due from Endowment Fund .....	---	531,876
	<u>\$ 128,759</u>	<u>\$ 1,443,909</u>

**LIABILITIES AND SURPLUS**

<b>Current</b>		
Accounts payable .....	\$ 2,005	\$ 3,422
Due to Endowment Fund. ....	2,738	---
Phase II expansion liability (note 6) .....	<u>---</u>	<u>1,307,201</u>
	4,743	1,310,623
Surplus .....	<u>124,016</u>	<u>133,286</u>
	<u>\$ 128,759</u>	<u>\$ 1,443,909</u>

**Phase II Expansion Fund  
Statement of Revenue, Expenditures and Surplus  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Pledges and donations .....	\$ 45,700	\$ 162,377
Grants (note 3) .....	130,000	---
Investment income .....	<u>29,769</u>	<u>46,164</u>
	<u>205,469</u>	<u>208,541</u>
<b>Expenditures</b>		
Capital expenses .....	91,709	98,309
Furniture and fixtures .....	16,014	23,216
Trustee fees. ....	6,397	6,527
Fundraising expenses .....	<u>3,300</u>	<u>5,328</u>
	<u>117,420</u>	<u>133,380</u>
<b>Excess of revenue over expenditures for the year</b> .....	88,049	75,161
Surplus (deficit), beginning of year .....	133,286	(654,875)
Contribution to Gallery .....	(123,000)	---
Contribution to Endowment. ....	(531,876)	---
Phase II expansion liability forgiveness (note 6) .....	<u>557,557</u>	<u>713,000</u>
<b>Surplus, end of year</b> .....	<u>\$ 124,016</u>	<u>\$ 133,286</u>

See accompanying notes

**ART GALLERY OF NOVA SCOTIA**

**Acquisition Fund  
Balance Sheet  
as at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash . . . . .	\$ 15,033	\$ 42,912
Accounts receivable . . . . .	719	10,420
Due from Gallery Shop . . . . .	---	15,000
Due from Endowment . . . . .	11,108	---
	<u>\$ 26,860</u>	<u>\$ 68,332</u>
<b>LIABILITIES AND SURPLUS</b>		
<b>Current</b>		
Accounts payable . . . . .	\$ 1,500	\$ 13,960
Due to Phase II . . . . .	---	50,000
Due to Endowment Fund . . . . .	---	3,892
Due to Gallery . . . . .	42,500	2,500
	<u>44,000</u>	<u>70,352</u>
<b>Deficit</b> . . . . .	<u>(17,140)</u>	<u>(2,020)</u>
	<u>\$ 26,860</u>	<u>\$ 68,332</u>

**Statement of Revenue, Expenditures and Deficit  
Year ended March 31, 2003**

<b>Revenue</b>		
Donations:		
Art Sales and Rental Society . . . . .	\$ 30,000	\$ 75,000
Other . . . . .	47,282	13,110
Friends of the Gallery . . . . .	9,000	6,500
Grants (note 3) . . . . .	2,200	29,900
AGNS Appeal . . . . .	5,100	17,250
	<u>93,582</u>	<u>141,760</u>
<b>Expenditures</b>		
Acquisitions . . . . .	103,205	153,270
Appraisal and professional fees . . . . .	14,174	15,082
Insurance . . . . .	10,000	5,000
Shipping . . . . .	314	1,703
Promotion . . . . .	600	1,628
Administration . . . . .	180	580
Miscellaneous . . . . .	42	312
Permanent collection exhibit . . . . .	---	179
Bank charges . . . . .	187	40
	<u>128,702</u>	<u>177,794</u>
Contribution from Endowment Fund . . . . .	15,000	15,000
Contribution from Gallery Shop . . . . .	5,000	15,000
	<u>20,000</u>	<u>30,000</u>
<b>Excess of expenditures over revenue for the year</b> . . . . .	(15,120)	(6,034)
Deficit (surplus), beginning of year . . . . .	(2,020)	4,014
<b>Deficit, end of year</b> . . . . .	<u>\$ (17,140)</u>	<u>\$ (2,020)</u>

See accompanying notes

# ART GALLERY OF NOVA SCOTIA

## Notes to Financial Statements as at March 31, 2003

### 1. Purpose of the Organization

The Art Gallery of Nova Scotia's ("AGNS") mandate is to preserve the province's unique visual and cultural history through the acquisition, conversation and display of art, and the provision of art education to learners of all ages.

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

The Art Gallery of Nova Scotia received program and education funding during the year from the following sources: Imperial Oil Charitable Foundation, McConnell Foundation, Province of Nova Scotia, Center for Entrepreneurship Education and Development and Sobeys Art Foundation.

### 2. 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:

#### **Fund accounting**

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

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

The AGNS Gallery Fund supports the day to day operations of the Gallery including all programming, exhibitions, development, public relations, conservation, and collections management.

The purpose of the AGNS Acquisition Fund is to purchase works of art for the Gallery and cover costs associated with acquiring these works.

The AGNS Endowment Fund exists to support and manage all of the investments for the long term survival of the Gallery. The investments are managed by a professional fund manager and the Investment Committee is responsible for monitoring the fund on behalf of the Board of Governors.

The AGNS Phase II Fund was established in 1998 when the Gallery began expansion into the Provincial Building. This fund will cease to exist when all pledges towards the project have been received.

The AGNS Western Branch Fund is primarily a capital fund with the purpose of completing the construction of the Western Branch in Yarmouth.

The AGNS Gallery Shop serves dual purposes, firstly it is an excellent showcase for AGNS branded products developed around major traveling exhibitions. Secondly, to extend the educational experience of our visitors exposing them to the best that Nova Scotia has to offer in fine craft and art. The sale of products also provides financial support to artists and craftspeople. Funds generated support acquisitions of art work for the Gallery and other special need projects.

AGNS Product Development was established to develop and market AGNS branded projects under various copyrights and provide an opportunity for AGNS to license its intellectual property. Revenues from this fund will be directed to special projects as determined by the Gallery.

### **Cash and equivalents**

Cash and equivalents are cash and short term liquid investments with a maturity of 90 days or less.

### **Inventory**

Inventory is valued at the lower of cost, determined on an average cost basis, and net realizable value.

### **Investments**

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

### **Revenue recognition**

Revenue from donations, life memberships and investment income is recognized when the cash is received. All other revenue 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 \$103,205 (2002 - \$153,270).

### **Other income**

Other income includes revenue from rental spaces, catalogue sales, advertising and gallery services.

### **Contributed service**

Volunteers contributed approximately 25,000 hours this year to assist the Art Gallery of Nova Scotia in carrying out its mandate. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

**3. Government Assistance**

During the year the Art Gallery of Nova Scotia recognized revenue from provincial, federal and other grants which are recorded as follows:

	<b>2003</b>	<b>2002</b>
<b>Gallery Fund:</b>		
Nova Scotia Department of Tourism and Culture . . . . .	\$ 1,177,000	\$ 1,091,283
Canada Council for the Arts . . . . .	120,000	120,000
Young Canada Works . . . . .	17,100	---
Federal Department of Canadian Heritage . . . . .	4,865	27,000
Halifax Regional Municipality . . . . .	---	25,500
	<u>1,318,965</u>	<u>1,263,783</u>
<b>Western Branch Fund:</b>		
Nova Scotia Department of Tourism and Culture . . . . .	63,000	80,000
Town of Yarmouth. . . . .	25,000	---
Municipal District of Yarmouth. . . . .	10,000	---
	<u>98,000</u>	<u>80,000</u>
<b>Acquisition Fund:</b>		
Canada Council for the Arts . . . . .	---	29,900
Federal Department of Canadian Heritage . . . . .	2,200	---
	<u>2,200</u>	<u>29,900</u>
<b>Phase II Expansion Fund:</b>		
Halifax Regional Municipality . . . . .	130,000	---
	<u>\$ 1,549,165</u>	<u>\$ 1,373,683</u>

**4. 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.

**5. Investments**

The investments included in the Art Gallery of Nova Scotia's financial statements are comprised of the following:

	<u>2003</u>		<u>2002</u>	
	Cost	Market Value	Cost	Market Value
<b>Endowment Fund</b>				
Equity . . . . .	\$ 2,358,103	\$ 2,457,229	\$ 2,505,510	\$ 3,144,684
	<u>\$ 2,358,103</u>	<u>\$ 2,457,229</u>	<u>\$ 2,505,510</u>	<u>\$ 3,144,684</u>



**6. Phase II Expansion Liability Forgiveness**

The AGNS received \$713,000 in debt forgiveness in 2002 from the department of Tourism and Culture relating to the construction work done on the Phase II expansion. The forgiveness directly reduced the deficit created as a result of the construction as the related expenditures were recorded in prior years. The amount includes \$61,376 of amounts previously in dispute and recorded as capital expenses in the current year.

In the current year, AGNS completed an agreement that released Phase II from an additional \$557,557 in debt relating to the expansion. As a condition of this agreement AGNS paid the remaining liability of \$749,644 to the department of Transportation and Public Works in April, 2002.

**7. Comparative Amounts**

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

## AUDITORS' REPORT

To the Shareholders of  
BioScience Enterprise Centre Incorporated

We have audited the balance sheet of BioScience Enterprise Centre Incorporated as at March 31, 2003 and the statements of earnings and retained earnings 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 Canadian 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP  
Chartered Accountants

Dartmouth, Nova Scotia  
June 25, 2003

**BIOSCIENCE ENTERPRISE CENTRE INCORPORATED**

**Statement of Earnings and Retained Earnings  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Government contributions (Note 5) . . . . .	---	\$ 100,000
Rent and amortization of deferred leasehold contribution . . . . .	437,759	341,725
Amortization of government contributions . . . . .	236,487	219,945
Business services . . . . .	167,799	147,734
Other . . . . .	9,348	17,829
	<u>851,393</u>	<u>827,233</u>
<b>Expenses</b>		
Advertising and promotion . . . . .	3,146	1,129
Bad debt expense . . . . .	704	38,833
Communications . . . . .	36,093	34,276
Depreciation . . . . .	236,487	219,945
Information resources . . . . .	452	414
Interest and bank charges . . . . .	331	574
Materials . . . . .	14,361	12,652
Miscellaneous . . . . .	16,058	17,860
Outside services . . . . .	77,716	60,637
Professional development . . . . .	9,336	5,057
Rent . . . . .	20,542	20,542
Repairs and maintenance . . . . .	36,378	35,330
Salaries and benefits . . . . .	254,130	230,048
Travel . . . . .	9,546	10,717
Utilities . . . . .	114,150	93,432
	<u>829,430</u>	<u>781,446</u>
 Net earnings . . . . .	 <u>21,963</u>	 <u>\$ 45,787</u>
 Retained earnings (deficit), beginning of the year . . . . .	 6,565	 \$ (39,222)
 Net earnings . . . . .	 <u>21,963</u>	 <u>45,787</u>
 Retained earnings, end of year . . . . .	 <u>28,528</u>	 <u>\$ 6,565</u>

See accompanying notes to financial statements

BIOSCIENCE ENTERPRISE CENTRE INCORPORATED

Balance Sheet  
March 31, 2003

	2003	2002
<b>ASSETS</b>		
Cash.....	\$ 11,871	\$ 10,761
Government contributions receivable.....	62,823	151,201
Other receivables .....	114,139	248,007
Capital assets (Note 3).....	1,363,074	1,407,186
	<u>\$ 1,551,907</u>	<u>\$ 1,817,155</u>

**LIABILITIES**

Payables and accruals.....	\$ 106,446	\$ 281,497
Deferred leasehold contribution.....	53,858	121,906
Deferred government contributions.....	1,363,074	1,407,186
	<u>1,523,378</u>	<u>1,810,589</u>

**SHAREHOLDERS' EQUITY**

Capital stock (Note 6).....	1	1
Retained earnings.....	28,528	6,565
	<u>28,529</u>	<u>6,566</u>
	<u>\$ 1,551,907</u>	<u>\$ 1,817,155</u>

Commitment (Note 7)

See accompanying notes to the financial statements.

**BIOSCIENCE ENTERPRISE CENTRE INCORPORATED**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Net earnings .....	\$ 21,963	\$ 45,787
Depreciation .....	236,487	219,945
Amortization of government contributions .....	(236,487)	(219,945)
Amortization deferred leasehold contribution .....	(68,049)	(59,173)
	<u>(46,086)</u>	<u>(13,386)</u>
 Changes in non-cash operating working capital		
Receivables .....	154,197	100,323
Payables and accruals .....	<u>(175,050)</u>	<u>(114,632)</u>
	<u>(66,939)</u>	<u>(27,695)</u>
 <b>Financing</b>		
Deferred leasehold contribution .....	---	20,246
Government assistance to finance capital assets .....	192,375	108,216
	<u>192,375</u>	<u>128,462</u>
 <b>Investing</b>		
Purchase of capital assets .....	(192,375)	(108,216)
Long term receivable, net .....	68,049	(8,987)
	<u>(124,326)</u>	<u>(117,203)</u>
 Net increase (decrease) in cash and cash equivalents .....	1,110	(16,436)
 Cash and cash equivalents		
Beginning of year .....	<u>10,761</u>	<u>27,197</u>
End of year .....	\$ <u><u>11,871</u></u>	\$ <u><u>10,761</u></u>

See accompanying notes to the financial statements.

**BIOSCIENCE ENTERPRISE CENTRE INCORPORATED**

**Notes to the Financial Statements  
March 31, 2003**

**1. Nature of operations**

The Company development and leases an incubation facility to be a catalyst for the bio-life science industry sector. The Company is exempt from income taxes under Section 149 of the Income Tax Act.

**2. Summary of significant accounting policies**

**(a) Capital assets**

Capital assets are recorded at cost and depreciated as follows:

Computer equipment	30%, declining balance;
Equipment and furniture	20%, declining balance;
Architectural design	10 year, straight line
Leaseholds	10 year, straight line

**(b) Government contributions**

Government contributions used for the acquisition of capital assets are deferred and recognized as income on the same basis as the related assets are depreciated. The operating portion of government contributions are recognized as income in the year the related expenditures are incurred.

**(c) 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.

**(d) Use of estimates**

In preparing BioScience Enterprise Centre Incorporated's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

**3. Capital Assets**

			2003			2002
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>		<u>Net Book Value</u>	
Architectural design . . . . .	\$ 611,152	\$ 250,946	\$ 360,206	\$	\$ 404,673	
Equipment . . . . .	65,877	32,037	33,840		36,282	
Computer equipment . . . . .	38,772	26,015	12,757		15,738	
Furniture . . . . .	64,227	32,766	31,461		35,523	
Leaseholds . . . . .	1,427,832	503,022	924,810		914,970	
	<u>\$ 2,207,860</u>	<u>\$ 844,786</u>	<u>\$ 1,363,074</u>	\$	<u>\$ 1,407,186</u>	

**4. Related party transactions**

<u>Entity</u>	<u>Relationship</u>	<u>Sales To</u>	<u>Purchases From</u>	<u>Year End Payable</u>
InNOVAcorp (1) . . . . .	Sister	\$ 708	\$ 64,788 (1)	\$ 37,750
Waterfront Development Corporation Limited (2) . . .	Sister	\$ ---	\$ 25,417(2)	\$ 1,275

- (1) Management fees.
- (2) Rent based on the cost of borrowing of the related party.

**5. Government contributions**

The Company receives funding from the Economic Diversification Agreement for its operating activities and acquisition of capital assets. Details are as follows:

	2003	2002
Funding from Economic Diversification Agreement . . . . .	\$ 192,375	\$ 208,216
Less: Funding used to finance capital assets . . . . .	<u>192,375</u>	<u>108,216</u>
Funding for operations . . . . .	<u>\$ ---</u>	<u>\$ 100,000</u>

**6. Capital stock**

	2003	2002
Authorized 100,000 common shares with no par value Issued and outstanding 1 common shares . . . . .	<u>\$ 1</u>	<u>\$ 1</u>

**7. Commitment**

The Company is committed to lease land and buildings from the Waterfront Development Corporation Limited. The lease requires annual minimum rent of \$20,542 from October 1998 to October 2003. The lease specifies a renewal option for an additional five year term.

**8. Comparative figures**

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

## AUDITORS' REPORT

To the Chairperson and Members of the Board of  
Cape Breton District Health Authority

We have audited the statement of financial position of the Cape Breton District Health Authority as at March 31, 2003 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 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 Canadian 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 Authority as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP  
Chartered Accountants

Sydney, Canada  
July 25, 2003



**CAPE BRETON DISTRICT HEALTH AUTHORITY**

**Statement of Financial Position  
March 31, 2003, with comparative figures for 2002**

**ASSETS**

	<b>2003</b>	<b>2002</b>
<b>Current Assets:</b>		
Cash .....	\$ 6,786,029	\$ 2,871,287
Internally restricted cash .....	160,945	160,945
Accounts receivable (note 2) .....	19,179,397	22,360,497
Inventories (note 4) .....	2,827,229	2,372,238
Prepaid expenses .....	<u>93,671</u>	<u>197,682</u>
	29,047,271	27,962,649
Capital assets (note 5):		
Cost .....	253,444,997	249,900,972
Less accumulated amortization .....	<u>99,979,440</u>	<u>90,414,898</u>
	153,465,557	159,486,074
Other assets (note 7):		
Due from Department of Health for retirement allowance. ....	<u>10,103,232</u>	<u>9,707,969</u>
	<u>\$ 192,616,060</u>	<u>\$ 197,156,692</u>

**LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS**

<b>Current liabilities:</b>		
Accounts payables and accrued liabilities (note 6). ....	\$ 26,714,228	\$ 28,972,343
Deferred contributions for capital assets (note 8). ....	155,213,262	157,885,162
Other liabilities:		
Retirement allowance payable (note 7) .....	10,103,232	9,707,969
Net assets :		
Unrestricted (deficiency). ....	(320,583)	(1,170,639)
Restricted (note 1 (c)) .....	160,945	160,945
Investment in capital assets (note 9) .....	<u>744,976</u>	<u>1,600,912</u>
	585,338	591,218
	<u>\$ 192,616,060</u>	<u>\$ 197,156,692</u>

Contingencies (note 11)

See accompanying notes to the financial statements.

**CAPE BRETON DISTRICT HEALTH AUTHORITY**

**Statement of Operations**  
**Year ended March 31, 2003, with comparative figures for 2002**

	<b>Shareable</b>	<b>Non-Shareable</b>	<b>Total 2003</b>	<b>Total 2002</b>
<b>Income:</b>				
Net patient income:				
Provincial Plan. . . . .	\$ 149,518,612	\$ 895,399	\$ 150,414,011	\$ 139,844,140
Other. . . . .	10,593,203	1,005,847	11,599,050	10,756,435
Medical service insurance. . . . .	4,620,761	---	4,620,761	6,624,203
Net differential. . . . .	1,463,917	(61,796)	1,402,121	1,637,171
Dietary recoveries. . . . .	1,302,802	---	1,302,802	1,261,968
Miscellaneous. . . . .	412,807	304,979	717,786	555,473
Investment income. . . . .	---	36,867	36,867	112,329
Referred in work. . . . .	55,365	---	55,365	56,832
Equipment grant . . . . .	---	35,312	35,312	38,508
	<u>167,967,467</u>	<u>2,216,608</u>	<u>170,184,075</u>	<u>160,887,059</u>
<b>Expenses:</b>				
Nursing inpatient services. . . . .	60,426,164	784,725	61,210,889	61,228,394
Support services. . . . .	44,150,386	---	44,150,386	40,501,739
Diagnostic and therapeutic services. . . . .	30,340,662	---	30,340,662	29,454,323
Ambulatory care services. . . . .	28,062,480	---	28,062,480	25,360,155
Addiction services. . . . .	3,451,504	---	3,451,504	3,343,458
Public health. . . . .	2,952,712	---	2,952,712	2,818,332
Education . . . . .	520,043	---	520,043	586,703
Retirement allowance . . . . .	---	895,399	895,399	468,955
	<u>169,903,951</u>	<u>1,680,124</u>	<u>171,584,075</u>	<u>163,762,059</u>
Net operating position before deficit funding . . . . .			(1,400,000)	(2,875,000)
Deficit funding received from Department of Health . . . . .			<u>1,400,000</u>	<u>2,875,000</u>
Excess of revenue over expenditures before below noted items . . . . .			---	---
Amortization of deferred contributions related to capital assets (note 9(b)) . . . . .			9,558,638	9,353,712
Amortization of capital assets (note 9(b)) . . . . .			<u>(9,564,518)</u>	<u>(9,443,985)</u>
Excess of expenditure and revenue. . . . .			<u><u>\$ (5,880)</u></u>	<u><u>\$ (90,273)</u></u>

See accompanying notes to financial statements

**CAPE BRETON DISTRICT HEALTH AUTHORITY**

**Statement of Changes in Net Assets  
Year ended March 31, 2003, with comparative figures for 2002**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Investment in Capital Assets</b>	<b>Total 2003</b>	<b>Total 2002</b>
Balance, beginning					
of year . . . . .	\$ (1,170,639)	\$ 160,945	\$ 1,600,912	\$ 591,218	\$ 681,491
Excess of expenditure over revenue . . . . .	---	---	(5,880)	(5,880)	(90,273)
Net change in investment in capital assets (note 9) . .	850,056	---	(850,056)	---	---
Balance, end of year . . . . .	<u>\$ (320,583)</u>	<u>\$ 160,945</u>	<u>\$ 744,976</u>	<u>\$ 585,338</u>	<u>\$ 591,218</u>

**Statement of Cash Flows  
Year ended March 31, 2003, with comparative figures for 2002**

	<b>2003</b>	<b>2002</b>
Cash provided by (used in):		
<b>Operating activities:</b>		
Excess of expenditure over revenue. . . . .	\$ (5,880)	\$ (90,273)
Items not involving cash:		
Amortization of capital assets. . . . .	9,564,518	9,443,985
Amortization of deferred contributions related to capital assets. . . . .	(9,558,638)	(9,353,712)
Retirement allowance. . . . .	---	(468,955)
Department of Health funding for retirement allowance. . . . .	---	468,955
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable. . . . .	3,181,100	(3,757,230)
Increase in inventories. . . . .	(454,991)	(32,385)
Decrease in prepaid expenses. . . . .	104,011	304,670
Increase (decrease) in accounts payable and accrued liabilities . . . . .	<u>(2,258,115)</u>	<u>904,524</u>
	572,005	(2,580,421)
<b>Financing and investing activities:</b>		
Purchases of capital assets. . . . .	(3,544,001)	(3,218,700)
Contribution for capital assets. . . . .	<u>6,886,738</u>	<u>3,190,508</u>
	<u>3,342,737</u>	<u>(28,192)</u>
Increase (decrease) in cash. . . . .	3,914,742	(2,608,613)
Cash, beginning of year. . . . .	<u>3,032,232</u>	<u>5,640,845</u>
Cash, end of year. . . . .	<u>\$ 6,946,974</u>	<u>\$ 3,032,232</u>
Cash is represented by the following:		
Cash internally restricted. . . . .	\$ 160,945	\$ 160,945
Cash. . . . .	<u>6,786,029</u>	<u>2,871,287</u>
	<u>\$ 6,946,974</u>	<u>\$ 3,032,232</u>

See accompanying notes to the financial statements.

**CAPE BRETON DISTRICT HEALTH AUTHORITY**

**Notes to Financial Statements  
Year ended March 31, 2003**

On June 8, 2000, Bill #34 - The Health Authorities Act, received Royal Assent. This legislation abolished Regional Health Boards and replaced them with Health Authorities. The effects on the former Cape Breton Healthcare Complex are as follows: Cape Breton Regional Hospital, Glace Bay Healthcare Corporation, New Waterford Consolidated Hospital, Northside Harbour View Hospital, Inverness Consolidated Memorial Hospital, Sacred Heart Healthcare Centre, Victoria County Memorial Hospital and Buchanan Memorial Healthcare Centre form District Health Authority #8. As a result of this legislation, the Cape Breton Healthcare Complex ceased operations effective December 31, 2000 and was replaced by District Health Authority #8 on January 1, 2001.

District Health Authority #8 changed its name to operate as Cape Breton District Health Authority.

The Health Authority's principal activity is to operate and manage designated hospitals and provide other health related activities to the residents of Cape Breton.

**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 Health Authority follows the deferral method of accounting for contributions which include donations and government grants.

The Health Authority 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) Restricted:**

Funds donated from outside agencies or individuals which have been designated for a specific purpose have been restricted.

(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>
Land improvements	5%
Buildings and service equipment	2% - 5%
Major equipment	5% - 20%
Equipment under capital lease	10% - 20%

**2. Accounts receivable:**

	<b>2003</b>	<b>2002</b>
Patients (less allowance for doubtful accounts) . . . . .	\$ 1,026,368	\$ 908,707
Medical service insurance . . . . .	346,742	288,984
Department of Community Services . . . . .	---	30,495
Level 11 Care (less allowance for doubtful accounts) . . . . .	581,803	582,369
Harmonized sales tax . . . . .	1,057,173	1,052,687
Hospital Foundations (note 10) . . . . .	887,535	783,586
Veterans . . . . .	394,686	170,468
Sundry . . . . .	4,890,855	3,156,688
Guysborough Antigonish Strait Health Authority . . . . .	201,151	142,923
Department of Health (note 3):		
Estimated year end adjustment . . . . .	2,295,399	3,322,790
Capital funding . . . . .	1,600,000	798,675
Vacation accrual . . . . .	6,149,571	5,608,548
Addiction Services and Public Health . . . . .	15,245	883,538
Contract settlement . . . . .	(578,259)	4,630,039
Other . . . . .	311,128	---
	<u>\$ 19,179,397</u>	<u>\$ 22,360,497</u>

**3. Accounts with the Department of Health:**

The Health Authority has the following accounts with the Department of Health:

	<b>2003</b>	<b>2002</b>
Accounts receivable (payable):		
Retirement allowance (note 7) . . . . .	\$ 10,103,232	\$ 9,707,969
Estimated year end adjustment . . . . .	1,400,000	2,875,000
Capital funding . . . . .	1,600,000	798,675
Vacation accrual . . . . .	6,149,571	5,608,548
Addiction Services and Public Health . . . . .	15,245	883,538
Contract settlement . . . . .	(578,259)	4,630,039
Other . . . . .	311,128	---
2002/2003 retirement payouts . . . . .	895,399	447,790
	<u>\$ 19,896,316</u>	<u>\$ 24,951,559</u>

Collectability of the estimated receivable is dependent on obtaining approval for certain expenditures.

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

**4. Inventories:**

	<b>2003</b>	<b>2002</b>
Medical and surgical. . . . .	\$ 551,960	\$ 507,631
Drugs. . . . .	1,110,295	779,574
Food . . . . .	67,146	74,885
General . . . . .	<u>1,097,828</u>	<u>1,010,148</u>
	<u>\$ 2,827,229</u>	<u>\$ 2,372,238</u>

**5. Capital assets:**

	<b>2003</b>	<b>2002</b>
Land . . . . .	\$ 570,230	\$ 570,230
Land improvements . . . . .	2,091,610	2,277,640
Buildings and service equipment. . . . .	136,233,579	140,804,971
Equipment. . . . .	<u>14,570,138</u>	<u>15,833,233</u>
	<u>\$ 153,465,557</u>	<u>\$ 159,486,074</u>

**6. Accounts payable and accrued liabilities:**

	<b>2003</b>	<b>2002</b>
Accounts payable . . . . .	\$ 8,524,446	\$ 8,317,194
Due to Department of Health:		
Advances by Provincial Plan - current . . . . .	5,706,731	5,706,731
Employee deductions payable. . . . .	2,732,221	245,582
Accrued salaries:		
Salaries. . . . .	4,435,940	7,582,193
Vacation pay accrual. . . . .	3,291,308	5,376,012
Other accruals . . . . .	1,084,833	770,570
Department of Health new hospital construction. . . . .	938,749	938,749
Payable for equipment . . . . .	---	35,312
	<u>\$ 26,714,228</u>	<u>\$ 28,972,343</u>

**7. Retirement allowance:**

In the prior year, the Department of Health requested that Nova Scotia District Health Authorities recognize in their financial statements both the liability for retiring allowances and the related commitment by the Department of Health to fund same.

To promote consistency amongst Authorities, the Department engaged consulting actuaries to quantify for each Health Authority the retiring allowance liability and expense for years up to March 31, 2003 along with a projection of the expense and liability for the fiscal year ended March 31, 2003.

In compliance with the Department's request, the District Health Authority has recorded the following in respect of retiring allowances accrued up to March 31, 2003:

	<b>2003</b>	<b>2002</b>
Opening balance. . . . .	\$ 9,707,969	\$ 10,176,924
Retiring allowance expense computed with reference to the actuarial projection of expense for the period . . . . .	1,221,263	1,161,168
Actuarial allocation adjustment . . . . .	---	(1,130,123)
Retirement allowance payouts (estimated). . . . .	<u>(826,000)</u>	<u>(500,000)</u>
Funding receivable from the Department for the actual projected liability . . . . .	<u>\$ 10,103,232</u>	<u>\$ 9,707,969</u>

**8. Deferred contributions related to capital assets:**

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 deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the period are as follows:

	<b>2003</b>	<b>2002</b>
Balance beginning of year . . . . .	\$ 157,885,162	\$ 164,048,366
Additional contributions received . . . . .	6,886,738	3,190,508
Less amounts amortized to revenue . . . . .	<u>(9,558,638)</u>	<u>(9,353,712)</u>
	<u>\$ 155,213,262</u>	<u>\$ 157,885,162</u>

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

	<b>2003</b>	<b>2002</b>
Unamortized capital contributions used to purchase assets . . . . .	\$ 152,720,581	\$ 157,885,162
Unspent contributions . . . . .	<u>2,492,681</u>	<u>---</u>
	<u>\$ 155,213,262</u>	<u>\$ 157,885,162</u>

**9. Investment in capital assets:**

a) Investment in capital assets is calculated as follows:

	<b>2003</b>	<b>2002</b>
Capital assets . . . . .	\$ 153,465,557	\$ 159,486,074
Amounts financed by:		
Deferred contributions - spent . . . . .	<u>152,720,581</u>	<u>157,885,162</u>
	<u>\$ 744,976</u>	<u>\$ 1,600,912</u>

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

	<b>2003</b>	<b>2002</b>
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets . . . . .	\$ 9,558,638	\$ 9,353,712
Amortization of capital assets . . . . .	<u>9,564,518</u>	<u>9,443,985</u>
	<u>\$ (5,880)</u>	<u>\$ (90,273)</u>
Net change in investment in capital assets:		
Capital assets acquired . . . . .	\$ 3,544,001	\$ 3,218,700
Amounts funded by deferred contributions . . . . .	<u>4,394,057</u>	<u>3,190,508</u>
	<u>\$ (850,056)</u>	<u>\$ 28,192</u>

**10. Related party transactions:**

The Hospital is related to the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation, Glace Bay Healthcare Corporation Charitable Foundation, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital 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, 2003 the following amounts were due from the Foundations with comparative figures:

	<b>2003</b>	<b>2002</b>
Cape Breton Regional Hospital Foundation . . . . .	\$ 187,895	\$ 118,661
Northside Hospital Charitable Foundation . . . . .	38,648	45,905
Inverness Consolidated Memorial Hospital Foundation . . . . .	196,961	49,639
Buchanan Memorial Hospital Foundation . . . . .	464,031	499,031
New Waterford Consolidated Charitable Foundation . . . . .	<u>---</u>	<u>70,350</u>
	<u>\$ 887,535</u>	<u>\$ 783,586</u>

**11. Contingencies:**

Law suits:

The Health Authority has been named a defendant in several law suits.

The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that the Province of Nova Scotia, Department of Health and Community Services, will provide the necessary funding to meet obligations, if any, which may result from the legal actions.

**12. Comparative figures:**

Certain March 31, 2002 figures have been reclassified to conform to the financial statement presentation adopted for the current year.



## AUDITORS' REPORT

To the Chairperson and Members  
Cape Breton -Victoria Regional School Board  
George Street  
Sydney, Nova Scotia

We have audited the balance sheets of the Cape Breton-Victoria Regional School Board as at March 31, 2003, and the statement of operations for the year then ended. These financial statements are the responsibility of the Cape Breton-Victoria 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 Canadian 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 Cape Breton-Victoria Regional School Board as at March 31, 2003, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles established for school boards in the Province of Nova Scotia.

ROACH PERRY ANDERSON  
Chartered Accountants

Sydney, Nova Scotia  
June 16, 2003

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Consolidated Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
<b>Financial Assets</b>		
Accounts receivable		
Province of Nova Scotia (Note 2) . . . . .	\$ 4,133,333	\$ 815,771
First Nation. . . . .	269,523	502,796
Government of Canada (Note 3). . . . .	521,407	404,436
Other. . . . .	633,065	365,701
Prepaid expenses . . . . .	656,294	608,308
Cash restricted for teachers service award. . . . .	3,874	3,874
	<u>6,217,496</u>	<u>2,700,886</u>
<b>Other Assets</b>		
Deferred Service Awards (Note 4) . . . . .	4,231,268	3,828,695
<b>Restricted Assets</b>		
Cash and investments - Scholarships. . . . .	376,173	380,842
<b>Fixed Assets (Note 5)</b>		
School buildings, land. . . . .	56,096,215	56,096,215
Interest in properties. . . . .	16,741,646	16,135,801
Equipment and furnishings. . . . .	13,063,171	13,063,171
School buses and maintenance vehicles . . . . .	9,017,668	9,116,977
Assets under capital leases. . . . .	137,151	137,151
	<u>95,055,851</u>	<u>94,549,315</u>
	\$ <u>105,880,788</u>	\$ <u>101,459,738</u>

**LIABILITIES**

<b>Liabilities</b>		
Bank Indebtedness. . . . .	\$ 553,472	\$ 837,475
Payables and Accruals - Trade . . . . .	4,043,425	949,143
Deferred Revenues . . . . .	943,852	550,936
	<u>5,540,749</u>	<u>2,337,554</u>
<b>Other Liabilities</b>		
Teachers' Service Awards, In Trust . . . . .	3,874	3,874
Teachers' Training Fund . . . . .	50,000	50,000
Service Awards . . . . .	4,231,268	3,828,695
	<u>4,285,142</u>	<u>3,882,569</u>
	9,825,891	6,220,123

**EQUITY**

<b>Reserves</b>		
Scholarship trust fund reserve. . . . .	376,173	380,842
<b>Surplus . . . . .</b>		
Investment in capital assets. . . . .	622,873	309,458
	95,055,851	94,549,315
	<u>95,678,724</u>	<u>94,858,773</u>
	\$ <u>105,880,788</u>	\$ <u>101,459,738</u>

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Operating Fund Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Financial Assets		
Accounts Receivable		
Province of Nova Scotia (Note 3) . . . . .	\$ 4,133,333	\$ 815,771
First Nation. . . . .	269,523	502,796
Government of Canada. . . . .	521,407	404,436
Other. . . . .	633,065	365,701
Prepaid expenses . . . . .	656,294	608,308
Cash restricted for teachers' service awards . . . . .	3,874	3,874
	<u>6,217,496</u>	<u>2,700,886</u>
Other assets		
Deferred Service Awards (Note 4). . . . .	4,231,268	3,828,695
	<u>4,231,268</u>	<u>3,828,695</u>
	\$ <u>10,448,764</u>	\$ <u>6,529,581</u>

**LIABILITIES**

Liabilities		
Bank Indebtedness. . . . .	\$ 553,472	\$ 837,475
Payables and Accruals - Trade . . . . .	4,043,425	949,143
Deferred Revenues . . . . .	943,852	550,936
	<u>5,540,749</u>	<u>2,337,554</u>
Other Liabilities		
Teachers' Service Awards, In Trust . . . . .	3,874	3,874
Teacher Training Fund . . . . .	50,000	50,000
Service Awards . . . . .	4,231,268	3,828,695
	<u>4,285,142</u>	<u>3,882,569</u>
	9,825,891	6,220,123

**EQUITY**

Surplus. . . . .	<u>622,873</u>	<u>309,458</u>
	\$ <u>10,448,764</u>	\$ <u>6,529,581</u>

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Statement of Operations  
Year ended March 31, 2003**

	<b>2003</b>		<b>2003</b>		<b>2002</b>
	Budget		Actual		Actual
<b>Revenue (Schedule A)</b>					
Province of Nova Scotia . . . . .	\$ 99,606,962	\$	101,488,456	\$	99,875,317
Government of Canada . . . . .	195,000		153,647		181,782
First Nation Tuition Revenue . . . . .	717,000		841,903		717,260
Municipal Contributions . . . . .	11,222,100		11,222,075		11,378,972
Other Revenues . . . . .	3,208,893		4,067,514		3,076,369
Surplus - Prior Year . . . . .	309,458		309,458		---
	<u>115,259,413</u>		<u>118,083,053</u>		<u>115,229,700</u>
Transfer from reserve . . . . .	35,000		---		107,765
	<u>115,294,413</u>		<u>118,083,053</u>		<u>115,337,465</u>
<b>Expenditures (Schedule B)</b>					
Board Governance . . . . .	271,638		263,934		269,707
Regional Management . . . . .	2,476,548		2,423,117		2,413,522
School Management & Support . . . . .	12,202,927		12,005,563		11,370,656
Instructional & School Services . . . . .	68,771,370		68,768,078		69,018,092
Student Support . . . . .	11,910,696		11,815,798		10,803,301
Adult & Community Education . . . . .	596,672		562,714		514,024
Property Services . . . . .	11,951,542		14,410,793		12,682,563
Student Transportation . . . . .	5,164,133		5,138,390		4,937,226
Other Programs . . . . .	1,948,887		2,071,793		2,023,087
Deficit - Prior Year . . . . .	---		---		995,829
	<u>115,294,413</u>		<u>117,460,180</u>		<u>115,028,007</u>
Annual Operating Surplus . . . . .	\$ <u>---</u>	\$	<u>622,873</u>	\$	<u>309,458</u>

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Statement of Surplus  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Surplus (Deficit), Beginning of Year . . . . .	\$ 309,458	\$ (995,829)
Surplus (Deficit) Transferred to Current Operations . . . . .	<u>(309,458)</u>	<u>995,829</u>
	---	---
Excess of Revenue over Expenditure . . . . .	622,873	309,458
Surplus, End of Year . . . . .	<u>\$ 622,873</u>	<u>\$ 309,458</u>

**Capital Fund Balance Sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Fixed assets (Note 5)		
School buildings, land . . . . .	\$ 56,096,215	\$ 56,096,215
Interest in properties . . . . .	16,741,646	16,135,801
Equipment and furnishings . . . . .	13,063,171	13,063,171
School buses and maintenance vehicles . . . . .	9,017,668	9,116,977
Assets under capital leases . . . . .	137,151	137,151
	<u>\$ 95,055,851</u>	<u>\$ 94,549,315</u>
<b>EQUITY</b>		
Investment in Capital Assets . . . . .	<u>\$ 95,055,851</u>	<u>\$ 94,549,315</u>

**Statement of Investment in Capital Assets  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Balance, beginning of year . . . . .	\$ 94,549,315	\$ 91,315,699
Capital purchases funded from operations:		
Interest in properties . . . . .	605,845	1,714,717
Equipment and furnishings . . . . .	---	794,971
School buses and maintenance vehicles . . . . .	<u>207,202</u>	<u>1,404,746</u>
	813,047	3,914,434
	95,362,362	95,230,133
Retirement of school buses and vehicles . . . . .	(306,511)	(680,818)
Balance, end of year . . . . .	<u>\$ 95,055,851</u>	<u>\$ 94,549,315</u>

See accompanying notes to financial statements.

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Scholarship Trust Fund Balance sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Cash and investments .....	\$ <u>376,173</u>	\$ <u>380,842</u>

**RESERVE FOR SCHOLARSHIPS**

Rossetti Scholarship .....	\$ 161,938	\$ 163,791
Townsend Scholarship .....	1,023	1,010
McDonagh Scholarship .....	5,232	5,121
Panagiotakos Scholarship .....	9,164	9,026
McQuarrie Scholarship .....	3,198	3,206
Annie Hall Scholarship .....	2,031	2,018
C.J.C.B. Scholarship .....	4,475	4,386
Daniel Munroe Scholarship .....	3,118	3,201
John D. MacLeod Scholarship .....	1,025	1,048
Annie Bell Grady Memorial .....	20,643	21,113
T.L. Sullivan Memorial .....	2,047	2,098
Mary Elizabeth Brennan Scholarship .....	2,355	2,405
William Hillchie Memorial .....	3,107	3,142
Isabel MacDermid Memorial .....	3,407	3,329
Wendell Coldwell Memorial .....	2,047	2,103
Jon David Corbett .....	3,072	3,147
Leonard Matheson .....	1,394	1,415
Ellen Dunn Balah .....	4,745	5,139
George MacKay Bursary .....	142,152	144,144
	\$ <u>376,173</u>	\$ <u>380,842</u>

## CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Scholarship Trust Fund Reserve  
Year ended March 31, 2003

	<u>Rossetti</u>	<u>Townsend</u>	<u>McDonagh</u>	<u>Panagiotakos</u>	<u>McQuarrie</u>	<u>Annie Hall</u>	<u>CJCB</u>	<u>Munro</u>
Balance, beginning of year . . . . . \$	163,792 \$	1,010 \$	5,122 \$	9,026 \$	3,206 \$	2,018 \$	4,385 \$	3,202
Interest earned . . . . .	<u>2,296</u>	<u>58</u>	<u>310</u>	<u>538</u>	<u>172</u>	<u>113</u>	<u>90</u>	<u>66</u>
	166,088	1,068	5,432	9,564	3,378	2,131	4,475	3,268
Scholarship awarded. . . . .	<u>4,150</u>	<u>45</u>	<u>200</u>	<u>400</u>	<u>180</u>	<u>100</u>	<u>---</u>	<u>150</u>
Balance, end of year . . . . . \$	<u><u>161,938</u></u>	<u><u>1,023</u></u>	<u><u>5,232</u></u>	<u><u>9,164</u></u>	<u><u>3,198</u></u>	<u><u>2,031</u></u>	<u><u>4,475</u></u>	<u><u>3,118</u></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 . . . . . \$	1,048 \$	21,114 \$	2,098 \$	2,405 \$	3,142 \$	3,328 \$	2,103
Interest earned . . . . .	<u>22</u>	<u>429</u>	<u>44</u>	<u>50</u>	<u>65</u>	<u>179</u>	<u>44</u>
	1,070	21,543	2,142	2,455	3,207	3,507	2,147
Scholarship awarded. . . . .	<u>45</u>	<u>900</u>	<u>95</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Balance, end of year . . . . . \$	<u><u>1,025</u></u>	<u><u>20,643</u></u>	<u><u>2,047</u></u>	<u><u>2,355</u></u>	<u><u>3,107</u></u>	<u><u>3,407</u></u>	<u><u>2,047</u></u>

	<u>Corbert</u>	<u>Matheson</u>	<u>Dunn Balah</u>	<u>MacKay</u>	<u>2003 Total</u>	<u>2002 Total</u>
Balance, beginning of year . . . . . \$	3,147 \$	1,415 \$	5,139 \$	144,142	\$ 380,842 \$	\$ 383,515
Interest earned . . . . .	<u>65</u>	<u>29</u>	<u>106</u>	<u>1,983</u>	<u>6,659</u>	<u>19,093</u>
	3,212	1,444	5,245	146,125	387,501	402,608
Scholarship awarded. . . . .	<u>140</u>	<u>50</u>	<u>500</u>	<u>3,973</u>	<u>11,328</u>	<u>21,766</u>
Balance, end of year . . . . . \$	<u><u>3,072</u></u>	<u><u>1,394</u></u>	<u><u>4,745</u></u>	<u><u>142,152</u></u>	<u><u>376,173</u></u>	<u><u>380,842</u></u>

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Notes to Financial Statements  
Year ended March 31, 2003**

The Cape Breton-Victoria 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 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. Employee salaries are not accrued and only amounts paid during the fiscal year are recorded as expenses.

(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, have not been recorded in the capital fund. The School Board does not record depreciation on its fixed assets.

**2. ACCOUNTS RECEIVABLE, PROVINCE OF NOVA SCOTIA**

	<b>2003</b>		<b>2002</b>
TCA Capital . . . . .	\$ 237,679	\$	---
Special Capital Project . . . . .	219,489		---
Information Economy Initiative . . . . .	90,480		---
Staff salary increase . . . . .	2,909,019		544,893
Sabbaticals . . . . .	228,846		---
Renovation South End Community Centre . . . . .	120,000		120,000
Library Books/ Materials P-3 Schools/Boularderie . . . . .	---		55,969
Gas Tax Rebate . . . . .	41,739		33,045
MacDonald High . . . . .	179,131		---
Other . . . . .	106,950		61,864
	<u>\$ 4,133,333</u>	\$	<u>815,771</u>



**3. ACCOUNTS RECEIVABLE, GOVERNMENT OF CANADA**

	<b>2003</b>	<b>2002</b>
Harmonized sales tax .....	\$ 404,867	\$ 240,939
French Minority/French Special Projects .....	116,540	122,005
Other .....	---	41,492
	<u>\$ 521,407</u>	<u>\$ 404,436</u>

**4. DEFERRED SERVICE AWARDS**

Beginning April 1, 2002, the Province of Nova Scotia is assuming responsibility for the payment of Service Awards pursuant to the two Cape Breton Victoria Local NSTU collective agreements and School Board Policy. The Province has determined the actuarial liability for future service award payment to be recorded on the books of school boards at March 31, 2002.

**5. 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.

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.

**6. DEFERRED TEACHERS' SALARIES**

Under the 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, 2003, the Board had \$609,235 (\$725,585 at March 31, 2002) of such funds on deposit together with a corresponding liability to these teachers which amounts have not been included in these financial statements.

**7. 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.

**8. INSURANCE**

The Board is a member of the School Insurance Exchange, which provides all insurance coverage, except for fleet insurance, which is contracted to a private carrier.

**9. RELATED PARTY TRANSACTIONS**

These financial statements do not include certain expenditures paid on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments,
- P-3 school and facilities leases and operating costs, and
- Payments for the teachers' pension plans and medical premiums.

**10. COMPARATIVE FIGURES**

The presentation of certain accounts of the previous year, presented for comparative purposes, has been changed to conform with the presentation adopted for the current year.

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Schedule A - Supplementary Details of Revenue  
Year ended March 31, 2003**

	<b>2003</b>		<b>2003</b>		<b>2002</b>
	<b>Budget</b>		<b>Actual</b>		<b>Actual</b>
Province of Nova Scotia					
Operating .....	\$ 90,379,600	\$	91,270,579	\$	87,722,004
Restricted. ....	7,716,500		7,716,500		7,671,200
Capital. ....	90,000		---		---
Emergency Capital. ....	395,200		1,255,700		1,836,756
Other. ....	1,025,662		914,284		2,645,357
Recoveries - MacDonald High. ....	---		331,393		---
	<u>          </u>		<u>          </u>		<u>          </u>
Total Province of Nova Scotia	\$ <u>99,606,962</u>	\$	\$ <u>101,488,456</u>	\$	\$ <u>99,875,317</u>
 Other Revenues					
Board Generated - Other .....	1,563,932		1,590,987		1,683,860
Other Revenue - Schools. ....	701,220		726,844		680,959
Tuition - Students. ....	260,000		370,883		192,100
Rentals. ....	39,000		46,737		39,367
Investment Interest. ....	150,000		104,066		154,445
Insurance Recoveries. ....	---		595,914		---
Sale of Assets. ....	9,939		21,271		19,024
Grants - Non-Governmental. ....	484,802		610,812		614,724
Unrealized Rev. (Sal. Con.). ....	---		---		(308,110)
	<u>          </u>		<u>          </u>		<u>          </u>
Total Other Revenue	\$ <u>3,208,893</u>	\$	\$ <u>4,067,514</u>	\$	\$ <u>3,076,369</u>

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Schedule B - Supplementary Details of Expenditures  
Year ended March 31, 2003**

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>Board Governance</b>			
Salaries, Wages and Employee Benefits . . . . .	150,580	151,502	157,997
Office Supplies . . . . .	5,000	6,479	3,479
Meterage/In Service/Conference/Meetings. . . . .	42,400	31,715	32,216
NSSBA Dues . . . . .	<u>73,658</u>	<u>74,238</u>	<u>76,015</u>
<b>Total Board Governance</b>	\$ <u>271,638</u>	\$ <u>263,934</u>	\$ <u>269,707</u>
<b>Regional Management</b>			
Salaries, Wages and Employee Benefits . . . . .	1,865,170	1,859,789	1,696,376
Supplies, Materials & Equipment. . . . .	195,462	174,885	143,048
Telephone. . . . .	49,200	44,867	44,226
Meterage/In Service/ Conference/ Meetings. . .	48,800	47,187	46,293
Insurance . . . . .	85,816	88,310	63,568
Professional Fees. . . . .	175,000	134,018	354,406
Other. . . . .	<u>57,100</u>	<u>74,061</u>	<u>65,605</u>
<b>Total Regional Management</b>	\$ <u>2,476,548</u>	\$ <u>2,423,117</u>	\$ <u>2,413,522</u>
<b>School Management &amp; Support</b>			
Salaries, Wages and Employee Benefits . . . . .	11,407,361	11,281,102	10,968,826
Supplies, Materials & Equipment . . . . .	195,920	124,015	45,838
Professional Development . . . . .	578,846	578,846	340,356
Meterage/In Service/Conference/Meetings. . . . .	<u>20,800</u>	<u>21,600</u>	<u>15,636</u>
<b>Total School Management</b>	\$ <u>12,202,927</u>	\$ <u>12,005,563</u>	\$ <u>11,370,656</u>
<b>Instructional &amp; School Services</b>			
Salaries, Wages and Employee Benefits . . . . .	65,661,405	65,773,927	66,038,441
Supplies, Materials & Equipment . . . . .	1,517,665	1,331,762	1,394,452
Telephone . . . . .	396,600	439,788	378,709
Circuit Meterage . . . . .	155,000	189,827	147,981
French Minority . . . . .	47,000	37,581	34,409
Textbook Credit Allocation . . . . .	<u>993,700</u>	<u>995,193</u>	<u>1,024,100</u>
<b>Total Instruction</b>	\$ <u>68,771,370</u>	\$ <u>68,768,078</u>	\$ <u>69,018,092</u>
<b>Student Support</b>			
Salaries, Wages and Employee Benefits . . . . .	11,855,463	11,787,999	10,749,016
Supplies, Materials & Equipment . . . . .	<u>55,233</u>	<u>27,799</u>	<u>54,285</u>
<b>Total Student Support</b>	\$ <u>11,910,696</u>	\$ <u>11,815,798</u>	\$ <u>10,803,301</u>

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Schedule B - Supplementary Details of Expenditures (continued)**  
**Year ended March 31, 2003**

	<b>2003</b>	<b>2003</b>	<b>2002</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Adult &amp; Community Education</b>			
Adult Day School .....	517,294	484,464	440,540
Adult Night School .....	<u>79,378</u>	<u>78,250</u>	<u>73,484</u>
<b>Total Adult Education</b>	\$ <u><u>596,672</u></u>	\$ <u><u>562,714</u></u>	\$ <u><u>514,024</u></u>
<b>Property Services</b>			
Salaries, Wages and Employee Benefits .....	5,266,317	5,293,072	4,847,077
Supplies, Materials & Equipment .....	915,000	959,101	1,003,316
Utilities & Fuel .....	3,644,544	3,773,507	3,386,863
Meterage/In Service/ Conference/Meetings .....	25,000	25,780	12,989
Contracted Services .....	542,172	673,952	701,188
Rental of Facilities .....	247,217	281,811	259,037
Insurance .....	426,092	424,884	315,624
Vehicle Operating .....	70,000	116,410	69,306
Operating & TCA Capital .....	815,200	1,925,510	2,087,163
Recoverable extraordinary expenses .....	<u>---</u>	<u>936,766</u>	<u>---</u>
<b>Total Property Services</b>	\$ <u><u>11,951,542</u></u>	\$ <u><u>14,410,793</u></u>	\$ <u><u>12,682,563</u></u>
<b>Student Transportation</b>			
Salaries, Wages and Employee Benefits .....	3,413,396	3,431,470	3,285,910
Vehicle Operating .....	1,505,037	1,428,404	1,402,073
Meterage/In Service/Conference/Meetings .....	21,500	24,820	17,583
Contract Conveyance .....	218,200	241,990	225,820
Other .....	<u>6,000</u>	<u>11,706</u>	<u>5,840</u>
<b>Total Student Transportation</b>	\$ <u><u>5,164,133</u></u>	\$ <u><u>5,138,390</u></u>	\$ <u><u>4,937,226</u></u>
<b>Other Programs</b>			
Summer School .....	23,000	25,475	5,855
Cafeteria .....	611,220	653,851	597,372
Grant Expenditures .....	483,802	610,812	629,792
Technology (Capital) .....	175,000	153,797	225,358
Information Economy Initiative .....	413,265	383,087	390,978
Technology Refresh (P-3 Schools) .....	<u>242,600</u>	<u>244,771</u>	<u>173,732</u>
<b>Total Other Programs</b>	\$ <u><u>1,948,887</u></u>	\$ <u><u>2,071,793</u></u>	\$ <u><u>2,023,087</u></u>

**CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD**

**Schedule C - Supplementary Details of Grant Revenue and Expenditure  
Year Ended March 31, 2003**

From time to time, the Board receives funding for specific expenditure purposes. The Board accounts for such funding on a net expenditure basis so as not to distort the comparison of its actual expenditures within the context of their budgetary framework. A summary of the total funding and related expenditures for the year is presented below.

<b>Program</b>	<b>Revenue</b>	<b>Expenditure</b>
Child youth services . . . . .	\$ 109,144	\$ 109,144
Anti-racism . . . . .	4,186	4,186
Special Ed . . . . .	9,643	9,643
Reading recovery . . . . .	12,995	12,995
Breakfast Program. . . . .	83,055	83,055
Conservatory of music . . . . .	33,413	33,413
Cornwallis & Cusack . . . . .	642	642
Mountainview. . . . .	3,411	3,411
English as second language. . . . .	3,705	3,705
Heritage. . . . .	2,479	2,479
Grassroots . . . . .	52,610	52,610
N.S. International Students. . . . .	228,698	228,698
4 Plus . . . . .	34,613	34,613
Baddeck - J.H.N.W. . . . .	513	513
George D. Lewis . . . . .	3,332	3,332
Morrison. . . . .	513	513
St. Mikes . . . . .	513	513
Sydney Mines. . . . .	2,592	2,592
S.P.E.C. . . . .	1,861	1,861
Thompson. . . . .	1,192	1,192
Rankin. . . . .	1,621	1,621
Malcolm Munroe. . . . .	12,541	12,541
MacLennan . . . . .	513	513
MacDonald Complex . . . . .	513	513
Dr. T.L. Sullivan . . . . .	2,268	2,268
Donkin. . . . .	687	687
Breton Education Ctr. . . . .	513	513
Whitney Pier Memorial. . . . .	513	513
Bridgeport . . . . .	950	950
Cabot. . . . .	1,042	1,042
Gaelic Language & Jr. High Networking. . . . .	541	541
	<u>\$ 610,812</u>	<u>\$ 610,812</u>

## AUDITORS' REPORT

To the Board of Directors of  
Capital District Health Authority

We have audited the statement of financial position - operating and capital funds of the Capital District Health Authority ("Capital Health") as at March 31, 2003 and the statements of fund balances, revenues and expenditures, and cash flow for the year then ended. These financial statements are the responsibility of the Capital Health's management. Our responsibility is to express an opinion on these financial statements base on our audit.

We conducted our audit in accordance with Canadian 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 mangement, 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 Capital District Health as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ERNST & YOUNG LLP  
Chartered Accountants

Halifax, Canada  
May 16, 2003

**CAPITAL DISTRICT HEALTH AUTHORITY**  
(operating as Capital Health)

**Statement of Financial Position - Operating and Capital Funds**  
as at March 31, 2003

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
	(in thousands)			
<b>ASSETS</b>				
<b>Current</b>				
Cash & short term investments . . . . .	\$ 35,049	\$ 3,908	\$ 38,957	\$ 35,268
Accounts receivable . . . . .	24,588	---	24,588	29,318
Due from Department of Health . . . . .	20,772	---	20,772	21,469
Due from Department of Finance . . . . .	1,693	---	1,693	1,258
Due from Foundations . . . . .	1,030	---	1,030	893
Due (to) from other fund . . . . .	(11,305)	11,305	---	---
Inventories (note 3) . . . . .	5,119	---	5,119	5,584
Prepaid expenses . . . . .	1,908	---	1,908	1,841
Due from Provincial Drug Distribution Program . . . . .	404	---	404	265
	<u>79,258</u>	<u>15,213</u>	<u>94,471</u>	<u>95,896</u>
Other receivables . . . . .	2,611	---	2,611	2,759
Due from Department of Finance . . . . .	30,930	---	30,930	29,598
Restricted cash and short-term investments (notes 2 and 6) . . . . .	16,233	---	16,233	16,884
	<u>129,032</u>	<u>15,213</u>	<u>144,245</u>	<u>145,137</u>
Capital assets (note 4) . . . . .	---	225,630	225,630	229,754
Parking Garage project (note 11) . . . . .	---	7,092	---	---
	<u>\$ 129,032</u>	<u>\$ 247,935</u>	<u>\$ 376,967</u>	<u>\$ 374,891</u>

**LIABILITIES AND FUND BALANCE**

<b>Current</b>				
Accounts payable and accrued liabilities . . . . .	\$ 62,781	\$ ---	\$ 62,781	\$ 74,101
Deferred revenue (note 5) . . . . .	18,653	11,305	29,958	25,124
Current portion of long term debt (note 11) . . . . .	---	154	154	---
	<u>81,434</u>	<u>11,459</u>	<u>92,893</u>	<u>99,225</u>
Restricted liabilities (notes 2 and 6) . . . . .	16,233	---	16,233	16,884
	<u>97,667</u>	<u>11,459</u>	<u>109,126</u>	<u>116,109</u>
Long term debt (note 11) . . . . .	---	10,846	10,846	---
Employee future benefits (notes 2 and 7) . . . . .	31,365	---	31,365	29,017
	<u>129,032</u>	<u>22,305</u>	<u>151,337</u>	<u>145,126</u>
<b>Fund Balance</b>				
Operating surplus . . . . .	---	---	---	11
Investment in capital assets . . . . .	---	225,630	225,630	229,754
	<u>---</u>	<u>225,630</u>	<u>225,630</u>	<u>229,765</u>
	<u>\$ 129,032</u>	<u>\$ 247,935</u>	<u>\$ 376,967</u>	<u>\$ 374,891</u>

Contingencies and commitments (notes 8, 9, 10,11 and 12)  
See accompanying notes



**CAPITAL DISTRICT HEALTH AUTHORITY**  
(operating as Capital Health)

**Statement of Fund Balances**  
**Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>OPERATING FUND</b>		
<b>Balance, beginning of year</b> .....	\$ 11	\$ 11
Net revenues under expenditures. ....	---	---
	11	11
Other .....	(11)	---
	---	---
<b>Balance, end of year</b> .....	\$ ---	\$ 11

**INVESTMENT IN CAPITAL ASSETS**

<b>Capital Funding, beginning of year</b> .....	\$ 437,631	\$ 415,580
Capital funding for the year (Schedule C) .....	20,695	22,051
	458,326	437,631
<b>Accumulated amortization of capital funding, beginning of year</b> .....	(207,877)	(182,504)
Amortization of capital funding for the year .....	(24,819)	(25,373)
Accumulated amortization of capital funding, end of year .....	(232,696)	(207,877)
<b>Balance, end of year</b> .....	\$ 225,630	\$ 229,754

See accompanying notes

**CAPITAL DISTRICT HEALTH AUTHORITY**  
**(operating as Capital Health)**

**Statement of Revenues and Expenditures**  
**Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
		(in thousands)
<b>Operating</b>		
Revenues (Schedule A) . . . . .	\$ 515,512	\$ 510,388
Expenditures (Schedule B) . . . . .	<u>525,536</u>	<u>517,094</u>
<b>Results from operating activities</b> . . . . .	<u>(10,024)</u>	<u>(6,706)</u>
<b>Capital</b>		
Amortization of capital funding . . . . .	24,819	25,373
Depreciation . . . . .	<u>(24,819)</u>	<u>(25,373)</u>
	<u>---</u>	<u>---</u>
Provincial grants . . . . .	3,645	3,506
Retirement allowance (Note 7) . . . . .	<u>(3,645)</u>	<u>(3,506)</u>
	<u>---</u>	<u>---</u>
<b>Research</b>		
Revenues . . . . .	11,193	14,178
Expenditures . . . . .	<u>11,844</u>	<u>12,716</u>
	(651)	1,462
Opening balance . . . . .	<u>16,884</u>	<u>15,422</u>
Ending funds available for research . . . . .	16,233	16,884
Funds committed to future periods . . . . .	<u>16,233</u>	<u>16,884</u>
<b>Results from research activities</b> . . . . .	<u>---</u>	<u>---</u>
<b>Net revenues under expenditures before deficit funding</b> . . . . .	(10,024)	(6,706)
Operating deficit funding received from Department of Health . . . . .	<u>10,024</u>	<u>6,706</u>
<b>Net revenues under expenditures</b> . . . . .	<u>---</u>	<u>---</u>

See accompanying notes

**CAPITAL DISTRICT HEALTH AUTHORITY**  
(operating as Capital Health)

**Statement of Cash Flow**  
**Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
		(in thousands)
<b>OPERATING ACTIVITIES</b>		
Net revenues under expenditures - operating fund. . . . .	\$ (10,024)	\$ (6,706)
Items not requiring cash		
Depreciation. . . . .	24,819	25,373
Amortization of capital funding. . . . .	(24,819)	(25,373)
Changes in non-cash working capital items. . . . .	(2,556)	(8,037)
<b>Cash used in operating activities</b> . . . . .	<u>(12,580)</u>	<u>(14,743)</u>
<b>FINANCING ACTIVITIES</b>		
Operating deficit funding from Department of Health . . . . .	10,024	6,706
Other . . . . .	(11)	---
Capital funding (Schedule C). . . . .	20,695	22,051
Employee future benefits. . . . .	2,348	2,386
Parking Garage-Long term debt. . . . .	11,000	---
Restricted funding . . . . .	(651)	1,462
<b>Cash provided by financing activities</b> . . . . .	<u>43,405</u>	<u>32,605</u>
<b>INVESTING ACTIVITIES</b>		
Parking Garage Project . . . . .	(7,092)	---
Capital assets acquired (Schedule C) . . . . .	(20,695)	(22,051)
<b>Cash used in investing activities</b> . . . . .	<u>(27,787)</u>	<u>(22,051)</u>
<b>Net increase (decrease) in cash during the year</b> . . . . .	3,038	(4,189)
Cash position, beginning of year . . . . .	52,152	56,341
<b>Cash position, end of year</b> . . . . .	<u>55,190</u>	<u>52,152</u>
<b>Cash position, end of year is comprised as follows:</b>		
Cash and short - term investments . . . . .	38,957	35,268
Restricted cash and short-term investments . . . . .	16,233	16,884
	<u>\$ 55,190</u>	<u>\$ 52,152</u>

See accompanying notes

**CAPITAL DISTRICT HEALTH AUTHORITY  
(operating as Capital Health)**

**Notes to Financial Statements  
March 31, 2003**

**1. Nature of the Organization**

Effective January 1, 2001 Bill 34 of the Province of Nova Scotia created the Capital District Health Authority "Capital Health". Capital Health includes the QE11 Health Sciences Centre, Nova Scotia Hospital and the former Central Regional Health Board.

Capital Health is a non profit entity and, as such, is exempt from income tax.

**2. Significant Accounting Policies**

**Fund accounting**

Capital Health maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activities from capital activities.

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of Capital Health 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.

**Measurement Uncertainty**

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

**Inventories**

Inventories are stated at cost, being the lower of cost and replacement cost.

**Capital Assets**

Capital assets are recorded at cost and depreciated at the following annual rates:

Halifax Infirmary building	50 years straight-line
Dartmouth General Hospital and Hants building	40 years declining balance
Other buildings and additions	20 - 50 years straight-line
Equipment	10 years straight-line
Leasehold improvements	10 years straight-line
Information technology	5 years straight-line
Parking equipment	10 years straight-line
Paving	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 Capital Health's Board of Directors. The corresponding restricted liability represents the unexpended fund balance.

**Short - term investments**

Investments are stated at the lower of cost and market. Gains and losses on investments are recognized when realized. Any impairment in value is recorded when the market value has declined below the carrying value.

**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.

**Employee future benefits plans**

Employee future benefits include Retirement Allowances/Public Service Awards paid to employees upon retirement. Per Union Collective agreements employees are entitled to a payment of one weeks salary for every year of full time service that an employee has contributed to the organization. Annually, the Province of Nova Scotia contracts a third party to perform an Acturial Valuation for all government departments, government agencies and boards.

A liability for employee future benefits of \$30,930,064 has been included in the financial statements in the current year. The Province of Nova Scotia funds this liability so a receivable for the same amount has been recorded from the Department of Finance. The current year's net expense incurred for employee future benefits is \$3,644,528.

**Financial instruments**

The organization's primary financial instruments consist of receivables, payables and long-term debt. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short term maturities and the credit terms of those instruments with the exception of certain debt instruments (see Note 11).

**3. Inventories**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Drugs .....	\$ 3,396	\$ 3,511
General supplies .....	766	1,746
Medical Surgical .....	957	327
	<u>\$ 5,119</u>	<u>\$ 5,584</u>

**4. Capital Assets**

	<u>2003</u>		<u>2002</u>	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	(in thousands)			
Land .....	\$ 324	\$ ---	\$ 324	\$ ---
Land improvements .....	846	141	692	135
Halifax Infirmary building .....	110,023	14,267	110,023	12,066
Buildings and additions .....	74,640	34,425	74,640	33,093
Equipment .....	176,571	124,674	165,445	113,105
Leasehold improvements .....	62,960	26,449	54,129	20,498
Information technology .....	32,629	32,450	32,045	28,754
Parking equipment .....	20	9	20	7
Paving .....	313	281	313	219
	<u>458,326</u>	<u>232,696</u>	<u>437,631</u>	<u>207,877</u>
Less: accumulated depreciation ..	232,696		207,877	
	<u>\$ 225,630</u>		<u>\$ 229,754</u>	

**5. Deferred Revenue**

Deferred revenue in the operating fund of \$18,652,864 represents advance funding received from the Department of Health for the 2003/04 fiscal year. Deferred revenue in the capital fund of \$11,305,094 represents advance funding for capital equipment to be purchased subsequent to March 31, 2003.

**6. 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. For the fiscal year 2002/2003, research revenue totaled \$11,193,000 and research expenses totaled \$11,844,000, resulting in a net decrease of \$651,000.

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Centre for Clinical Research .....	\$ 14,104	\$ 14,877
Other .....	<u>2,129</u>	<u>2,007</u>
	<u>\$ 16,233</u>	<u>\$ 16,884</u>

**7. Employee Future Benefits**

Capital Health has provided for retirement allowances and life insurance as follows:

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>Accrued benefit liability</b>		
<b>Beginning balance, retiring allowances</b> .....	\$ 28,537	\$ 26,151
Current service cost for the year .....	1,992	1,791
Interest cost during the year .....	1,803	1,716
Amortization of experience loss .....	(151)	---
Estimated fiscal payments for employees .....	<u>(1,251)</u>	<u>(1,121)</u>
<b>Ending balance, retiring allowances</b> .....	30,930	28,537
Life insurance benefits .....	435	480
<b>Ending balance, accrued benefit liability</b> .....	<u>\$ 31,365</u>	<u>\$ 29,017</u>
<b>Employee future benefits expense</b>		
Current service costs .....	\$ 1,993	\$ 1,790
Interest on accrued benefits .....	1,803	1,716
Amortization of experience loss .....	(151)	---
	<u>\$ 3,645</u>	<u>\$ 3,506</u>

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2003:

	<b>Retirement Allowance</b>	<b>Life Insurance</b>
Discount rate	6.17%	7.5%
Retirement % at age 65	---	50.0%
Average age of employees	42.3	---
Average age of services	12.2	---
Future mortality rate	---	20.0%
Rate of compensation increase	3.65%	---

**8. Pension Funds**

**Public Service Superannuation Fund**

Most former employees of the Victoria General Hospital ("VGH"), Cancer Treatment and Research Foundation ("CTRF"), Nova Scotia Hospital ("NSH"), Public Health and Drug Dependency of the Central Regional Health Board belong to the Public Service Superannuation Fund ("the Plan"). The Plan is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Government Department of Finance administers the Plan. Capital Health is not responsible for any unfunded liability in this plan.

**Nova Scotia Association of Health Organizations**

Employees of the former Nova Scotia Rehabilitation Centre ("NSRC"), Camp Hill Medical Centre ("CHMC") and the Central Regional Health Board ("CRHB") 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 31, 2000 and showed a funding excess for the entire plan of over \$107,000,000. An extrapolation to December 31, 2002 was performed, which indicates a funding deficiency of \$36,200,000.

**Federal Superannuation Fund**

A small group of employees of the former Camp Hill Medical Centre ("CHMC") who were on staff when Camp Hill Hospital transferred from Federal to Provincial jurisdiction on May 29, 1978 and opted to continue in this pension plan. The Plan is funded by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Public Works and Government Services Canada administer the pension plan. Capital Health is not responsible for any unfunded liability in this plan.

Total employer contributions to the above mentioned plans is as follows:

	<b>2003</b>	<b>2002</b>
		(in thousands)
Employer contributions	\$ <u>14,989</u>	\$ <u>14,436</u>

**9. Long-Term Disability Plan**

**Public Service Long Term Disability Plan Trust Fund**

Employees of the former VGH, CTRF, NSH and Public Health/Drug Dependency from the Central Regional Health Board are members of this plan which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Plan is currently administered by the Province of Nova Scotia and NSGEU. The most recent actuarial valuation was conducted as at June 1, 2002 and disclosed an unfunded liability of approximately \$38,900,000.

**Nova Scotia Association of Health Organizations**

Employees of the former CHMC, QEII and the former CRHB are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Association of Health Organizations administers this long-term disability plan. The most recent actuarial valuation was completed as of September 30, 2002. An extrapolation to December 31, 2002 was performed, which indicates a funding deficiency of \$13,819,000.

**Canada Life Plan**

Employees of the former NS Rehabilitation Centre are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The plan is currently administered by Canada Life.

**10. Operating Lease Commitments**

Capital Health is committed to the following annual lease payments in each of the next five fiscal years ended March 31 (in thousands):

2004	\$3,049
2005	4,487
2006	3,997
2007	3,997
2008	3,997

**11. Long-Term Debt/Parking Garage**

	2003	2002
	(in thousands)	
Term loan . . . . .	\$ 11,000	\$ ---
Less: current portion . . . . .	154	---
	<u>\$ 10,846</u>	<u>---</u>

Capital Health received approval in 2002/2003 from its Board of Directors and the Department of Health to construct a new multi level parking garage at its Halifax Infirmary site. The parking garage is expected to be fully operational in the 2003/2004 fiscal year. As at March 31, 2003, a total cost of \$7,092,000 has been incurred for this project.

A debenture between Capital Health and the Nova Scotia Municipal Financing Corporation was signed on January 10, 2003 to finance this Capital Project. The Department of Health issued a letter dated December 10, 2002 confirming an intercept mechanism on its provincial grant payments to Capital Health in case of loan default.

The term loan amounting to \$11,000,000 bears interest at 5.913% and matures on January 9, 2023, and is repayable in semi-annual installments of principal and interest totalling \$478,961.

Principal repayments for each of the next five years are as follows:

<u>Fiscal</u>	(in thousands)
2004	\$ 154
2005	321
2006	340
2007	361
2008	383
Thereafter in aggregate	9,441
	<u>\$ 11,000</u>

**12. Contingency**

Capital Health is disputing amounts claimed by a consulting firm to the QEII 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, 2003. The costs of settlement of this matter, if any, will be recorded in the year of resolution.

**13. Comparative Figures**

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



**CAPITAL DISTRICT HEALTH AUTHORITY**  
(operating as Capital Health)

**Schedule of Revenues Operating Fund**  
Year ended March 31, 2003

	Operating	Provincial Funded Programs	Total 2003	Total 2002
	(in thousands)			
Department of Health . . . . .	\$ 369,531	\$ 88,037	\$ 457,568	\$ 449,125
Federal Government . . . . .	20,075	---	20,075	16,552
Non resident billings . . . . .	8,632	---	8,632	7,394
Preferred accommodation . . . . .	8,120	---	8,120	7,342
Other . . . . .	7,516	---	7,516	8,676
Dietary . . . . .	5,311	---	5,311	5,171
Lab and support services . . . . .	4,985	---	4,985	4,098
Medical education . . . . .	---	---	---	5,287
Workers Compensation Board . . . . .	3,305	---	3,305	3,237
<b>Revenues . . . . .</b>	<u>\$ 427,475</u>	<u>\$ 88,037</u>	<u>\$ 515,512</u>	<u>\$ 506,882</u>

## Schedule B

**Schedule of Expenditures Operating Fund**  
Year ended March 31, 2003

	Operating	Provincial Funded Research	Total 2003	Total 2002
	(in thousands)			
Compensation . . . . .	\$ 308,660	\$ 71,188	\$ 379,848	\$ 372,060
Med/ surgical Supplies . . . . .	38,459	3,960	42,419	38,495
Plant maintenance/utilities . . . . .	33,259	2,008	35,267	29,762
Drugs . . . . .	19,024	1,742	20,766	20,096
Other . . . . .	11,952	4,562	16,514	17,676
Lab/diagnostic supplies . . . . .	10,464	88	10,552	9,962
Purchased services . . . . .	8,938	1,376	10,314	15,266
Fees . . . . .	7,634	2,222	9,856	10,271
<b>Expenditures . . . . .</b>	<u>\$ 438,390</u>	<u>\$ 87,146</u>	<u>\$ 525,536</u>	<u>\$ 513,588</u>

**CAPITAL DISTRICT HEALTH AUTHORITY**  
**(operating as Capital Health)**

**Schedule of Changes in Capital**  
**Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>Capital Funding</b>		
Department of Health .....	\$ 8,101	\$ 9,678
Other .....	3,811	8,573
Clinical Research .....	1,081	143
Federal Government .....	5,565	700
Foundations .....	2,137	2,957
	<u>\$ 20,695</u>	<u>\$ 22,051</u>
 <b>Capital Expenditures</b>		
Leasehold improvements .....	\$ 8,831	\$ 11,825
Equipment .....	11,127	7,736
Land .....	154	---
Information technology .....	583	2,490
	<u>\$ 20,695</u>	<u>\$ 22,051</u>

CHECK INNS LIMITED

Balance Sheet  
year ended March 31, 2003

ASSETS

	2003	2002
	\$ <u>---</u>	\$ <u>---</u>

LIABILITIES

Current

Payables and Accruals

Department of Tourism and Culture . . . . .	\$ <u>89,907</u>	\$ <u>89,907</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>(89,910)</u>
	<u>(89,907)</u>	<u>(89,907)</u>
	\$ <u>---</u>	\$ <u>---</u>

Statement of Loss and Retained Earnings  
year ended March 31, 2003

	2003	2002
Expenses . . . . .	\$ <u>---</u>	\$ <u>---</u>
Retained earnings, beginning of year . . . . .	\$ (89,910)	\$ (89,910)
Net loss . . . . .	<u>---</u>	<u>---</u>
Retained earnings, end of year . . . . .	\$ <u>(89,910)</u>	\$ <u>(89,910)</u>

## 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, 2003 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 Canadian 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, 2003 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 is 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  
June 27, 2003

**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**

**Consolidated Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Current assets:		
Cash	\$ 9,595	\$ 9,395
Accounts receivable:		
Government of Canada (note 2) . . . . .	2,777,954	2,492,442
Province of Nova Scotia (note 3) . . . . .	5,513,322	3,027,473
Municipalities . . . . .	---	91,677
Other . . . . .	875,659	449,443
Prepaid expenses . . . . .	<u>535,383</u>	<u>397,159</u>
	9,711,913	6,467,589
Other assets:		
Accounts receivable, Province of Nova Scotia		
- Service awards (note 4) . . . . .	16,400,701	15,813,000
Restricted cash and investments . . . . .	<u>3,473,203</u>	<u>4,902,106</u>
	19,873,904	20,715,106
Capital assets (note 5):		
CCRSB Operations Centre assets,		
net of accumulated amortization of \$19,806. . . . .	2,448,060	---
School buildings and land . . . . .	83,024,541	83,024,541
Equipment and furnishings . . . . .	34,053,139	34,053,139
School buses and maintenance vehicles . . . . .	<u>12,240,650</u>	<u>11,558,551</u>
	131,766,390	128,636,231
	<u>\$ 161,352,207</u>	<u>\$ 155,818,926</u>

**LIABILITIES AND EQUITY**

	<b>2003</b>	<b>2002</b>
Current liabilities:		
Bank indebtedness . . . . .	\$ 1,389,215	\$ 447,839
Accounts payable and accrued liabilities . . . . .	8,842,596	5,220,336
Deferred revenue . . . . .	<u>834,028</u>	<u>696,947</u>
	11,065,839	6,365,122
Other liabilities:		
Service award liability (note 4) . . . . .	16,400,701	15,813,000
Deferred contributions - capital assets,		
net of accumulated amortization of \$8,333. . . . .	<u>991,667</u>	---
	17,392,368	15,813,000
Equity:		
Reserves . . . . .	3,473,203	4,902,106
Investment in capital assets . . . . .	129,379,360	128,697,261
Surplus - non-restricted . . . . .	<u>41,437</u>	<u>41,437</u>
	132,894,000	133,640,804
	<u>\$ 161,352,207</u>	<u>\$ 155,818,926</u>

See accompanying notes to financial statements.

**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**

**Operating Fund Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Current assets:		
Cash	\$ 9,595	\$ 9,395
Accounts receivable:		
Government of Canada (note 2) . . . . .	2,777,954	2,492,442
Province of Nova Scotia (note 3) . . . . .	5,513,322	3,027,473
Municipalities . . . . .	---	91,677
Other . . . . .	875,659	449,443
Prepaid expenses . . . . .	<u>535,383</u>	<u>397,159</u>
	9,711,913	6,467,589
Other assets:		
Accounts receivable, Province of Nova Scotia		
- Service awards (note 4) . . . . .	16,400,701	15,813,000
Restricted cash and investments . . . . .	<u>3,425,946</u>	<u>4,856,564</u>
	19,826,647	20,669,564
CCRSB Operations Centre assets, net of accumulated amortization of \$19,806 . . . . .	<u>2,448,060</u>	<u>---</u>
	<u>\$ 31,986,620</u>	<u>\$ 27,137,153</u>

**LIABILITIES AND EQUITY**

Current liabilities:		
Bank indebtedness . . . . .	\$ 1,389,215	\$ 447,839
Accounts payable and accrued liabilities . . . . .	8,842,596	5,220,336
Deferred revenue . . . . .	834,028	696,947
Due to own funds . . . . .	<u>3,486,976</u>	<u>4,917,594</u>
	14,552,815	11,282,716
Other liabilities:		
Service award liability (note 4) . . . . .	16,400,701	15,813,000
Deferred contributions - capital assets, net of accumulated amortization of \$8,333 . . . . .	<u>991,667</u>	<u>---</u>
	17,392,368	15,813,000
Equity:		
Surplus - non-restricted . . . . .	<u>41,437</u>	<u>41,437</u>
	<u>\$ 31,986,620</u>	<u>\$ 27,137,153</u>

See accompanying notes to financial statements.

**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**

**Statement of Operations  
Year ended March 31, 2003**

	<b>2003 Budget</b>		<b>2003 Actual</b>		<b>2002 Actual</b>
Revenue (schedule A):					
Province of Nova Scotia . . . . .	\$ 113,523,115	\$	117,684,038	\$	117,497,661
Government of Canada . . . . .	2,074,285		2,955,578		2,770,106
Appropriation from Councils . . . . .	19,839,500		19,839,535		19,264,623
Board operations . . . . .	2,997,031		3,991,349		3,587,746
	<u>\$ 138,433,931</u>	\$	<u>144,470,500</u>	\$	<u>143,120,136</u>
Expenditures (schedule B):					
Board governance . . . . .	\$ 352,684	\$	319,200	\$	319,055
Regional management . . . . .	3,273,576		3,339,460		3,623,426
School management and support . . . . .	12,991,346		14,366,917		13,875,104
Instruction and school services . . . . .	83,815,139		83,965,327		81,305,251
Student support . . . . .	14,097,067		14,976,004		13,800,002
Adult and community education . . . . .	640,872		823,464		662,717
Property services . . . . .	15,563,015		16,971,168		16,085,597
Pupil transportation . . . . .	8,420,370		8,167,392		7,675,855
Other programs . . . . .	1,304,862		2,052,380		1,808,328
Settlement of pension plans (note 6) . . . . .	---		900,000		---
Capital asset amortization . . . . .	---		19,806		---
Bad debt expense . . . . .	---		---		486,013
	<u>\$ 140,458,931</u>	\$	<u>145,901,118</u>	\$	<u>139,641,348</u>
Surplus (deficit) before reserve transfers . . . . .	<u>\$ (2,025,000)</u>	\$	<u>(1,430,618)</u>	\$	<u>3,478,788</u>
Transfers from (to) reserves . . . . .	<u>\$ 2,025,000</u>	\$	<u>1,430,618</u>	\$	<u>(3,477,630)</u>
Annual operating surplus . . . . .	<u>---</u>	\$	<u>---</u>	\$	<u>1,158</u>

**Statement of Surplus  
Year ended March 31, 2003**

		<b>2003</b>		<b>2002</b>
Surplus, beginning of year . . . . .	\$	41,437	\$	40,279
Annual operating surplus . . . . .		---		1,158
Surplus, end of year . . . . .	\$	<u>41,437</u>	\$	<u>41,437</u>

See accompanying notes to financial statements.

**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**

**Capital Fund Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Due from own funds . . . . .	\$ 61,030	\$ 61,030
Capital assets (note 5):		
School buildings and land . . . . .	83,024,541	83,024,541
Equipment and furnishings. . . . .	34,053,139	34,053,139
School buses and maintenance vehicles. . . . .	12,240,650	11,558,551
	<u>\$ 129,379,360</u>	<u>\$ 128,697,261</u>

**EQUITY**

Investment in capital assets . . . . .	<u>129,379,360</u>	<u>128,697,261</u>
	<u>\$ 129,379,360</u>	<u>\$ 128,697,261</u>

**Statement of Investment in Capital Assets  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Balance, beginning of year. . . . .	\$ 128,697,261	\$ 125,739,748
Capital asset purchases funded from operations:		
School buildings and land . . . . .	---	971,049
Equipment and furnishings. . . . .	---	1,188,418
School buses and maintenance vehicles. . . . .	---	32,755
School buses purchased by Province of Nova Scotia. . . . .	1,112,420	1,025,280
Donated capital assets:		
Equipment and furnishings. . . . .	---	263,632
	<u>1,112,420</u>	<u>3,481,134</u>
Retirement of capital assets:		
School buses and maintenance vehicles. . . . .	(430,321)	(523,621)
Balance, end of year . . . . .	<u>\$ 129,379,360</u>	<u>\$ 128,697,261</u>

See accompanying notes to financial statements.



**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**

**Reserve Fund Balance Sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Cash and investments .....	\$ 47,257	\$ 45,542
Due from own funds .....	<u>3,425,946</u>	<u>4,856,564</u>
	\$ <u>3,473,203</u>	\$ <u>4,902,106</u>
<b>RESERVES</b>		
Reserve for Instructional Program Enhancement .....	\$ 714,365	\$ 779,106
Reserve for School Advisory Councils .....	18,633	18,633
Reserve for future operations .....	2,685,121	4,051,000
Special Capital Reserve .....	13,856	13,692
Capital Reserve .....	<u>41,228</u>	<u>39,675</u>
	\$ <u>3,473,203</u>	\$ <u>4,902,106</u>

**Statement of Continuity of Reserves  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Balance, beginning of year .....	\$ 4,902,106	\$ 1,422,478
Interest earned .....	<u>1,717</u>	<u>1,998</u>
	4,903,823	1,424,476
Transfer to (from) current operations:		
Instructional Program Enhancement .....	(64,741)	(73,370)
Future operations .....	<u>(1,365,879)</u>	<u>3,551,000</u>
Balance, end of year .....	\$ <u>3,473,203</u>	\$ <u>4,902,106</u>

## CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

### Notes to Financial Statements Year ended March 31, 2003

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. Teachers' salaries are recorded on a cash basis.

##### (c) Capital assets and deferred contributions:

Capital assets are recorded at cost. Effective April 1, 2002 funding received through Provincial capital assistance programs for Tangible Capital Assets (TCA projects) are netted against the corresponding capital expenditures.

The Regional School Board also adopted a new accounting policy for all other newly acquired capital assets with the exception of school buses effective April 1, 2002. In previous years, the policy was to charge the full cost of capital projects to expenditures in the year in which they occurred as "capital out of revenue". The new policy charges a percentage of the original cost to each year over the useful life of the asset. This policy also sets thresholds for the identification of capital assets at a much higher level than was previously in place. As a result, the items previously identified as capital out of revenue are now recorded under their specific categories in the applicable departments. Funding received for capital assets other than TCA projects and school buses is recorded as deferred contributions for capital assets and is amortized in a systematic manner which corresponds to the amortization of the asset.

Effective April 1, 2001, the Province of Nova Scotia no longer provided funding to Boards for purchases of school buses assuming fully the responsibility and cost of purchasing. The total cost of school buses, paid by the Province has been treated as an addition to the capital assets and to the investment in 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 8) and interfund balances have been eliminated.

**2. Accounts receivable, Government of Canada:**

	<b>2003</b>	<b>2002</b>
Band Councils. . . . .	\$ 2,028,996	\$ 1,658,076
Harmonized Sales Tax. . . . .	659,719	785,804
Other. . . . .	89,239	48,562
	<u>\$ 2,777,954</u>	<u>\$ 2,492,442</u>

**3. Accounts receivable, Province of Nova Scotia:**

	<b>2003</b>	<b>2002</b>
French special projects. . . . .	\$ 151,997	\$ 481,036
Information Economy Initiative. . . . .	84,238	312,486
Retroactive wages. . . . .	3,512,957	652,511
Special capital projects. . . . .	332,995	986,000
Operations Centre. . . . .	1,000,000	---
Technology Refresh. . . . .	82,591	308,115
Other. . . . .	348,544	287,325
	<u>\$ 5,513,322</u>	<u>\$ 3,027,473</u>

**4. Service Award Program:**

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 the payment is to be made.

The Province of Nova Scotia is assumed responsibility for the payment of service awards for all qualifying school board employees effective April 1, 2002. As a result, school boards were required to make certain entries on their financial statements beginning with the year ending March 31, 2002, to record the value of projected liabilities, as well as a corresponding receivable from the Province of Nova Scotia. These entries have been determined by the Nova Scotia Department of Finance in relation to an independent actuarial valuation performed for them. This valuation calculated the present value of the service awards payable for past services for the Chignecto-Central Regional School Board to be \$16,400,701 as of March 31, 2003 (2002 - \$15,813,000). School boards are required to expense 1% of teachers' annual payroll. The changes in the balance during the year are attributed to \$938,000 in interest expense, \$36,299 in amortization of experience gains/losses, \$1,157,000 in benefits paid, and \$843,000 in current service costs.

**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. Pension plans:**

The Regional School Board's Canadian Union of Public Employees (CUPE) staff participate in a defined benefit pension plan held on behalf of the Regional School Board by the Nova Scotia School Boards Association. The latest actuarial valuation was performed on December 31, 2000 and indicated accrued pension benefits of \$4,937,300 and pension fund assets with market values of \$5,258,000.

The Regional School Board's Nova Scotia Government Employees Union (NSGEU) and non-union staff are covered by a pension plan established by the Province of Nova Scotia pursuant to the Public Service Superannuation Act.

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.

During the year the Regional School Board substantially completed all of the requirements for the transfer of several pension plans to NSSBA and PSSP. This transfer was initially approved in 2000 and resulted in settlement costs being accrued in the current year for a total amount of \$900,000. The major components of the settlement costs were legal and actuarial fees of \$82,000, reports and notices of \$18,000, deficiency in former plans of \$620,000, year 2000 service of \$150,000, and interest and penalty costs of \$30,000.

**7. Insurance:**

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

**8. Trust funds (schedules C and D):**

The following are trust fund balances as at March 31:

	<b>2003</b>	<b>2002</b>
ARHS Prize . . . . .	\$ 1,909	\$ 1,805
Biggs . . . . .	21,313	21,160
Blaikie . . . . .	1,936	2,355
Brine . . . . .	1,200	1,180
Campbell . . . . .	1,203	1,217
Chignecto Family . . . . .	7,367	7,833
Christie . . . . .	13,712	14,140
Class of Fifty . . . . .	465	1,465
Cole . . . . .	2,063	2,137
Coleman . . . . .	231	(19)
Decker . . . . .	6,011	6,242
Dempsey . . . . .	<u>146</u>	<u>191</u>
Balance carried- forward . . . . .	57,556	59,706

Balance carried- forward . . . . .	57,556	59,706
Devenne . . . . .	4,770	5,093
Dowe . . . . .	712	712
Dunbar . . . . .	3,002	3,010
Eaton . . . . .	1,398	1,352
Edwards . . . . .	3,841	3,319
Fields . . . . .	1,725	1,735
Fife . . . . .	37	(3,450)
Fulmer . . . . .	25,053	16,947
Gosse . . . . .	2,848	2,721
Harrison . . . . .	5,099	5,109
Hewson . . . . .	23,320	24,055
Hunter . . . . .	46,181	43,000
Kirkpatrick . . . . .	740	745
LaFarge . . . . .	10,000	10,000
Loggie . . . . .	14,038	12,000
MacInnes . . . . .	2,000	2,000
MacKenzie . . . . .	12,008	11,998
McBrien . . . . .	5,261	5,527
MacIver . . . . .	1,638	6,063
McIver . . . . .	6,057	1,581
Milner . . . . .	1,905	2,055
Parker . . . . .	2,852	2,763
Parrsboro Prize . . . . .	984	1,010
Puglsey . . . . .	79,006	78,841
Red Cross . . . . .	2,999	3,044
Roach . . . . .	1,202	1,175
Smith . . . . .	1,535	1,542
Sorge . . . . .	5,472	5,468
Stay-in-School . . . . .	13,980	13,988
Taylor . . . . .	9,245	10,000
Thompson . . . . .	12,999	13,399
Tingley . . . . .	13,329	13,278
Tye . . . . .	38,327	34,101
Wilkes . . . . .	5,886	5,620
	<u>\$ 417,005</u>	<u>\$ 399,507</u>

**9. Comparative Figures:**

Certain of the 2002 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2003. In the financial statements for the period ending March 31, 2002, capital equipment, repairs and renovations were \$2,192,222. These amounts have been reallocated to their specific categories in the applicable departments for this year's financial statement presentation.

**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**

**Schedule A - Supplementary Details of Revenue  
Year ended March 31, 2003**

	<b>2003 Budget</b>		<b>2003 Actual</b>		<b>2002 Actual</b>
Province of Nova Scotia:					
General formula . . . . .	\$ 104,314,600	\$	\$ 100,151,298	\$	\$ 102,249,000
Special education . . . . .	7,863,900		7,863,900		7,863,900
Textbook credit allocation . . . . .	1,260,900		1,256,171		1,208,000
Recovery of retroactive salary increases . . . . .	---		4,160,648		1,505,865
Special capital grants . . . . .	---		454,800		1,972,000
French special projects . . . . .	83,715		166,625		104,124
Service awards funding (note 4) . . . . .	---		1,744,701		824,000
Information Economy Initiative . . . . .	---		512,060		658,067
Special one time funding . . . . .	---		---		426,000
Adult High grant . . . . .	---		175,000		85,000
Early Identification Intervention Service . . . . .	---		433,845		281,827
Amortization of deferred contributions - capital assets . . . . .	---		8,333		---
Other . . . . .	---		793,294		319,878
	<u>\$ 113,523,115</u>	\$	<u>\$ 117,720,675</u>	\$	<u>\$ 117,497,661</u>
Government of Canada:					
Indian and Northern Affairs Canada . . . . .	\$ 1,800,000	\$	\$ 2,494,849	\$	\$ 2,320,528
Secretary of State:					
Minority language . . . . .	45,000		6,505		22,919
French special projects . . . . .	209,285		213,152		260,310
Employment and Immigration Canada . . . . .	20,000		183,195		75,792
Other . . . . .	---		21,240		90,557
	<u>\$ 2,074,285</u>	\$	<u>\$ 2,918,941</u>	\$	<u>\$ 2,770,106</u>
Appropriation from Councils:					
Municipality of Colchester . . . . .	\$ 4,729,356	\$	\$ 4,729,388	\$	\$ 4,509,016
Municipality of Cumberland . . . . .	2,646,115		2,646,114		2,571,864
Municipality of East Hants . . . . .	2,475,166		2,475,168		2,420,860
Municipality of Pictou . . . . .	3,504,902		3,504,900		3,457,176
Town of Amherst . . . . .	1,123,840		1,123,836		1,106,184
Town of New Glasgow . . . . .	1,219,961		1,219,956		1,175,832
Town of Oxford . . . . .	177,223		177,228		172,341
Town of Parrsboro . . . . .	136,294		136,294		137,148
Town of Pictou . . . . .	350,926		350,928		343,282
Town of Springhill . . . . .	368,278		368,280		363,936
Town of Stellarton . . . . .	555,253		555,252		494,124
Town of Stewiacke . . . . .	143,849		143,855		143,976
Town of Trenton . . . . .	237,162		237,156		236,232
Town of Truro . . . . .	1,925,563		1,925,568		1,887,708
Town of Westville . . . . .	245,612		245,612		244,944
	<u>\$ 19,839,500</u>	\$	<u>\$ 19,839,535</u>	\$	<u>\$ 19,264,623</u>

**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**

**Schedule A - Supplementary Details of Revenue (continued)**  
**Year ended March 31, 2003**

	<b>2003</b>		<b>2003</b>		<b>2002</b>
	<b>Budget</b>		<b>Actual</b>		<b>Actual</b>
Board operations:					
Cafeterias . . . . .	\$ 1,193,862	\$	1,266,427	\$	1,249,042
Investment interest . . . . .	330,000		220,617		370,540
Adult education fees . . . . .	105,000		102,851		79,138
Rentals . . . . .	438,782		414,701		459,402
Summer School . . . . .	31,000		40,983		29,945
International Student Program . . . . .	130,000		855,715		757,020
Public Private Partnership . . . . .	609,000		700,655		478,050
Other . . . . .	159,387		389,400		164,609
	<u>\$ 2,997,031</u>	\$	<u>3,991,349</u>	\$	<u>3,587,746</u>

**Schedule B - Supplementary Details of Expenditures**  
**Year ended March 31, 2003**

	<b>2003</b>		<b>2003</b>		<b>2002</b>
	<b>Budget</b>		<b>Actual</b>		<b>Actual</b>
Board governance:					
Member honorarium . . . . .	\$ 129,000	\$	129,000	\$	128,374
Secretarial wages . . . . .	23,065		20,593		20,000
Benefits . . . . .	11,957		12,010		11,553
Travel . . . . .	24,800		22,552		28,057
Telecommunications . . . . .	8,200		5,516		5,233
Supplies and materials . . . . .	13,800		5,667		7,081
Professional development . . . . .	37,200		37,200		32,025
Dues and fees . . . . .	94,662		86,662		86,662
School board elections . . . . .	10,000		---		70
	<u>\$ 352,684</u>	\$	<u>319,200</u>	\$	<u>319,055</u>

Regional management:					
Salaries and wages . . . . .	\$ 2,209,755	\$	2,074,410	\$	2,246,466
Employee benefits . . . . .	259,241		245,947		258,296
Travel . . . . .	98,230		69,205		106,115
Professional fees . . . . .	114,000		210,976		174,601
Consulting and contracted services . . . . .	20,000		118,393		69,357
Facilities rental . . . . .	23,832		7,944		23,831
Equipment . . . . .	22,500		68,442		70,511
Telecommunications . . . . .	101,300		81,634		97,446
Advertising . . . . .	49,000		42,617		53,421
Supplies and materials . . . . .	223,380		256,102		352,049
Professional development . . . . .	45,000		47,340		51,642
Administrative services . . . . .	107,338		116,450		116,971
Other . . . . .	---		---		2,720
	<u>\$ 3,273,576</u>	\$	<u>3,339,460</u>	\$	<u>3,623,426</u>

**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**

**Schedule B - Supplementary Details of Expenditures (Continued)**  
**Year ended March 31, 2003**

	<b>2003</b>		<b>2003</b>		<b>2002</b>
	<b>Budget</b>		<b>Actual</b>		<b>Actual</b>
<b>School management and support:</b>					
Salaries and wages . . . . .	\$ 10,065,475	\$	\$ 10,907,657	\$	\$ 10,623,724
Employee benefits . . . . .	465,380		568,576		427,299
Service awards (note 4) . . . . .	---		---		98,852
Travel . . . . .	105,163		119,593		119,636
Equipment . . . . .	140,681		219,387		810,491
Telecommunications . . . . .	99,600		66,992		60,301
Cirriculum development . . . . .	614,250		927,312		132,669
Supplies and materials . . . . .	501,498		857,173		845,480
Professional development . . . . .	999,299		700,227		756,652
	<u>\$ 12,991,346</u>	\$	<u>14,366,917</u>	\$	<u>13,875,104</u>
<b>Instruction and school services:</b>					
Salaries and wages . . . . .	\$ 74,309,442	\$	\$ 73,291,523	\$	\$ 71,822,968
Employee benefits . . . . .	4,476,639		4,469,266		4,359,731
Service awards (note 4) . . . . .	1,105,000		852,906		563,630
Service award interest expense . . . . .	---		938,000		1,017,000
Travel . . . . .	61,132		47,706		132,786
Equipment . . . . .	102,450		626,323		71,291
Telecommunications . . . . .	507,070		486,154		491,447
Textbook credit allocation . . . . .	1,260,900		1,256,850		1,208,000
Cirriculum development . . . . .	41,189		54,672		80,027
Supplies and materials . . . . .	1,951,317		1,932,464		1,553,596
Professional development . . . . .	---		9,463		4,775
	<u>\$ 83,815,139</u>	\$	<u>83,965,327</u>	\$	<u>81,305,251</u>
<b>Student support:</b>					
Salaries and wages . . . . .	\$ 12,801,630	\$	\$ 13,114,550	\$	\$ 12,426,622
Employee benefits . . . . .	1,014,823		1,142,338		1,030,107
Travel . . . . .	86,114		80,723		104,311
Equipment . . . . .	---		5,323		34,713
Telecommunications . . . . .	28,000		24,239		24,716
Supplies and materials . . . . .	166,500		593,746		120,969
Professional development . . . . .	---		15,085		58,564
	<u>\$ 14,097,067</u>	\$	<u>14,976,004</u>	\$	<u>13,800,002</u>
<b>Adult and community education:</b>					
Salaries and wages . . . . .	\$ 500,280	\$	\$ 595,300	\$	\$ 502,812
Employee benefits . . . . .	51,592		67,332		55,028
Travel . . . . .	5,500		9,691		8,279
Facilities rental . . . . .	2,500		25		140
Equipment . . . . .	---		47,176		20,491
Telecommunication . . . . .	11,500		16,598		15,675
Adverstising . . . . .	25,000		21,932		24,102
Supplies and materials . . . . .	43,000		60,947		35,315
Professional development . . . . .	1,500		4,463		875
	<u>\$ 640,872</u>	\$	<u>823,464</u>	\$	<u>662,717</u>



**CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD**

**Schedule B - Supplementary Details of Expenditures (Continued)**  
**Year ended March 31, 2003**

	<b>2003</b>		<b>2003</b>		<b>2002</b>
	<b>Budget</b>		<b>Actual</b>		<b>Actual</b>
Property services:					
Salaries and wages .....	\$ 7,046,096	\$	7,196,855	\$	6,921,321
Employee benefits .....	1,161,438		1,357,433		1,130,323
Travel .....	29,630		22,467		31,319
Contracted services .....	322,334		418,977		447,194
Repairs and maintenance .....	1,573,350		1,683,783		2,427,556
Vehicle .....	---		95,239		107,055
Telecommunications .....	47,800		66,610		61,998
Supplies and materials .....	488,000		421,723		479,703
Utilities .....	4,466,815		5,250,283		4,086,578
Professional development .....	500		10,192		51,402
Insurance .....	427,052		447,606		341,148
	<u>\$ 15,563,015</u>	\$	<u>16,971,168</u>	\$	<u>16,085,597</u>
Pupil transportaton:					
Salaries and wages .....	\$ 4,176,342	\$	3,978,681	\$	3,747,494
Employee benefits .....	659,646		634,015		593,965
Travel .....	5,732		3,024		7,053
Equipment .....	15,000		44,799		24,784
Vehicle .....	1,189,000		1,122,030		1,107,023
Contract conveyance .....	2,100,000		1,945,026		1,964,025
Telecommunications .....	44,700		42,767		31,623
Supplies and materials .....	55,950		112,750		74,802
Utilities .....	59,000		76,379		36,119
Professional development .....	---		12,818		---
Insurance .....	115,000		195,103		88,967
	<u>\$ 8,420,370</u>	\$	<u>8,167,392</u>	\$	<u>7,675,855</u>
Other programs:					
Salaries and wages .....	\$ 599,473	\$	663,976	\$	625,225
Employee benefits .....	70,569		84,423		85,226
Travel .....	6,000		10,182		13,450
Homestays .....	---		302,015		219,017
Equipment .....	42,755		24,616		1,412
Contract services .....	---		162,807		53,559
Telecommunications .....	2,000		472		2,108
Supplies and materials .....	12,000		144,989		83,131
Cafeteria food supplies .....	572,065		642,535		633,891
Dues and fees .....	---		1,680		15,614
Insurance .....	---		14,685		75,695
	<u>\$ 1,304,862</u>	\$	<u>2,052,380</u>	\$	<u>1,808,328</u>

**Schedule C - Trust Fund Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Cash and investments .....	\$ 417,005	\$ 399,507
	<u>\$ 417,005</u>	<u>\$ 399,507</u>

**EQUITY**

Trust Funds (note 8) .....	417,005	399,507
	<u>\$ 417,005</u>	<u>\$ 399,507</u>

**Schedule D - Statement of Continuity of Trust funds  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Balance, beginning of year .....	\$ 399,507	\$ 363,987
Receipts:		
Principal .....	25,870	46,310
Interest earned .....	<u>17,428</u>	<u>13,852</u>
	43,298	60,162
Disbursements:		
Bursaries and scholarships .....	<u>(25,800)</u>	<u>(24,642)</u>
Balance, end of year .....	<u>\$ 417,005</u>	<u>\$ 399,507</u>

See accompanying notes to financial statements.

## AUDITORS' REPORT

To the Board of Directors of  
Colchester East Hants Health Authority

We have audited the statement of financial position of Colchester East Hants Health Authority as at March 31, 2003 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 Canadian 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 Colchester East Hants Health Authority as at March 31, 2003, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP  
Accountants

Truro, Nova Scotia  
June 11, 2003

**COLCHESTER EAST HANTS HEALTH AUTHORITY**

**Statement of Financial Position  
March 31, 2003**

**ASSETS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
<b>Current</b>				
Cash and cash equivalents . . . . .	\$ 2,728,571	\$ 80,735	\$ 2,809,306	\$ 2,954,646
Receivables (Note 4) . . . . .	2,489,472	739,983	3,229,455	2,597,073
Due from Capital Fund . . . . .	74,865	---	74,865	9,088
Inventories . . . . .	290,652	---	290,652	306,060
Prepays . . . . .	166,146	---	166,146	55,148
	<u>5,749,706</u>	<u>820,718</u>	<u>6,570,424</u>	<u>5,922,015</u>
Other receivables (Note 5) . . . . .	3,098,045	---	3,098,045	2,979,845
Capital assets (Note 6) . . . . .	---	15,813,163	15,813,163	15,572,095
	<u>\$ 8,847,751</u>	<u>\$ 16,633,881</u>	<u>\$ 25,481,632</u>	<u>\$ 24,473,955</u>

**LIABILITIES**

<b>Current</b>				
Payables and accruals (Note 7) . . . . .	\$ 4,995,457	\$ 631,780	\$ 5,627,237	\$ 5,286,946
Due to Operating Fund . . . . .	---	74,865	74,865	9,088
Deferred revenue . . . . .	1,946,418	100,875	2,047,293	1,771,638
Current portion of obligation under capital lease . . . . .	---	30,781	30,781	28,564
	<u>6,941,875</u>	<u>838,301</u>	<u>7,780,176</u>	<u>7,096,236</u>
Employee benefits (Note 8) . . . . .	1,905,876	---	1,905,876	1,787,676
Obligation under capital lease (Note 9) . . . . .	---	19,048	19,048	49,829
	<u>8,847,751</u>	<u>857,349</u>	<u>9,705,100</u>	<u>8,933,741</u>

**FUND BALANCES (Page 110)**

Restricted (Note 10) . . . . .	---	49,829	49,829	78,393
Unrestricted - investment in capital assets . . . . .	---	15,726,703	15,726,703	15,461,821
	<u>---</u>	<u>15,776,532</u>	<u>15,776,532</u>	<u>15,540,214</u>
	<u>\$ 8,847,751</u>	<u>\$ 16,633,881</u>	<u>\$ 25,481,632</u>	<u>\$ 24,473,955</u>

Commitments (Note 12)

See accompanying notes to the financial statements.

**COLCHESTER EAST HANTS HEALTH AUTHORITY**

**Statement of Operations - Operating Fund  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Nova Scotia Department of Health . . . . .	\$ 36,098,341	\$ 34,254,836
Charges to M.S.I. . . . .	3,199,873	2,466,524
Department of Veterans Affairs . . . . .	579,502	354,553
In-patients . . . . .	855,563	736,424
Out-patients. . . . .	320,211	316,477
Rental income. . . . .	271,989	261,276
Auxiliary . . . . .	---	29,782
Canadian Breast Cancer Foundation . . . . .	66,309	---
Early identification and intervention program. . . . .	143,847	61,674
Investment income. . . . .	65,770	44,198
Food services. . . . .	129,011	134,915
Laboratory. . . . .	46,237	75,396
Other income . . . . .	18,297	21,210
	<u>41,794,950</u>	<u>38,757,265</u>
<b>Expenses</b>		
In-patient services. . . . .	15,032,863	14,145,484
Ambulatory services. . . . .	9,291,254	7,944,232
Diagnostic and therapeutic services. . . . .	6,976,306	6,294,631
Support services. . . . .	8,305,637	7,725,673
Community health board initiatives . . . . .	112,648	49,053
Community services . . . . .	2,331,924	1,934,819
Early departure incentives . . . . .	123,957	61,037
Rental expenses. . . . .	165,898	158,595
Education and library . . . . .	103,350	145,018
Increase in vacation pay accrual. . . . .	39,864	167,573
Employee benefits . . . . .	264,300	239,915
	<u>42,748,001</u>	<u>38,866,030</u>
Operating deficit before deficit funding. . . . .	(953,051)	(108,765)
Operating deficit funding receivable from the Nova Scotia Department of Health . . . . .	<u>953,051</u>	<u>108,765</u>
Excess of revenue over expenses. . . . .	<u>---</u>	<u>---</u>

See accompanying notes to the financial statements.

**COLCHESTER EAST HANTS HEALTH AUTHORITY**

**Statement of Changes in Fund Balances - Capital Fund  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Restricted</b>		
Balance, beginning of year . . . . .	\$ 78,393	\$ 104,899
Transfer to unrestricted . . . . .	(28,564)	(26,506)
Balance, end of year . . . . .	<u>\$ 49,829</u>	<u>\$ 78,393</u>
 <b>Unrestricted</b>		
Balance, beginning of year . . . . .	\$ 15,461,821	\$ 16,087,666
Transfer from restricted . . . . .	28,564	26,506
Excess of revenues over expenses . . . . .	2,342	5,363
Capital asset funding		
Department of Health . . . . .	370,326	199,196
Department of Health - Federally funded medical equipment . . . . .	850,000	---
Foundations . . . . .	729,873	688,665
Auxiliaries . . . . .	126,302	152,477
Amortization . . . . .	(1,837,614)	(1,691,083)
Capital debt charges . . . . .	(4,911)	(6,969)
Balance, end of year . . . . .	<u>\$ 15,726,703</u>	<u>\$ 15,461,821</u>

See accompanying notes to the financial statements.

**COLCHESTER EAST HANTS HEALTH AUTHORITY**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operations</b>		
Excess of revenues over expenses - Capital Fund. . . . . \$	2,342	\$ 5,363
Change in non-cash working capital		
Receivables. . . . .	(750,582)	1,228,821
Inventories. . . . .	15,408	16,993
Prepays. . . . .	(110,998)	64,627
Payables and accruals . . . . .	458,491	(329,147)
Deferred revenue . . . . .	275,655	338,290
	<u>(109,684)</u>	<u>1,324,947</u>
<b>Financing and investing</b>		
Capital asset funding . . . . .	2,076,501	1,040,338
Capital debt charges. . . . .	(4,911)	(6,969)
Purchase of capital assets . . . . .	(2,078,682)	(1,023,457)
Repayment of capital lease. . . . .	<u>(28,564)</u>	<u>(26,506)</u>
	<u>(35,656)</u>	<u>(16,594)</u>
Net (decrease) increase in cash and cash equivalents . . . . .	(145,340)	1,308,353
Cash and cash equivalents, beginning of year . . . . .	<u>2,954,646</u>	<u>1,646,293</u>
Cash and cash equivalents, end of year. . . . . \$	<u><u>2,809,306</u></u>	<u><u>\$ 2,954,646</u></u>

See accompanying notes to the financial statements.

**COLCHESTER EAST HANTS HEALTH AUTHORITY**

**Notes to the Financial Statements  
March 31, 2003**

**1. Nature of operations**

Colchester East Hants Health Authority operates several health care facilities including Colchester Regional Hospital, Lillian Fraser Memorial Hospital, public health, addictions and related health services.

**2. Health Authorities Act**

Colchester East Hants Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Colchester East Hants Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and health services referred to above.

**3. Summary of significant accounting policies**

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

**Use of estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

**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 authority's capital assets.

**Revenue recognition**

Colchester East Hants Health Authority 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.

Capital contributions are treated as additions to investment in capital assets in the period in which the asset is acquired.

**Inventories**

Inventories are recorded at the lower of cost or replacement value.

**Capital assets**

Assets purchased during the year were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings	50 years
Land improvements	20 years
Equipment	5- 20 years
Equipment under capital lease	5- 20 years

Amortization on construction in progress is not recorded until the projects are completed.



**Compensation accruals**

Colchester East Hants Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

**Employee benefit plans**

The authority accrues its employee benefit plan obligations and the related costs, net of plan assets. The authority has adopted the following policies:

- The cost of retirement benefits (allowances) earned by employees is actuarially determined using the projected benefit method prorated on service.
- Defined contribution plan accounting is applied to a multi-employer defined benefit pension plan because the authority does not have sufficient information to apply defined benefit plan accounting.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks.

**4. Receivables**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
Charges to M.S.I. . . . .	\$ 273,240	\$ ---	\$ 273,240	\$ 267,928
Foundations and auxiliaries. . . . .	84,171	412,103	496,274	177,484
Harmonized sales tax. . . . .	175,088	129,604	304,692	231,646
Patients . . . . .	225,290	---	225,290	248,132
Veterans Affairs Canada - final settlement . . . . .	135,622	---	135,622	---
Other . . . . .	270,440	23,904	294,344	418,576
	<u>1,163,851</u>	<u>565,611</u>	<u>1,729,462</u>	<u>1,343,766</u>
 Nova Scotia Department of Health				
Construction and equipment. . . . .	---	174,372	174,372	8,863
Operating deficit funding and other . . . . .	1,325,621	---	1,325,621	1,244,444
	<u>1,325,621</u>	<u>174,372</u>	<u>1,499,993</u>	<u>1,253,307</u>
	<u>\$ 2,489,472</u>	<u>\$ 739,983</u>	<u>\$ 3,229,455</u>	<u>\$ 2,597,073</u>

The resolution of final V.A.C. settlement estimate is dependent upon approval of Veterans Affairs Canada. An adjustment, if any, on the resolution of this amount will be accounted for as an adjustment to fund balances in the period in which they occur.

**5. Other receivables**

	<b>Operating Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
Nova Scotia Department of Health			
Vacation pay. . . . .	1,192,169	1,192,169	1,192,169
Employees benefits. . . . .	1,905,876	1,905,876	1,787,676
	<u>\$ 3,098,045</u>	<u>\$ 3,098,045</u>	<u>\$ 2,979,845</u>

**6. Capital Assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2003 Net Book Value</b>	<b>2002 Net Book Value</b>
Land .....	\$ 155,349	\$ ---	\$ 155,349	\$ 155,349
Land improvements .....	497,444	259,673	237,771	262,645
Buildings .....	16,632,022	6,277,562	10,354,460	10,411,670
Equipment .....	12,064,189	7,225,187	4,839,002	4,464,581
Equipment under capital lease .....	894,012	705,337	188,675	264,016
Construction in progress .....	37,906	---	37,906	13,834
	<u>\$ 30,280,922</u>	<u>\$ 14,467,759</u>	<u>\$ 15,813,163</u>	<u>\$ 15,572,095</u>

**7. Payables and accruals**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
Trade .....	\$ 3,327,163	\$ 631,780	\$ 3,958,943	\$ 3,642,679
Vacation pay .....	1,668,294	---	1,668,294	1,644,267
	<u>\$ 4,995,457</u>	<u>\$ 631,780</u>	<u>\$ 5,627,237</u>	<u>\$ 5,286,946</u>

**8. Employee benefits**

The authority has the following benefit plans:

- (i) a multi-employer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees, and
- (ii) a retirement benefit plan providing retiring allowances to its employees.

The defined benefit plan is accounted for as a defined contribution plan.

The most recent projected actuarial valuation of the multi-employer pension plan with approximately 20,000 members throughout the province show an unfunded liability at December 31, 2002.

The net expense for the authority's benefit plan is as follows:

Pension  
Benefit Plan  
March 31, 2003

Contributions to a multi-employer plan accounted for as a defined contribution plan, included in program expenses. .... \$ 1,241,305

Information about the authority's retirement benefit plan as at March 31, 2003 is as follows:

Retirement  
Benefit Plan  
March 31, 2002

Fair value of plan assets. .... \$ 1,905,876  
Accrued benefit liability recognized. .... \$ 1,905,876

The retiring allowances for the health authority paid out during the year are as follows:

Retirement allowance ..... \$ 159,756

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2003.

Discount rate	6.17%
Rate of compensation increase	3.65-6.15%
Termination rates	1.2-20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date which is their 65th birthday.

**9. Obligation under capital lease**

**2003                      2002**

The authority leases equipment under a capital lease from Toshiba of Canada Limited.

Future minimum lease payments are as follows:

2003.....	\$	---	\$	33,475
2004.....		33,475		33,475
2005.....		19,526		19,526
		<u>53,001</u>		<u>86,476</u>
Less: amount representing interest on capital lease at 7.25% .....		3,172		8,083
		<u>49,829</u>		<u>78,393</u>
Less: current portion .....		30,781		28,564
	\$	<u>19,048</u>	\$	<u>49,829</u>

As security, the authority has pledged specific equipment.

**10. Restricted fund balance**

The Nova Scotia Department of Health provided funding to establish a reserve for the repayment of the capital lease obligation. This reserve is restricted and will be used solely for the repayment of the obligation referred to in Note 9. The balance of the reserve was \$49,829 as of March 31, 2003.

**11. Credit facilities**

The health authority has a financial agreement with a financial institution which provides an available operating line of credit totalling \$1,000,000, all of which is unused at March 31, 2003.

**12. Commitments**

Colchester East Hants Health Authority is committed to the following operating and occupancy lease payments in each of the next four fiscal years ended March 31:

2004	\$	157,839
2005	\$	93,983
2006	\$	67,137

Colchester East Hants Health Authority has provided a letter of intent to rent space for a period of seven years with annual rental payments of \$180,928, estimated to commence in 2005.

**13. Related entities**

The health authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2003 are available from the individual financial statements of the related entities.

**14. Subsequent event**

Subsequent to year end, the authority received a commitment from the Department of Health for \$1,000,000 of funding to commence the Functional Program phase related to the replacement of the Colchester Regional Hospital.

**15. Comparative figures**

Certain to the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2003.

**CONSEIL SCOLAIRE ACADIEN PROVINCIAL**

These financial statements are in draft form only

**CONSEIL SCOLAIRE ACADIEN PROVINCIAL**

Bilan consolidé

Au 31 mars 2003 et 2002

	2003	2002
<b>Actif</b>		
Actif à court terme:		
Sommes à recevoir:		
Province de la Nouvelle-Écosse	1 228 455 \$	1 592 328 \$
Gouvernement du Canada	1 057 651	2 070 612
Gouvernement du Canada	149 547	190 373
Autres	243 832	214 143
Frais payés d'avance	187 930	12 128
	<u>2 867 415</u>	<u>4 079 584</u>
Encaisse et sommes à recevoir restreintes	1 529	1 529
Actif à long terme:		
Province de la Nouvelle-Écosse – régime de retraite	2 074 629	1 924 000
Immobilisations, au coût:		
Terrains, édifices et améliorations	23 152 615	23 152 615
Équipement et fournitures	3 857 518	3 857 518
Autobus scolaires et autres véhicules	1 956 098	1 956 098
	<u>28 966 231</u>	<u>28 966 231</u>
	<u>33 909 804 \$</u>	<u>34 971 344 \$</u>

**Passif**

Passif à court terme:		
Chèques émis dépassant les fonds en dépôt	127 231 \$	3 023 936 \$
Fournisseurs et sommes à payer:		
Fournisseurs	1 787 660	1 446 348
Ajustements salariaux rétroactifs	1 018 989	293 437
Autres	110 737	71 002
Revenus reportés	84 848	183 846
	<u>3 129 465</u>	<u>5 018 569</u>
Passif à long terme:		
Engagements du régime de retraite	2 074 629	1 924 000

**Équité**

Réserves	1 529	1 529
Déficit	(262 050)	(938 985)
Équité en immobilisations	28 966 231	28 966 231
	<u>28 705 710</u>	<u>28 028 775</u>
	<u>33 909 804 \$</u>	<u>34 971 344 \$</u>

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

\_\_\_\_\_ président  
 \_\_\_\_\_ membre du Conseil

**CONSEIL SCOLAIRE ACADIEN PROVINCIAL**

Bilan - fonds d'opération

Au 31 mars 2003 et 2002

	2003	2002
<b>Actif</b>		
Actif à court terme:		
Sommes à recevoir:		
Province de la Nouvelle-Écosse	1 228 455 \$	1 592 328 \$
Gouvernement du Canada	1 057 651	2 070 612
Gouvernement du Canada	149 547	190 373
Autres	243 832	214 143
Frais payés d'avance	187 930	12 128
	<u>2 867 415</u>	<u>4 079 584</u>
Actif à long terme:		
Province de la Nouvelle-Écosse – régime de retraite	2 074 629	1 924 000
	<u>4 942 044 \$</u>	<u>6 003 584 \$</u>

**Passif**

Passif à court terme:		
Chèques émis dépassant les fonds en dépôt	127 231 \$	3 023 936 \$
Fournisseurs et sommes à payer:		
Fournisseurs	1 787 660	1 446 348
Ajustements salariaux rétroactifs	1 018 989	293 437
Autres	110 737	71 002
Revenus reportés	84 848	183 846
	<u>3 129 465</u>	<u>5 018 569</u>
Passif à long terme:		
Engagements du régime de retraite	2 074 629	1 924 000

**Equité**

Déficit	(262 050)	(938 985)
	<u>(262 050)</u>	<u>(938 985)</u>
	<u>4 942 044 \$</u>	<u>6 003 584 \$</u>

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

\_\_\_\_\_ président

\_\_\_\_\_ membre du Conseil

# CONSEIL SCOLAIRE ACADIEN PROVINCIAL

État des résultats - fonds d'opération

Exercice clos le 31 mars 2003 et 2002

	2003		2002
	Budget	Actuel	Actuel
<b>Revenus:</b>			
Province de la Nouvelle-Écosse	28 963 995 \$	28 492 833 \$	26 610 976 \$
Gouvernement du Canada	938 790	918 426	1 003 180
Allocations des conseils scolaires	-	-	137 397
Autres revenus	109 395	249 730	1 334 012
Transfert du surplus	-	-	28 734
	30 012 180	29 660 989	29 114 299
<b>Dépenses:</b>			
Gouvernance du conseil scolaire	384 669	361 703	377 944
Administration du conseil scolaire	1 562 731	1 583 606	1 533 728
Administration scolaire et soutien	2 501 534	2 626 819	2 578 659
Instruction et services scolaires	15 645 298	16 003 522	15 710 162
Services aux élèves	2 638 285	2 559 096	2 259 380
Service d'entretien	3 672 250	3 980 274	4 076 644
Transport scolaire	2 668 420	2 797 848	2 654 505
Autres programmes	-	10 171	30 231
Transfert à l'année précédente	938 993	-	-
	30 012 180	29 923 039	29 221 253
<b>Excédent dépenses sur les revenus avant le</b>			
transfert de la réserve et les éléments inhabituels		(262 050)	(106 954)
Transfert de la réserve pour opérations		-	86 817
<b>Excédent des revenus sur les dépenses (dépenses</b>			
sur les revenus) avant les éléments inhabituels		(262 050)	(20 137)
<b>Éléments inhabituels, radiation des sommes à</b>			
recevoir et revenus		-	(918 848)
<b>Excédent des revenus sur les dépenses (dépenses</b>			
sur les revenus)		(262 050) \$	(938 985)\$

État de la continuité du surplus (déficit)

Exercice clos le 31 mars 2003 et 2002

	2003	2002
Surplus (déficit) au début de l'exercice	(938 985) \$	28 734 \$
Transfert des (aux) opérations courantes	938 985	(28 734)
	-	-
Excédent des dépenses sur les revenus	(262 050)	(938 985)
Déficit, à la fin de l'exercice	(262 050) \$	(938 985) \$

Voir les notes explicatives qui accompagnent ces états financiers.



**CONSEIL SCOLAIRE ACADIEN PROVINCIAL**

État de l'évolution de la situation financière

Exercice clos le 31 mars 2003 et 2002

	2003	2002
Rentrées (sorties) nettes liées aux opérations d'exploitation:		
Excédent des dépenses sur les revenus	(262 050) \$	(938 993) \$
Ajustements:		
Baisse aux sommes à recevoir	1 387 971	1 133 898
Baisse (augmentation) aux frais payés à l'avance	(175 800)	29 635
Augmentation (baisse) aux sommes à payer	1 106 597	(702 990)
Baisse aux revenus reportés	(98 998)	(14 046)
Transfert du surplus	938 985	(28 734)
	<u>2 896 705</u>	<u>(521 230)</u>
Augmentation (baisse) nette en liquidité	2 896 705	(521 230)
Liquidité au début de l'exercice	(3 023 936)	(2 502 706)
Liquidité à la fin de l'exercice	<u>(127 231) \$</u>	<u>(3 023 936) \$</u>

Voir les notes explicatives qui accompagnent ces états financiers.

**CONSEIL SCOLAIRE ACADIEN PROVINCIAL**

Bilan - fonds de capital

Au 31 mars 2003 et 2002

	2003		2002
<b>Actif</b>			
Immobilisations, au coût:			
Terrains, édifices et améliorations (note 2)	23 152 615	\$	23 152 615
Équipement et fournitures	3 857 518		3 857 518
Autobus scolaires et autres véhicules	1 956 098		1 956 098
	28 966 231	\$	28 966 231
			\$

**Équité**

Équité en immobilisations	28 966 231	\$	28 966 231	\$
	28 966 231	\$	28 966 231	\$

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

\_\_\_\_\_ président

\_\_\_\_\_ membre du Conseil

État de la continuité de l'équité en immobilisations

Exercice clos le 31 mars 2003 et 2002

	2003		2002
Équité, au début de l'exercice	28 966 231	\$	28 070 919
Achats d'immobilisations:			
Terrains, édifices et améliorations	-		933 146
Équipement et fournitures	-		1 778
	-		934 924
Autobus scolaires et autres véhicules	-		193 517
Mise hors service d'immobilisations:			
Autobus scolaires	-		(233 129)
Équité, à la fin de l'exercice	28 966 231	\$	28 966 231
			\$

Voir les notes explicatives qui accompagnent ces états financiers.

**CONSEIL SCOLAIRE ACADIEN PROVINCIAL**

Bilan - fonds des réserves

Au 31 mars 2003 et 2002

	2003		2002
<b>Actif</b>			
Encaisse	1 529	\$	1 529 \$
	1 529	\$	1 529 \$
<b>Équité</b>			
Réserve pour fonds de bourse	1 529	\$	1 529 \$
	1 529	\$	1 529 \$

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

\_\_\_\_\_ président

\_\_\_\_\_ membre du Conseil

État de la continuité du fonds des réserves

Exercice clos le 31 mars 2003 et 2002

	2003		2002
Équité, au début de l'exercice	1 529	\$	88 306 \$
Transfert aux opérations	-		(86 817)
Intérêts et versements	-		40
Équité, à la fin de l'exercice	1 529	\$	1 529 \$

Voir les notes explicatives qui accompagnent ces états financiers.

# CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Notes relatives aux états financiers

Exercice clos le 31 mars 2003 et 2002

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## 1. Conventions comptables:

Ces états financiers ont été préparés selon les conventions comptables prescrites dans le nouveau "Draft School Board Financial Handbook" de la province de la Nouvelle-Écosse. Basé sur les principes comptables généralement reconnus, les dépenses sont inscrites d'après la comptabilité d'exercice à l'exception des salaires du personnel enseignant. Pendant cette année de transition le Conseil continue d'inscrire les propriétés et l'équipement au prix coûtants et n'inscrit pas d'amortissement sur ses biens immobiliers. Suite à cette année de transition le Conseil apportera des changements aux valeurs de ses actifs conformément au "Draft School Board Financial Handbook" de la province de la Nouvelle-Écosse qui préconise l'amortissement des actifs des conseils scolaires.

## 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.

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 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 autres employés participent à un plan de pension établi et géré par la Nova Scotia School Board Association.

# CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Notes relatives aux états financiers, page 2

Exercice clos le 31 mars 2003 et 2002

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#### 4. Éléments inhabituels:

Le Conseil avait anticipé des fonds recevables de la province de la Nouvelle-Écosse à compter du 31 mars 2002 se chiffrant à 918 849\$. Ces montants, refusés par la province, se référaient principalement à une subvention additionnelle basée sur des calculs en métrage carré effectués dans les écoles et à des remboursements de projets capitaux. Conformément avec son engagement, la province de la Nouvelle-Écosse a versé en subvention un montant de 918 849\$ dans l'année fiscale se terminant le 31 mars 2003.

#### 5. Chiffres comparatifs:

Certains chiffres dans la colonne comparative 2002 ont été reclassifiés afin d'accommoder la présentation pour l'année courante.

## AUDITOR'S REPORT

To the Board of Directors of  
Cumberland Health Authority

I have audited the balance sheet of Cumberland Health Authority as at March 31, 2003 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 Cumberland Health Authority as at March 31, 2003 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The previous year figures were audited by another firm of chartered accountants.

S. J. MCISAAC  
Chartered Accountant

Amherst, Nova Scotia  
June 16, 2003

**CUMBERLAND HEALTH AUTHORITY**

**Statement of Financial Position  
March 31, 2003**

**ASSETS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
Current					
Cash and cash equivalents . . . . .	\$ 4,123,494	\$ 18,173	\$ 56,888	\$ 4,198,555	\$ 163,240
Receivables					
(Note 4) . . . . .	2,325,878	416,879	---	2,742,757	8,443,784
Due from operating fund . . . . .	---	2,490,117	---	2,490,117	2,237,288
Inventories . . . . .	264,136	---	---	264,136	196,723
Prepays . . . . .	73,740	---	---	73,740	144,613
	<u>6,787,248</u>	<u>2,925,169</u>	<u>56,888</u>	<u>9,769,305</u>	<u>11,185,648</u>
Other Receivables					
(Note 5) . . . . .	2,808,522	---	---	2,808,522	2,650,060
Capital assets					
(Note 6) . . . . .	---	61,671,224	---	61,671,224	51,563,767
	<u>\$ 9,595,770</u>	<u>\$ 64,596,393</u>	<u>\$ 56,888</u>	<u>\$ 74,249,051</u>	<u>\$ 65,399,475</u>

**LIABILITIES**

Current					
Bank Overdraft . . . . .	\$ ---	\$ ---	\$ ---	\$ ---	\$ 738,077
Payables and accruals					
(Note 7) . . . . .	3,720,333	537,274	---	4,257,607	7,713,631
Due to capital fund . . . . .	2,490,117	---	---	2,490,117	2,237,288
Deferred revenue . . . . .	1,438,112	3,060,777	---	4,498,889	1,380,463
Current portion of advance from province . . . . .	---	80,280	---	80,280	---
Current portion of obligation under capital lease . . . . .	---	3,584	---	3,584	3,584
	<u>7,648,562</u>	<u>3,681,915</u>	<u>---</u>	<u>11,330,477</u>	<u>12,073,043</u>
Long term debt					
Employee benefits					
(Note 8) . . . . .	1,947,208	---	---	1,947,208	1,794,746
Advance from province					
(Note 10) . . . . .	---	321,120	---	321,120	---
Obligation under capital lease (Note 11) . . . . .	---	2,669	---	2,669	6,253
	<u>9,595,770</u>	<u>4,005,704</u>	<u>---</u>	<u>13,601,474</u>	<u>13,874,042</u>

Commitments (Note 14)  
See accompanying notes to the financial statements.

**CUMBERLAND HEALTH AUTHORITY**

**Statement of Financial Position (Continued)  
March 31, 2003**

**FUND BALANCES (Page 129)**

Restricted (Note 12) . . . . .	---	6,253	56,888	63,141	65,388
Unrestricted - investment in capital assets. . . . .	---	60,584,436	---	60,584,436	51,460,045
	---	<u>60,590,689</u>	<u>56,888</u>	<u>60,647,577</u>	<u>51,525,433</u>
	\$	<u>9,595,770</u>	\$	<u>64,596,393</u>	\$
		<u>56,888</u>	\$	<u>74,249,051</u>	\$
				<u>65,399,475</u>	

**Statement of Operations - Operating fund  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Nova Scotia Department of Health . . . . .	\$ 28,032,459	\$ 26,290,093
Charges to M.S.I. . . . .	1,386,142	1,177,532
In-patients . . . . .	247,121	388,640
Out-patients. . . . .	956,309	866,261
Long-term care. . . . .	847,663	849,968
Cafeteria Income . . . . .	124,420	128,526
Investment income. . . . .	6,949	21,797
Mental health joint projects . . . . .	203,994	196,800
Community health board initiatives fund . . . . .	---	22,675
Other income . . . . .	87,207	80,141
	<u>31,892,264</u>	<u>30,022,433</u>
<b>Expenses</b>		
In-patient services. . . . .	10,242,732	9,949,815
Ambulatory services. . . . .	6,079,510	5,436,063
Diagnostic and therapeutic services. . . . .	4,994,736	4,887,779
Support services. . . . .	9,470,013	8,300,704
Community Services. . . . .	1,843,955	1,568,520
Increase in vacation pay accrual. . . . .	108,893	195,922
Employee future benefits. . . . .	226,761	214,509
	<u>32,966,600</u>	<u>30,553,312</u>
Excess of expenses over revenues . . . . .	(1,074,336)	(530,879)
Nova Scotia Department of Health Final Settlement . . . . .	1,074,336	530,879
Excess of expenses over revenues . . . . .	<u>---</u>	<u>---</u>

See accompanying notes to the financial statements.



**CUMBERLAND HEALTH AUTHORITY**

**Statement of Changes in Fund Balances  
Year Ended March 31, 2003**

	<u>Capital Fund</u>	<u>Endowment Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
<b>Restricted</b>				
Balance, beginning of period . . . . . \$	9,837	\$ 55,551	\$ 65,388	\$ 66,980
Transfer to unrestricted . . . . .	(3,584)	---	(3,584)	(3,326)
Excess of revenues over expenses. . . . .	---	1,337	1,337	1,734
Balance, end of period. . . . . \$	<u>6,253</u>	<u>\$ 56,888</u>	<u>\$ 63,141</u>	<u>\$ 65,388</u>
<b>Unrestricted</b>				
Balance, at beginning of period . . . . \$	51,460,045	\$ ---	\$ 51,460,045	\$ 27,079,340
Transfer from unrestricted . . . . .	3,584	---	3,584	3,326
Capital asset funding				
Department of Health . . . . .	12,400,335	---	12,400,335	21,433,406
Foundations. . . . .	9,188	---	9,188	4,002,883
Auxiliaries. . . . .	64,375	---	64,375	30,385
Other. . . . .	132,513	---	132,513	24,604
Amortization. . . . .	(3,484,988)	---	(3,484,988)	(1,113,025)
Capital debt charges. . . . .	(616)	---	(616)	(874)
Balance, end of period . . . . . \$	<u>60,584,436</u>	<u>\$ ---</u>	<u>\$ 60,584,436</u>	<u>\$ 51,460,045</u>

See accompanying notes to the financial statements.

**CUMBERLAND HEALTH AUTHORITY**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operations</b>		
Excess of revenues over expenses - Endowment Fund. . . . . \$	1,337	\$ 1,734
Change in non-cash working capital		
Receivables. . . . .	5,542,565	(3,635,010)
Inventories. . . . .	(67,413)	32,986
Prepaid expenses. . . . .	70,873	36,354
Payables and accruals . . . . .	(3,303,562)	1,945,146
Deferred revenue . . . . .	<u>3,118,426</u>	<u>67,977</u>
	<u>5,362,226</u>	<u>(1,550,813)</u>
<b>Financing and investing</b>		
Capital asset funding . . . . .	12,606,411	25,491,278
Interfund transfer - capital asset funding . . . . .	3,584	3,326
Purchase of capital assets . . . . .	(13,592,445)	(25,467,983)
Repayment of long term debt. . . . .	(3,584)	(3,326)
Long term debt. . . . .	401,400	---
Capital debt charges. . . . .	<u>(616)</u>	<u>(874)</u>
	<u>(585,250)</u>	<u>22,421</u>
Decrease in restricted funds . . . . .	<u>(3,584)</u>	<u>(3,326)</u>
	<u>(588,834)</u>	<u>19,095</u>
Net increase in cash and cash equivalents . . . . .	4,773,392	(1,531,718)
Cash and cash equivalents, beginning of period . . . . .	<u>(574,837)</u>	<u>956,881</u>
Cash and cash equivalents, end of period. . . . . \$	<u><u>4,198,555</u></u>	<u><u>(574,837)</u></u>

See accompanying notes to the financial statements.

# CUMBERLAND HEALTH AUTHORITY

## Notes to the Financial Statements March 31, 2003

### 1. Nature of operations

Cumberland Health Authority operates several health care facilities including South Cumberland Community Care Centre, North Cumberland Memorial Hospital, Highland View Regional Hospital, All Saints Springhill Hospital, Bayview Memorial Hospital and related community services.

### 2. Health Authorities Act

Cumberland Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Cumberland Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and community services referred to above.

### 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:

#### Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

#### 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 Authority's capital assets. Endowment contributions are reported in the Endowment Fund.

#### Revenue recognition

Cumberland Health Authority follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the period 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.

Capital contributions are treated as additions to investment in capital assets in the period 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.

#### Inventories

Inventories are recorded at the lower of cost or replacement value. Cost is determined by using a weighted average for supplies and specific identification for pharmaceuticals.

**Capital assets**

Assets purchased during the period 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.

**Compensation accruals**

Cumberland Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

**Employee benefit plans**

The Cumberland Health Authority follows the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The Province of Nova Scotia is funding the liability and additional expenses incurred by the Authority in association with adoption of Section 3461. The main components of this accounting policy are as follows:

- Costs for employee future benefits other than pensions are accrued over the periods in which the employees render services in return for these benefits.
- A liability for future benefits of \$1,947,208 (Note 8) has been included in the financial statements in the current year. The Province of Nova Scotia has assumed the liability so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's net expense incurred for future employee benefits is \$226,762 (Note 8).

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with bank and various funds held in trust.

**4. Receivables**

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
Charges to M.S.I. . . . . \$	113,180	--	113,180	92,531
Foundation and Auxiliaries . . . . .	7,732	---	7,732	1,445,554
Harmonized sales tax. . . . .	142,926	117,195	260,121	1,137,666
Patients . . . . .	482,021	---	482,021	447,465
Other . . . . .	393,325	---	393,325	225,623
	<u>1,139,184</u>	<u>117,195</u>	<u>1,256,379</u>	<u>3,348,839</u>
Nova Scotia Department of Health				
Construction and equipment. . . . .	---	299,684	299,684	3,630,320
Final settlement and other. . . . .	1,186,694	---	1,186,694	1,464,625
	<u>1,186,694</u>	<u>299,684</u>	<u>1,486,378</u>	<u>5,094,945</u>
	<u>\$ 2,325,878</u>	<u>\$ 416,879</u>	<u>\$ 2,742,757</u>	<u>\$ 8,443,784</u>

The resolution of final settlement estimates are dependent upon approval of the Department of Health. 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.

5. Other receivables

	<u>Operating Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
Nova Scotia Department of Health			
Vacation pay. . . . .	\$ 819,314	\$ 819,314	\$ 819,314
Employees benefits. . . . .	1,947,208	1,947,208	1,794,746
Other. . . . .	42,000	42,000	36,000
	<u>\$ 2,808,522</u>	<u>\$ 2,808,522</u>	<u>\$ 2,650,060</u>

6. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>2003 Net Book Value</u>
Land . . . . .	\$ 278,460	\$ ---	\$ 278,460	\$ 35,945
Land improvements . . . . .	1,124,737	93,838	1,030,899	123,858
Buildings . . . . .	56,738,934	3,609,563	53,129,371	13,708,574
Equipment . . . . .	10,858,157	3,662,111	7,196,046	2,590,378
Equipment under capital lease. . . . .	22,127	9,356	12,771	14,348
Construction in progress. . . . .	23,677	---	23,677	35,090,664
	<u>\$ 69,046,092</u>	<u>\$ 7,374,868</u>	<u>\$ 61,671,224</u>	<u>\$ 51,563,767</u>

7. Payables and accruals

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>2003 Total</u>	<u>2002 Total</u>
Trade . . . . .	\$ 2,303,580	\$ 537,274	\$ 2,840,854	\$ 6,405,771
Vacation pay. . . . .	1,416,753	---	1,416,753	1,307,860
	<u>\$ 3,720,333</u>	<u>\$ 537,274</u>	<u>\$ 4,257,607</u>	<u>\$ 7,713,631</u>

8. Employee future benefits

The Cumberland Health Authority has provided for retirement allowances as follows:

<u>Accrued benefit liability</u>	<u>2003</u>	<u>2002</u>
Beginning balance, retiring allowance. . . . .	\$ 1,794,746	\$ 1,621,537
Current service cost for the year . . . . .	112,600	107,018
Amortization of experience gain. . . . .	(3,638)	(5,009)
Interest cost during the year . . . . .	117,800	112,500
Estimated fiscal payments for employees	(74,300)	(41,300)
Ending balance, retiring allowances. . . . .	<u>\$ 1,947,208</u>	<u>\$ 1,794,746</u>

During the period, retiring allowances actually paid amount to \$79,770 (2002-\$56,788).

Employee future benefits expense

Current service costs. . . . .	\$ 112,600	\$ 101,018
Interest on accrued benefits . . . . .	117,800	112,500
Amortization of experience gain. . . . .	(3,638)	(5,009)
	<u>\$ 226,762</u>	<u>\$ 208,509</u>

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions):

Discount rate .....	6.17%	7.05%
Average age of employees .....	44.4	44.4
Expected average remaining service life .....	12.5	12.5
Average years of service .....	13.5	13.5
Rate of compensation increase .....	3.65%	3.65%

**9. Pension fund**

The Cumberland Health Authority participates in a multi-employer defined benefit plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and showed a funding excess for the entire plan over \$107 million. An extrapolation to December 31, 2002 was preformed, which indicated a funding deficiency of \$36.2 million.

Information to follow the recommendations of the CICA Handbook on defined benefit plans is not available, therefore the plan is accounted for following the recommendations for defined contribution plans. The authority's pension expense for the year amounted to \$933,394 (2002-\$861,316).

**10. Advance from province**

The advance from the Province of Nova Scotia is non-interest bearing and repayable in five equal annual instalments commencing in 2004.

**11. Obligation under capital lease**

<u>2003</u>	<u>2002</u>
-------------	-------------

The Authority leases equipment under a capital lease from Toshiba Canada Limited.

Future minimum lease payments are as follows:

2003.....	\$	---	\$	4,200
2004.....		4,200		4,200
2005.....		<u>2,450</u>		<u>2,450</u>
		6,650		10,850
Less: amount representing interest on capital lease at 7.25% ...		<u>397</u>		<u>1,013</u>
		6,253		9,837
Less: current portion .....		<u>3,584</u>		<u>3,584</u>
	\$	<u><u>2,669</u></u>	\$	<u><u>6,253</u></u>

As security, the Authority has pledged specific equipment.

**12. Restricted fund balance**

The Nova Scotia Department of Health provided funding to establish a reserve for the repayment of the capital lease obligation. This reserve is restricted and will be used solely for the repayment of the obligation referred to in Note 11. The balance of the reserve was \$6,253 (2002 - \$9,837) as of March 31, 2003.

**13. Credit facilities**

The Authority has a financing arrangement with a financial institution, which provides an available operating line of credit totalling \$1,000,000, bearing interest at the prime rate, all of which is unused at March 31, 2003.

#### 14. Commitments

- a) Cumberland Health Authority is committed to the following estimated operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2004	\$	568,100
2005	\$	568,100
2006	\$	498,800
2007	\$	180,600
2008	\$	180,600

- b) Cumberland Health Authority has entered into agreements to spend \$2,130,684 on additions to property and equipment at the Cumberland Regional Health Care Centre. This represents the balance between the Nova Scotia Provincial Government Orders in Council of \$51,300,000 and the total expenditures to date of \$49,169,316.

#### 15. Related entities

The Health Authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The Health Authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations will accrue to the benefit of the Authority. The amount and nature of these assets at March 31, 2003 are available from the individual financial statements of the related entities.

## ENVIRONMENTAL TRUST FUND

**Balance Sheet**  
as at March 31, 2003

## ASSETS

	<b>2003</b>	<b>2002</b>
Cash .....	\$ 625	\$ 1,229
Investments (Schedule 1) .....	5,686	4,977
	<u>\$ 6,311</u>	<u>\$ 6,206</u>

## FUND EQUITY

Fund equity .....	\$ <u>6,311</u>	\$ <u>6,206</u>
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**Statement of Income and Fund Equity**  
for the year ended March 31, 2003

	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Interest .....	\$ 158	\$ 209
<b>Expenses</b>		
Bank charges .....	<u>53</u>	<u>47</u>
<b>Net Income</b> .....	105	161
<b>Fund equity, beginning of year</b> .....	<u>6,206</u>	<u>6,045</u>
<b>Fund equity, end of year</b> .....	<u>\$ 6,311</u>	<u>\$ 6,206</u>



## ENVIRONMENTAL TRUST FUND

Notes to Financial Statements  
March 31, 2002**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. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of Environment and Labour and are not reflected in the financial statements.

## Schedule 1

## ENVIRONMENTAL TRUST FUND

Schedule of Investments  
March 31, 2003

Investment	Interest Rate	Maturity Date	Cost
BNS Banker's Acceptance	3.16%	June 3, 2003	\$ 5,686

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

## AUDITORS' REPORT

To the Chairperson and Members of the Board of  
Guysborough Antigonish Strait Health Authority

We have audited the statement of financial position of Guysborough Antigonish Strait Health Authority as at March 31, 2003 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 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 Canadian 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 Authority as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP  
Chartered Accountants

Sydney, Canada  
May 30, 2003

**GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY**

**Statement of Financial Position  
March 31, 2003, with comparative figures for 2002**

**ASSETS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Restricted Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
<b>Current assets:</b>					
Cash and marketable securities . . . . .	\$ 2,124,717	\$ ---	\$ 200,316	\$ 2,325,033	\$ 2,389,848
Accounts receivable (note 2) . . . . .	5,536,231	426,305	---	5,962,536	5,559,627
Inventories (note 3) . . . . .	488,305	---	---	488,305	461,821
Prepaid expenses . . . . .	<u>337,686</u>	<u>---</u>	<u>---</u>	<u>337,686</u>	<u>221,360</u>
	8,486,939	426,305	200,316	9,113,560	8,632,656
Capital assets (note 4) . . . . .	---	29,375,839	---	29,375,839	29,260,780
Other receivable :					
Retirement allowance (note 7) . . . . .	<u>4,528,570</u>	<u>---</u>	<u>---</u>	<u>4,528,570</u>	<u>4,193,608</u>
	<u>\$ 13,015,509</u>	<u>\$ 29,802,144</u>	<u>\$ 200,316</u>	<u>\$ 43,017,969</u>	<u>\$ 42,087,044</u>

**LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS**

<b>Current liabilities:</b>					
Accounts payable and accrued liabilities (note 5) . . . . .	\$ 6,605,981	\$ 386,190	\$ ---	\$ 6,992,171	\$ 6,461,910
Deferred revenue . . . . .	<u>1,880,958</u>	<u>---</u>	<u>---</u>	<u>1,880,958</u>	<u>1,477,756</u>
	8,486,939	386,190	---	8,873,129	7,939,666
Other liability:					
Retirement allowance (note 7) . . . . .	4,528,570	---	---	4,528,570	4,193,608
Deferred contributions related to capital assets (note 6) . . . . .	---	28,834,102	---	28,834,102	29,174,080
Fund balances:					
Investment in capital assets . . . . .	---	581,852	---	581,852	581,852
Internally restricted . . . . .	<u>---</u>	<u>---</u>	<u>200,316</u>	<u>200,316</u>	<u>197,838</u>
	---	581,852	200,316	782,168	779,690
	<u>\$ 13,015,509</u>	<u>\$ 29,802,144</u>	<u>\$ 200,316</u>	<u>\$ 43,017,969</u>	<u>\$ 42,087,044</u>

Contingencies (note 11)

See accompanying notes to financial statements.

**GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY**

**Statement of Operations  
Year ended March 31, 2003, with comparative figures for 2002**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Restricted Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
Revenue:					
Department of Health and Community					
Services . . . . .	\$ 33,940,476	\$ ---	\$ ---	\$ 33,940,476	\$ 33,112,842
Department of Health:					
Contract settlements . .	3,046,780	---	---	3,046,780	2,234,543
Retirement allowance funding . . . . .	433,862	---	---	433,862	441,609
N.S. Medical Services					
Insurance (MSI) . . . . .	2,746,219	---	---	2,746,219	2,192,365
Patient income. . . . .	1,491,285	---	---	1,491,285	1,274,841
Dietary recoveries . . . . .	487,748	---	---	487,748	464,377
Foundations and auxiliaries . . . . .	31,796	---	---	31,796	42,965
Rentals . . . . .	83,235	---	---	83,235	67,844
Miscellaneous . . . . .	92,310	---	---	92,310	86,608
Investment income. . . . .	29,768	---	2,478	32,246	61,064
Amortization of deferred contributions (note 8) . . . . .	---	2,110,228	---	2,110,228	2,082,710
Laundry recoveries. . . . .	213,623	---	---	213,623	201,910
Capital funding. . . . .	---	2,105,718	---	2,105,718	1,177,448
	<u>42,597,102</u>	<u>4,215,946</u>	<u>2,478</u>	<u>46,815,526</u>	<u>43,441,126</u>
Expenditures:					
Nursing services. . . . .	16,628,429	---	---	16,628,429	16,080,400
Support services. . . . .	8,362,986	---	---	8,362,986	8,015,991
Diagnostic and therapeutic . . . . .	6,525,871	---	---	6,525,871	5,762,661
Administrative services. . . . .	3,370,600	---	---	3,370,600	2,918,385
Medical services. . . . .	1,136,507	---	---	1,136,507	772,004
Non-portable programs . . . . .	5,568,743	---	---	5,568,743	5,156,195
Level III emergency services . . . . .	1,047,671	---	---	1,047,671	921,390
Retirement allowance. . . . .	433,862	---	---	433,862	441,609
Contract settlement - NSNU, CAW and CUPE . . . . .	---	---	---	---	622,623
Amortization of capital assets . . . . .	---	2,110,228	---	2,110,228	2,082,710
Capital expenditures. . . . .	---	2,225,287	---	2,225,287	1,177,448
	<u>43,074,669</u>	<u>4,335,515</u>	<u>---</u>	<u>47,410,184</u>	<u>43,951,416</u>
Net operating position before deficit funding . . . . .	(477,567)	(119,569)	2,478	(594,658)	(510,290)
Deficit funding received from Department of Health . . . . .	<u>477,567</u>	<u>119,569</u>	<u>---</u>	<u>597,136</u>	<u>515,499</u>
Excess of revenue over expenditures, for the year . . . . .	<u>---</u>	<u>---</u>	<u>2,478</u>	<u>2,478</u>	<u>5,209</u>

See accompanying notes to the financial statements.

**GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY**

**Statement of Changes in Net Assets  
Year ended March 31, 2003, with comparative figures for 2002**

	<b>Investment in capital assets</b>	<b>Internally restricted</b>	<b>2003 Total</b>	<b>2002 Total</b>
Balance, beginning of year . . . . .	\$ 581,852	\$ 197,838	\$ 779,690	\$ 774,481
Excess of revenue over expenditures. . . . .	---	2,478	2,478	5,209
Balance, end of year . . . . .	<u>581,852</u>	<u>\$ 200,316</u>	<u>\$ 782,168</u>	<u>\$ 779,690</u>

**Statement of Cash Flows  
Year ended March 31, 2003, with comparative figures for 2002**

Cash provided by (used for ):		<b>2003</b>	<b>2002</b>
Operations:			
Excess of revenue over expenditure . . . . .	\$	2,478	\$ 5,209
Items not involving cash:			
Amortization of capital assets. . . . .		2,110,228	2,082,710
Amortization of deferred contributions related to capital assets . . . . .		(2,110,228)	(2,082,710)
Changes in non-cash operating working capital:			
Increase in accounts receivable. . . . .		(402,909)	(1,244,358)
Increase in inventories. . . . .		(26,484)	(18,911)
Increase in prepaid expenses. . . . .		(116,326)	(96,481)
Increase in accounts payable and accrued liabilities . . . . .		530,261	1,271,874
Increase in deferred revenues . . . . .		403,202	35,605
		<u>390,222</u>	<u>(47,062)</u>
Financing and investing activities:			
Additions to capital assets. . . . .		(2,225,287)	(1,177,448)
Additions to deferred contributions related to capital assets . . . . .		1,770,250	608,930
		<u>(455,037)</u>	<u>(568,518)</u>
Increase (decrease) in cash. . . . .		<u>(64,815)</u>	<u>(615,580)</u>
Cash, beginning of period . . . . .		2,389,848	3,005,428
Cash, end of period. . . . .	\$	<u>2,325,033</u>	<u>\$ 2,389,848</u>

See accompanying notes to the financial statements.

**GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY**

**Notes to Financial Statements  
Year ended March 31, 2003**

On June 8, 2000, Bill #34 - The Health Authorities Act, received Royal Assent. This legislation abolished Regional Health Boards and replaced them with District Health Authorities. The effects on the former Eastern Regional Health Board were as follows: St. Martha's Regional Hospital, Strait Richmond Hospital, Guysborough Memorial Hospital, Eastern Memorial Hospital and St. Mary's Memorial Hospital formed District Health Authority #7 and Inverness Consolidated Memorial Hospital, Sacred Heart Healthcare Centre, Victoria County Memorial Hospital and Buchanan Memorial Healthcare Centre joined with the Cape Breton Healthcare Complex to form District Health Authority #8. As a result of this legislation, the Eastern Regional Health Board ceased operations effective December 31, 2000 and was replaced by District Health Authority #7 on January 1, 2001.

On March 23, 2001 the District Board of the Health Authority #7 changed its name to operate as the Guysborough Antigonish Strait Health Authority.

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

The Health Authority 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) Marketable securities:

Marketable securities are valued at the lower of cost or market value.

c) Inventories:

Inventories are valued at cost.

d) Restricted:

Funds donated from outside agencies or individuals which have been designated for a specific purpose have been restricted.

e) Capital assets:

Capital assets are stated at cost.

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

Asset	Rates
Building, paving and land improvements	2.5%, 4%, 8%
Major equipment	5%, 6.67%, 10%, 20%

**2. Accounts receivable:**

	2003	2002
Patient services..... \$	428,294 \$	489,523
Department of Health:		
Final settlement (March 31, 2003).....	597,136	515,499
Vacation liability.....	1,331,500	1,331,500
Nursing strategy.....	170,336	102,298
Special maintenance.....	---	186,780
Hospital Information System project.....	2,152,440	306,512
Contract settlement.....	---	1,652,698
On Call Physician Program.....	95,276	---
Anesthesia/pathology.....	196,813	---
Other.....	44,096	101,125
Retirement allowance payouts.....	33,787	96,993
Nova Scotia Medical Insurance Services (M.S.I.).....	51,693	71,104
Hospital foundations-operating (note 10).....	2,294	11,000
Harmonized sales tax.....	298,051	285,010
Sundry.....	134,515	84,233
Due from capital fund.....	---	325,352
	<u>5,536,231</u>	<u>5,559,627</u>
Capital fund:		
Hospital foundations (note 10).....	41,798	---
Due from operating fund.....	384,507	---
	<u>426,305</u>	<u>---</u>
	<u>\$ 5,962,536</u>	<u>\$ 5,559,627</u>

**3. Inventories:**

	2003	2002
Medical and surgical..... \$	80,588 \$	117,747
Drugs.....	254,244	213,446
Intravenous.....	5,904	8,253
Maintenance.....	16,254	14,841
Food.....	10,500	10,500
General.....	120,815	97,034
	<u>\$ 488,305</u>	<u>\$ 461,821</u>

**4. Capital assets:**

			<b>2003</b>	<b>2002</b>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land .....	\$ 581,852	\$ ---	\$ 581,852	\$ 581,852
Buildings and paving .....	41,437,896	16,574,329	24,863,567	25,842,189
Equipment .....	19,840,591	15,910,171	3,930,420	2,836,739
	<u>\$ 61,860,339</u>	<u>\$ 32,484,500</u>	<u>\$ 29,375,839</u>	<u>\$ 29,260,780</u>

**5. Accounts payable and accrued liabilities:**

			<b>2003</b>	<b>2002</b>
Accounts payable and accrued liabilities .....	\$	3,231,001	\$ 2,804,929	
Accrued payroll:				
Salaries .....		1,201,903	1,035,719	
Vacation pay .....		1,586,456	1,519,642	
Contract settlement .....		---	622,623	
Equipment payable .....		963	10,722	
Cape Breton District Health Authority .....		201,151	142,923	
Due to operating fund .....		384,507	---	
		<u>6,605,981</u>	<u>6,136,558</u>	
Capital fund:				
Due to operating fund .....		---	325,352	
Accounts payable and accrued liabilities .....		386,190	---	
		<u>386,190</u>	<u>325,352</u>	
	\$	<u>6,992,171</u>	\$ <u>6,461,910</u>	

**6. 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:

			<b>2003</b>	<b>2002</b>
Balance, beginning of year .....	\$	29,174,080	\$ 30,647,860	
Additional contributions received .....		1,770,250	608,930	
Amounts amortized to revenue .....		(2,110,228)	(2,082,710)	
Balance, end of year .....	\$	<u>28,834,102</u>	\$ <u>29,174,080</u>	

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

			<b>2003</b>	<b>2002</b>
Unamortized capital contributions used to purchase assets .....	\$	28,793,987	\$ 28,678,928	
Unspent contributions .....		40,115	495,152	
	\$	<u>28,834,102</u>	\$ <u>29,174,080</u>	



**7. Retirement allowance:**

In the prior year, the Department of Health requested that Nova Scotia District Health Authorities recognize in their financial statements both the liability for retiring allowances and the related commitment by the Department of Health to fund same.

To promote consistency amongst Authorities the Department engaged consulting actuaries to quantify for each Health Authority the retiring allowance liability and expense for years up to March 31, 2002. An actuarial valuation has been performed to quantify the expense and liability for the fiscal year ended March 31, 2003.

In compliance with the Department's request, the following has been recorded in respect of retiring allowances accrued up to March 31, 2003:

	<b>2003</b>	<b>2002</b>
Opening balance . . . . .	\$ 4,193,608	\$ 2,715,577
Retiring allowance expense computed with reference to the actuarial projection of expense for the year . . . . .	433,862	441,609
Actuarial allocation adjustment . . . . .	---	1,131,522
Retirement allowance payouts (estimated) . . . . .	<u>(98,900)</u>	<u>(95,100)</u>
Funding receivable from the Department for the actual projected liability . . . . .	<u>\$ 4,528,570</u>	<u>\$ 4,193,608</u>

**8. Invested in capital assets:**

	<b>2003</b>	<b>2002</b>
a) Investment in capital assets is calculated as follows:		
Capital assets . . . . .	\$ 29,375,839	\$ 29,260,780
Amounts financed by:		
Deferred contributions - spent . . . . .	<u>28,793,987</u>	<u>28,678,928</u>
	<u>\$ 581,852</u>	<u>\$ 581,852</u>

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

	<b>2003</b>	<b>2002</b>
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets . . . . .	\$ 2,110,228	\$ 2,082,710
Amortization of capital assets . . . . .	<u>(2,110,228)</u>	<u>(2,082,710)</u>
	<u>\$ ---</u>	<u>\$ ---</u>
Net change in investment in capital assets:		
Capital assets acquired . . . . .	\$ 2,225,287	\$ 1,177,448
Amounts funded by deferred contributions . . . . .	<u>(2,225,287)</u>	<u>(1,177,448)</u>
	<u>\$ ---</u>	<u>\$ ---</u>

**9. Accounts with the Department of Health:**

The Health Authority has the following accounts with the Department of Health:

	<b>2003</b>	<b>2002</b>
Accounts receivable:		
Retirement allowance . . . . .	\$ 4,528,570	\$ 4,193,608
Final settlements . . . . .	597,136	515,499
Vacation liability . . . . .	1,331,500	1,331,500
Nursing strategy . . . . .	170,336	102,298
Special maintenance . . . . .	---	186,780
Hospital Information System project . . . . .	2,152,440	306,512
Contract settlement . . . . .	---	1,652,698
On Call Physician Program . . . . .	95,276	---
Anesthesia/pathology . . . . .	196,813	---
Other . . . . .	44,096	101,125
Retirement allowance payouts . . . . .	33,787	96,993
	<u>\$ 9,149,954</u>	<u>\$ 8,487,013</u>

Collectability of the estimated receivable is dependent on obtaining approval for certain expenditures.

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

**10. Related parties:**

The Health Authority is related to St. Martha's Regional Hospital Foundation, Guysborough Memorial Hospital Foundation, Strait Richmond Hospital Charitable Foundation and St. Mary's Memorial Hospital Society. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Health Authority.

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

	<b>2003</b>	<b>2002</b>
Operating fund:		
Due to Hospital Foundations:		
St. Martha's Regional Hospital Foundation . . . . .	\$ 1,012	\$ 11,000
Guysborough Memorial Hospital Foundation . . . . .	1,282	---
	<u>\$ 2,294</u>	<u>\$ 11,000</u>
Capital fund:		
Due to Hospital Foundation:		
St. Martha's Regional Hospital Auxiliary . . . . .	\$ 41,798	\$ ---

During the year ended March 31, 2003, the following amounts were received from the Foundations to purchase equipment:

	<b>2003</b>	<b>2002</b>
St. Martha's Regional Hospital Foundation . . . . .	\$ 150,000	\$ 119,656
St. Martha's Regional Hospital Auxiliary . . . . .	189,591	59,946
Strait Richmond Hospital Foundation . . . . .	13,191	84,796
Guysborough Memorial Hospital Foundation . . . . .	8,900	7,589
Guysborough Memorial Hospital Auxiliary . . . . .	---	7,589
	<u>\$ 361,682</u>	<u>\$ 279,576</u>

**11. Contingencies:**

Law Suit:

The Health Authority has been named a defendant in three law suits.

The outcome of the matters is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

Management is of the opinion that the Province of Nova Scotia, Department of Health and Community Services, will provide the necessary funding to meet obligations, if any, which may result from the legal actions.

**12. Comparative figures:**

Certain March 31, 2002 figures have been reclassified to conform to the presentation adopted for the current year.

## AUDITORS' REPORT

To the Chairman and Commissioners of the  
Halifax-Dartmouth Bridge Commission:

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2002 and 2001 and the statements of income, deficit and cash flows for the years 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 audits.

We conducted our audits in accordance with Canadian 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

LEVY CASEY CARTER MACLEAN  
Chartered Accountants

Halifax, Nova Scotia  
February 6, 2003

**HALIFAX - DARTMOUTH BRIDGE COMMISSION**

**Balance Sheet  
December 31, 2002**

	<b>2002</b>	<b>2001</b>	<b>(in thousands)</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash (note 1 (e)) . . . . .	\$ 9,713	\$ 4,014	
Receivables			
Trade . . . . .	22	7	
Accrued interest . . . . .	25	8	
Recoverable HST (note 2) . . . . .	55	170	
Prepaid expenses . . . . .	197	149	
	10,012	4,348	
Deferred financing costs and discounts, net of accumulated amortization of \$4,281 (2001 - \$3,439) (note 1 (d)) . . . . .	4,141	4,983	
Deferred transponder charges, net of accumulated amortization of \$142 (2001 - \$77) (note 9) . . . . .	517	581	
Capital Assets (note 3) . . . . .	74,422	77,990	
<b>Restricted assets (note 4)</b>			
Investment - OMA Fund . . . . .	1,499	1,425	
Investment - Debt Service Fund . . . . .	2,975	2,975	
Investment - Capital Fund . . . . .	9,860	6,394	
Investment - Sinking Fund . . . . .	6,519	4,231	
	\$ 109,945	\$ 102,927	
<b>LIABILITIES</b>			
<b>Current</b>			
Payables and accruals . . . . .	\$ 431	\$ 464	
Capital project holdbacks payable . . . . .	267	367	
Accrued interest payable . . . . .	456	456	
Refundable customer transponder amounts (note 9) . . . . .	1,305	1,007	
Deferred revenue (note 1(b) and 5) . . . . .	2,669	2,512	
	5,128	4,806	
Long-term debt (note 6) . . . . .	123,000	123,000	
<b>DEFICIT</b>			
Reserve for restricted assets (note 4) . . . . .	20,853	15,025	
Deficit . . . . .	(39,036)	(39,904)	
	(18,183)	(24,879)	
	\$ 109,945	\$ 102,927	

**HALIFAX - DARTMOUTH BRIDGE COMMISSION**

**Statement of Income and Deficit  
year ended December 31, 2002**

	<b>2002</b>	<b>2001</b>
	(in thousands)	
<b>Revenue</b>		
Toll revenue (note 1(b)) . . . . .	\$ 22,983	\$ 22,102
Other rate charges . . . . .	135	135
Investment and sundry income		
OMA , Debt Service, Capital and Sinking Funds . . . . .	844	648
Other . . . . .	214	259
	<u>24,176</u>	<u>23,144</u>
 <b>Expenses</b>		
Operating expenses . . . . .	1,206	1,202
Maintenance expenses . . . . .	2,341	2,229
Administrative expenses . . . . .	2,033	1,918
Amortization of capital assets . . . . .	4,386	4,169
Amortization of deferred transponder charges . . . . .	65	65
Interest on long-term debt and amortization of deferred financing costs (note 7) . . . . .	<u>7,449</u>	<u>7,895</u>
	<u>17,480</u>	<u>17,478</u>
 <b>Net income.</b> . . . . .	 6,696	 5,666
 <b>Deficit, beginning of year</b> . . . . .	 <u>(39,904)</u>	 <u>(40,114)</u>
	(33,208)	(34,448)
 <b>Appropriation to restricted asset reserve.</b> . . . . .	 <u>(5,828)</u>	 <u>(5,456)</u>
 <b>Deficit, end of year</b> . . . . .	 <u>\$ (39,036)</u>	 <u>\$ (39,904)</u>

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Statement of Cash Flows  
year ended December 31, 2002

	2002	2001
	(in thousands)	
<b>Operating Activities</b>		
Net income .....	\$ 6,696	\$ 5,666
Amortization of capital assets .....	4,386	4,169
Amortization of deferred transponder charges.....	65	65
Amortization of debt discount and refinancing costs.....	842	842
Loss (gain) on disposal of capital assets .....	(26)	7
	<u>11,963</u>	<u>10,749</u>
 Net change in non-cash operating balances (note 8) .....	 356	 431
	<u>12,319</u>	<u>11,180</u>
 <b>Investing Activities</b>		
Proceeds from disposal of capital assets .....	28	27
Investment in capital fund investments.....	(3,466)	(3,302)
Investment in sinking fund investments.....	(2,288)	(2,183)
Increase in OMA fund investments .....	(74)	(57)
Decrease (increase) in Debt Service Fund investments .....	---	86
Purchase of capital assets .....	(820)	(5,588)
	<u>(6,620)</u>	<u>(11,017)</u>
 <b>Increase in cash during year.....</b>	 5,699	 163
 <b>Cash, beginning of year .....</b>	 <u>4,014</u>	 <u>3,851</u>
 <b>Cash, end of year .....</b>	 <u>\$ 9,713</u>	 <u>\$ 4,014</u>

# HALIFAX - DARTMOUTH BRIDGE COMMISSION

## Notes to Financial Statements December 31, 2002

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

c) Amortization of capital assets

Amortization is calculated using the declining balance (d.b.) method, except for depreciation calculated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicated in note 3. Amortization commences in the year an asset is put in use. The Commission periodically updates the estimated remaining useful life of the bridges based on consultation with the Commission's external consulting engineers.

d) 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.

e) Cash and cash equivalents

Cash consists of funds held in the current bank account. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

### 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

	<u>Rate</u>	<u>2002</u>		<u>2001</u>	
		<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land.....		\$ 5,735	\$ ---	\$ 5,735	\$ 5,735
Buildings.....	40 yrs s.l.	2,123	1,354	769	706
Bridge and bridge component					
A.L. Macdonald					
Bridge.....	20 to 85 yrs s.l.	66,832	15,954	50,878	53,482
A.M. MacKay					
Bridge.....	15 to 80 yrs s.l.	23,740	9,747	13,993	14,809
Electronic toll transponders.....	10 yrs s.l.	842	152	690	611
Computer equipment.....	30% d.b.	541	383	158	183
Toll and other equipment.....	20% d.b.	6,244	4,326	1,918	2,246
Mobile equipment.....	30 % d.b.	957	676	281	218
		<u>\$ 107,014</u>	<u>\$ 32,592</u>	<u>\$ 74,422</u>	<u>\$ 77,990</u>

### 4. Restricted assets (in thousands)

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 four reserve funds, which will be funded from the revenues of the Commission, after payment of current operating, maintenance, and administrative expenses. With the exception of the capital fund, the reserve funds are held and invested by the trustee on behalf of the Commission.

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. At December 31, 2002, the OMA fund had a market value of \$1,499 and was invested in cash and Government of Canada Treasury Bills maturing in June 2003 with a yield of 2.77%.

The debt service fund must be maintained at an 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 Series 1, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2002, the debt service fund had a market value of \$2,975 and was invested in cash and Government of Canada Treasury Bills maturing in June 2003 with a yield of 2.77%.

The Commission has been required to make quarterly contributions of \$500 to the sinking fund since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1. At December 31, 2002, the sinking fund had a market value of \$6,746 and was invested in various federal and provincial bonds maturing in 2007 with yields of 4.32% to 6.68%.

The Commission has been required to make quarterly contributions of \$750 to the capital fund, since the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds Series 1, or for the maintenance of, or improvements to the bridges. At December 31, 2002, the capital fund had a market value of \$10,179 and was invested in various federal, provincial and corporate bonds maturing in 2007 and 2012 with yields of 6.08% to 7.92%.

**5. Deferred Revenue**

	<b>2002</b>	<b>2001</b>
	(in thousands)	
Unredeemed Tokens . . . . .	\$ 1,643	\$ 1,708
Electronic Toll Collection (ETC) Accounts. . . . .	<u>1,026</u>	<u>804</u>
	<u>\$ 2,669</u>	<u>\$ 2,512</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 (in thousands)**

	<b>2002</b>	<b>2001</b>
	(in thousands)	
5.95% Toll Revenue Bonds Series 1 (see below)	\$ 100,000	\$ 100,000
90 day B.A. rate + 3/10 of 1% line of credit (line of credit)	<u>23,000</u>	<u>23,000</u>
	<u>\$ 123,000</u>	<u>\$ 123,000</u>

5.95% Toll Revenue Bonds Series 1, maturing December 4, '2007, 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).

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. 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.

The estimated fair market value of the \$100,000 fixed rate long-term debt, based on the quoted market price for the same issue at December 31, 2002,, is \$106,490.

Payments required to the Sinking Fund and Capital Fund (see note 4) over the next five years are as follows:

2003	\$	5,000
2004	\$	5,000
2005	\$	5,000
2006	\$	5,000
2007	\$	5,000

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

	<b>2002</b>	<b>2001</b>
	(in thousands)	
Interest on long-term debt		
Toll Revenue Bonds Series 1 . . . . .	\$ 5,950	\$ 5,950
Line of Credit . . . . .	657	1,103
Amortization of deferred financing costs and discounts . . . . .	<u>842</u>	<u>842</u>
	<u>\$ 7,449</u>	<u>\$ 7,895</u>

**8. Net change in non-cash operating balances**

	<b>2002</b>	<b>2001</b>
	(in thousands)	
<b>Increase (decrease) in cash from changes in:</b>		
Receivables . . . . .	\$ 83	\$ (36)
Prepaid expenses . . . . .	(48)	(9)
Payables and accruals . . . . .	(134)	62
Customer transponder amounts . . . . .	298	263
Deferred revenue . . . . .	<u>157</u>	<u>151</u>
	<u>\$ 356</u>	<u>\$ 431</u>

**9. Transponders (in thousands)**

The Commission has recorded a liability for all payments received on the issue of transponders to customers. The cost of all transponders issued to customers prior to December of 2000 has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after that date has been recorded as capital assets (see Note 3). In both cases, the transponders are being amortized on a straight-line basis to 2010.

**10. Pension plan (in thousands)**

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, 2002. The Commission recognized an expense of \$62 for pension contributions during the year (\$61 for 2001).

**11. Retirement Benefits (in thousands)**

Generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees who retire at age 60 or later, or who become disabled at any age, will be paid a retirement benefit equal to one months salary for their first ten years of service, plus one months salary for each additional full five years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of \$156 (2001 - \$149) in retirement benefits as at December 31, 2002. The amount of \$7 was charged to administrative and maintenance expenses for the year (2001 - \$18) in this regard.

**12. 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.

**13. Contingencies**

The Commission has received correspondence that may lead to a claim against it for alleged damages caused to a property owner by modifications to a bridge. The eventual outcome of such action, if any is taken, is not determinable at this time.

**14. Additional Credit Facility (in thousands)**

The Commission has a \$5,000 operating loan facility with a chartered bank, which bears interest at prime rate minus .5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2002, no advances were outstanding.

## AUDITORS' REPORT

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

We have audited the consolidated balance sheet of the Halifax Regional School Board as at March 31, 2003, and the consolidated statement 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 Canadian 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, 2003 and the results of its operations for the year then ended in accordance with accounting principles generally accepted for school boards in Nova Scotia.

GRANT THORNTON LLP  
Chartered Accountants

Dartmouth, Nova Scotia  
May 30, 2003

**HALIFAX REGIONAL SCHOOL BOARD**

**Consolidated Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
<b>Current</b>		
Cash .....	\$ 4,128,341	\$ 2,342,357
Receivables .....	14,349,961	5,425,371
Prepays .....	17,702	633,816
	<u>18,496,004</u>	<u>8,401,544</u>
Service awards receivable (Note 3) .....	48,443,371	47,496,000
<b>Capital assets (Note 2[b])</b>		
Buildings .....	106,783,782	108,393,908
Equipment .....	1,708,410	3,179,256
Vehicles .....	82,878	39,514
	<u>108,575,070</u>	<u>111,612,678</u>
	<u>\$ 175,514,445</u>	<u>\$ 167,510,222</u>

**LIABILITIES**

<b>Current</b>		
Payables and accruals .....	\$ 13,727,356	\$ 5,752,375
Deferred revenue .....	1,491,875	1,385,747
	<u>15,219,231</u>	<u>7,138,122</u>
<b>Long term</b>		
Service award liability (Note 3) .....	48,443,371	47,496,000
Due to Trust Funds .....	1,025	48
	<u>48,444,396</u>	<u>47,496,048</u>
	<u>63,663,627</u>	<u>54,634,170</u>

**EQUITY**

Surplus - Supplementary Fund (Page 162) .....	149,369	114,204
Investment in capital assets (Page 163) .....	108,575,070	111,612,678
Reserve funds (Page 163) .....	3,126,379	1,149,170
	<u>111,850,818</u>	<u>112,876,052</u>
	<u>\$ 175,514,445</u>	<u>\$ 167,510,222</u>

Commitments (Note 5)  
Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

**HALIFAX REGIONAL SCHOOL BOARD**

**Consolidated Statement of Operations  
Year ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
Province of Nova Scotia . . . . .	\$ 211,382,200	\$ 218,708,928	\$ 215,370,487
Halifax Regional Municipality . . . . .	84,572,900	84,572,104	79,743,100
Government of Canada . . . . .	2,212,400	2,060,755	2,071,221
Board operations . . . . .	3,840,400	4,015,352	3,388,572
	<u>302,007,900</u>	<u>309,357,139</u>	<u>300,573,380</u>
<b>Expenditure</b>			
School services . . . . .	244,518,204	248,422,647	242,718,748
Regional board management . . . . .	1,883,200	1,973,559	1,730,577
Business services . . . . .	51,419,900	52,263,810	50,719,080
Corporate services . . . . .	4,300,800	4,684,749	4,114,863
	<u>302,122,104</u>	<u>307,344,765</u>	<u>299,283,268</u>
Excess (deficiency) of revenue over expenditure . . . . .	(114,204)	2,012,374	1,290,112
Transfer to General Fund Reserve . . . . .	---	(2,321,270)	(631,966)
Transfer from General Fund Reserve . . . . .	---	339,966	---
Transfer to Program Resource Reserve . . . . .	---	(513,109)	(517,204)
Transfer from Program Resource Reserve . . . . .	---	517,204	---
Transfer from Supplementary Funds Reserve . . . . .	---	---	701,972
Prior year's surplus (deficit) . . . . .	<u>114,204</u>	<u>114,204</u>	<u>(728,710)</u>
Excess of revenue over expenditure . . . . .	<u>---</u>	<u>\$ 149,369</u>	<u>\$ 114,204</u>

See accompanying notes to the consolidated financial statements.

**HALIFAX REGIONAL SCHOOL BOARD**

**General and Supplementary Fund  
Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Current		
Cash .....	\$ 4,128,341	\$ 2,342,357
Receivables		
Province of Nova Scotia .....	10,983,076	2,416,512
Government of Canada .....	209,351	524,758
Commodity taxes .....	2,213,140	1,648,620
Other .....	944,394	835,481
Prepays .....	<u>17,702</u>	<u>633,816</u>
	18,496,004	8,401,544
Long term service awards receivable (Note 3) .....	<u>48,443,371</u>	<u>47,496,000</u>
	<u>\$ 66,939,375</u>	<u>\$ 55,897,544</u>

**LIABILITIES**

Current		
Payables and accruals .....	13,727,356	5,752,375
Deferred revenue .....	<u>1,491,875</u>	<u>1,385,747</u>
	15,219,231	7,138,122
Long term		
Due to Trust Funds .....	1,025	48
Due to Reserve Funds .....	3,126,379	1,149,170
Service award liability (Note 3) .....	<u>48,443,371</u>	<u>47,496,000</u>
	<u>51,570,775</u>	<u>48,645,218</u>
	<u>66,790,006</u>	<u>55,783,340</u>

**EQUITY**

Surplus		
Supplementary Fund (Page 162) .....	<u>149,369</u>	<u>114,204</u>
	149,369	114,204
	<u>\$ 66,939,375</u>	<u>\$ 55,897,544</u>

Commitments (Note 5)

Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.



**HALIFAX REGIONAL SCHOOL BOARD**

**General Fund  
Statement of Operations  
Year ended March 31, 2003**

		<u>2003</u>		<u>2002</u>
	<b>Page</b>	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>				
Province of Nova Scotia . . .	167	\$ 211,382,200	\$ 218,708,928	\$ 215,370,487
Halifax Regional Municipality . . . . .	167	63,725,900	63,725,904	59,601,200
Government of Canada . . . .	167	2,212,400	2,060,755	2,071,221
Board Operations . . . . .	167	3,840,400	4,015,352	3,388,572
		<u>281,160,900</u>	<u>288,510,939</u>	<u>280,431,480</u>
<b>Expenditure</b>				
School services . . . . .	167-168	224,028,000	228,082,612	222,587,089
Regional board management . . . . .	169	1,883,200	1,973,559	1,730,577
Business services . . . . .	169-170	50,948,900	51,792,810	50,242,080
Corporate services . . . . .	170	4,300,800	4,684,749	4,114,863
		<u>281,160,900</u>	<u>286,533,730</u>	<u>278,674,609</u>
Excess of revenue over expenditure . . . . .		---	1,977,209	1,756,871
Transfer to General Fund Reserve . . . . .		---	(2,321,270)	(631,966)
Transfer from General Fund Reserve . . . . .		---	339,966	---
Transfer to Program Resources Reserve . . . . .		---	(513,109)	(517,204)
Transfer from Program Resources Reserve . . . . .		---	517,204	---
Prior year's deficit . . . . .		---	---	<u>(607,701)</u>
Excess of revenue over expenditure . . . . .		\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>

**General Fund  
Statement of Continuity of Surplus  
Year ended March 31, 2003**

		<b>2003</b>	<b>2002</b>
Balance, beginning of year . . . . .	\$	---	\$ (607,701)
Transfer of prior year's deficit to statement of operations . . . . .		<u>---</u>	<u>607,701</u>
Balance, end of year . . . . .	\$	<u>---</u>	\$ <u>---</u>

See accompanying notes to the consolidated financial statements.

**HALIFAX REGIONAL SCHOOL BOARD**

**Supplementary Fund  
Statement of Operations and Surplus  
Year Ended March 31, 2003**

		2003		2002
	Page	Budget	Actual	Actual
<b>Revenue</b>				
Halifax Regional Municipality . . . . .	171-173	\$ 20,847,000	\$ 20,846,200	\$ 20,141,900
<b>Expenditure</b>				
School services . . . . .	171-173	20,490,204	20,340,035	20,131,659
Business Services . . . . .	171-173	75,000	75,000	75,000
Administration allocation . . . . .	171-173	396,000	396,000	402,000
		20,961,204	20,811,035	20,608,659
Excess (deficiency) of revenue over expenditure . . . . .		(114,204)	35,165	(466,759)
Prior year's surplus (deficit) . . . . .		114,204	114,204	(121,009)
Excess of revenue over expenditure . . . . .		\$ ---	\$ 149,369	\$ (587,768)
Surplus, beginning of year . . . . .			\$ 114,204	\$ (121,009)
Excess of expenditures over revenue . . . . .			149,369	(587,768)
Transfer from Supplementary Funds Reserve . . . . .			---	701,972
Transfer of prior year's surplus (deficit) to statement of operations . . . . .			(114,204)	121,009
Surplus, end of year . . . . .			\$ 149,369	\$ 114,204

**Capital Fund  
Balance Sheet  
March 31, 2003**

**ASSETS**

	2003	2002
Buildings (Note 2[b]) . . . . .	\$ 106,783,782	\$ 108,393,908
Equipment (Note 2[b]) . . . . .	1,708,410	3,179,256
Vehicles . . . . .	82,878	39,514
	\$ 108,575,070	\$ 111,612,678

**EQUITY**

Investment in capital assets (Page 163) . . . . .	\$ 108,575,070	\$ 111,612,678
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Commitments (Note 5)

Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

**HALIFAX REGIONAL SCHOOL BOARD**

**Capital Fund  
Investment in Capital Assets  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Balance, beginning of year .....	\$ 111,612,678	\$ 115,152,465
Capital purchases out of revenue		
Vehicles .....	43,364	39,514
Buildings .....	<u>348,156</u>	<u>268,875</u>
	<u>391,520</u>	<u>308,389</u>
	<u>112,004,198</u>	<u>115,460,854</u>
Capital assets written off		
Equipment .....	1,470,846	1,880,528
Buildings .....	<u>1,958,282</u>	<u>1,967,648</u>
	<u>3,429,128</u>	<u>3,848,176</u>
	<u>\$ 108,575,070</u>	<u>\$ 111,612,678</u>

**Reserve Funds  
Balance Sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Due from General Fund .....	<u>\$ 3,126,379</u>	<u>\$ 1,149,170</u>
<b>EQUITY</b>		
Reserve Funds (See below) .....	<u>\$ 3,126,379</u>	<u>\$ 1,149,170</u>

**Reserve Funds (Note 8)  
Statement of Continuity of Reserves  
March 31, 2003**

	<b>General Fund</b>	<b>Program Resources</b>	<b>2003 Total</b>	<b>2002 Total</b>
Balance, beginning				
of year .....	\$ 631,966	\$ 517,204	\$ 1,149,170	\$ 701,972
Transfers to General Fund .....	(339,966)	(517,204)	(857,170)	---
Transfers from General Fund .....	2,321,270	513,109	2,834,379	1,149,170
Transfers to Supplementary Fund .....	<u>---</u>	<u>---</u>	<u>---</u>	<u>(701,972)</u>
Balance, end of year .....	<u>\$ 2,613,270</u>	<u>\$ 513,109</u>	<u>\$ 3,126,379</u>	<u>\$ 1,149,170</u>

See accompanying notes to the consolidated financial statements.

# HALIFAX REGIONAL SCHOOL BOARD

## Notes to the Consolidated Financial Statements March 31, 2003

### 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 general, supplementary, 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, which are recorded as an expense when paid.

#### (b) Capital fund assets

Capital fund assets transferred from municipal councils are recorded at their carrying value. Prior to 2001, all building improvements and acquisitions of furniture and equipment were recorded at cost. Commencing in 2001, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. These thresholds are as follows:

Buildings	\$	250,000
Leasehold improvements	\$	250,000
Computer hardware	\$	25,000
Motor vehicles	\$	15,000
Major equipment	\$	50,000

Assets were written off in accordance with the criteria prescribed by the Department of Education. All asset additions acquired prior to 2001 are written off after a period of five years has elapsed. The Board does not record depreciation on its assets.

Under the agreement with the municipal councils, 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 councils.

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.

#### (d) Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts by fund of revenue and expenditure. Actual results could differ from these estimates.

**3. Service awards**

Qualifying employees receive a service award upon retirement, disability, death or termination, when entitled to a vested pension, under the contracts between unions 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.

During the year ended March 31, 2003, the Board paid \$540,602 (2002 - \$2,910,130) in service awards to employees retiring prior to April 1, 2002. All current service awards were paid by the Province.

The Province of Nova Scotia assumed responsibility for the payment of service award to qualifying employees effective April 1, 2002 and all school boards in Nova Scotia are now required to recognize the projected liability with respect to these service awards. The projected liability is offset by a receivable from the Province. The amount of the projected liability has been determined by the Nova Scotia Department of Finance, based on an actuarial valuation. Beginning in fiscal 2003, school boards remit an amount, as determined by the Province of Nova Scotia, to the Province as a result of the Province assuming the responsibility for the payment of these service awards.

**4. Pension plans**

**(a) Teachers**

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.

**(b) Other**

As of January 1, 2000 the pension plans covering non-teaching staff were transferred to the Halifax Regional Municipality Pension Plan.

**5. Commitments**

(a) The Board has entered into agreements to lease buildings and office equipment for various periods until 2008. The annual rent of the buildings includes a base rent plus a share of operating expenses. Minimum rent payable for the buildings and equipment is as follows:

	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
2004	\$ 72,659	\$ 138,865	\$ 211,524
2005	50,874	---	50,874
2006	50,874	---	50,874
2007	50,874	---	50,874
2008	<u>25,437</u>	<u>---</u>	<u>25,437</u>
	<u>\$ 250,718</u>	<u>\$ 138,865</u>	<u>\$ 389,583</u>

The Board is also committed to lease photocopiers. The payment is based on usage and, therefore, cannot be accurately estimated.

(b) The Board has contracted for the provision of transportation services until June 30, 2006. The cost of this contract approximates \$10,368,000 per annum.

In addition, the Board is committed to spend an additional amount of approximately \$295,000 for other transportation services in 2004.

(c) The Board is committed to pay management fees of approximately \$90,300 for the five months ended August 31, 2003 to Ashford Properties for services related to O'Connell Drive School.

**6. Contingencies**

The Board incurred expenditures relating to environmental matters in its properties during the year ended March 31, 2003. 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.

The Board has been named in a legal action by a student for the provision of educational services. The likely outcome and amount, if any, of this action is not determinable at this time.

A union has commenced an action against the Board for an alleged breach of an article within agreements between the Board and the union. The likely outcome and potential liability is not determinable at this time, and no provision has been made in these financial statements to provide for this claim.

**7. Bank indebtedness**

The board has an operating line of credit of \$3,000,000 with interest at prime. As at March 31, 2003, this line of credit had not been utilized.

**8. Reserve Funds**

(a) Program Resources Reserve

The Program Resources reserve is earmarked specifically for schools. It relates to balances of school program resource budgets carried forward to subsequent years to enable schools to better manage and plan over the long term.

(b) General Fund Reserve

The General Fund Reserve represents remaining unrestricted funds available for future operations. Included is \$292,000 which has been committed but not yet expended.

**9. Related party transactions**

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums;
- Certain IT systems and support

**10. Comparative figures**

Certain of the comparative figures for 2002 have been reclassified to conform with the financial statement presentation adopted for 2003.

**HALIFAX REGIONAL SCHOOL BOARD**

**General Fund  
Detail of Revenue  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>	
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>	
<b>Revenue</b>				
Province of Nova Scotia				
Formula funding .....	\$ 208,391,800	\$ 214,792,594	\$ 207,823,976	
Provincial initiatives .....	1,624,300	1,400,672	1,839,428	
Emergency capital .....	1,014,200	1,771,907	2,068,911	
French special projects .....	142,400	107,502	148,308	
Other .....	209,500	636,253	3,489,864	
	\$ 211,382,200	\$ 218,708,928	\$ 215,370,487	
Halifax Regional Municipality				
Mandatory .....	\$ 63,725,900	\$ 63,725,904	\$ 59,601,200	
Government of Canada				
Adult ESL .....	\$ 901,800	\$ 769,233	\$ 807,212	
Minority official language .....	244,900	206,407	244,874	
French special projects .....	342,300	298,754	371,032	
Other .....	723,400	786,361	648,103	
	\$ 2,212,400	\$ 2,060,755	\$ 2,071,221	
Board Operations				
Investment income .....	\$ 400,000	\$ 374,079	\$ 462,546	
Community education fees .....	78,400	91,770	133,557	
Summer School Fees .....	135,000	136,104	141,015	
Facilities rental .....	480,000	601,588	303,113	
EXCEL .....	2,000,000	1,876,794	1,726,406	
International Students .....	535,000	641,435	435,598	
Other .....	212,000	293,582	186,337	
	\$ 3,840,400	\$ 4,015,352	\$ 3,388,572	

**General Fund  
Detail of Expenditure  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>	
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>	
School Services				
Teachers' salaries				
Classroom .....	\$ 133,922,400	\$ 135,651,295	\$ 133,248,126	
Special Ed .....	15,759,000	15,668,568	12,551,371	
Teacher librarians .....	816,100	684,819	621,762	
Guidance .....	3,286,900	3,484,366	3,119,341	
Administrators .....	14,965,100	14,940,249	14,696,189	
DOE increment settlement .....	---	---	1,508,574	
	168,749,500	170,429,297	165,745,363	
Substitutes .....	7,000,000	7,382,681	7,337,484	

**HALIFAX REGIONAL SCHOOL BOARD**

**General Fund  
Detail of Expenditure (continued)  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>
School Services (continued)			
Non-teachers' salaries			
Educational program assistants . . . . .	11,653,400	11,335,409	10,832,078
Library technicians . . . . .	241,200	234,757	212,420
School and administrative secretaries . . . . .	4,708,200	4,552,075	4,594,096
Lunch and buss monitors . . . . .	850,000	708,118	861,544
Tutors and security . . . . .	305,100	216,981	228,198
	17,757,900	17,047,340	16,728,336
Benefits . . . . .	15,521,500	18,642,332	18,796,266
Special education supplies and materials . . . . .	97,000	96,717	79,847
Tuition agreements . . . . .	175,000	77,305	156,416
Textbooks and classroom supplies			
School based and centrally managed materials . . . . .	3,824,300	4,219,931	3,867,832
Textbook credit allocation . . . . .	2,820,500	2,817,422	2,708,023
	6,644,800	7,037,353	6,575,855
Regional and area teams			
Teachers salaries . . . . .	2,504,700	2,477,151	2,468,403
Benefits . . . . .	134,500	136,209	124,410
Supplies . . . . .	126,800	119,264	33,088
	2,766,000	2,732,624	2,625,901
Professional Development			
PD leadership . . . . .	398,600	503,042	440,757
PD days . . . . .	910,300	638,864	989,176
Supplies and materials . . . . .	208,100	236,291	254,477
	1,517,000	1,378,197	1,684,410
Community education projects . . . . .	1,633,600	1,317,548	1,338,854
Other			
Telephones, data and fax lines . . . . .	898,000	895,989	899,247
Travel . . . . .	349,000	284,357	362,995
	1,247,000	1,180,346	1,262,242
Equipment and technology . . . . .	918,700	760,872	256,115
	\$ 224,028,000	\$ 228,082,612	\$ 222,587,089



**HALIFAX REGIONAL SCHOOL BOARD**

**General Fund  
Detail of Expenditure (continued)  
Year Ended March 31, 2003**

	2003		2002
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Regional Board Management</b>			
Board Members			
Honoraria . . . . .	\$ 113,300	\$ 113,330	\$ 112,050
NSSBA dues . . . . .	153,500	146,182	146,182
Travel and conferences . . . . .	53,000	43,249	54,210
Other . . . . .	30,000	59,265	31,093
	349,800	362,026	343,535
Board Administration			
Salaries . . . . .	767,200	881,520	707,658
Benefits . . . . .	95,700	90,747	82,758
Supplies and materials . . . . .	250,500	209,036	196,518
Professional services . . . . .	400,000	406,934	382,772
Travel . . . . .	20,000	23,296	17,336
	1,533,400	1,611,533	1,387,042
	\$ 1,883,200	\$ 1,973,559	\$ 1,730,577
<b>Business Services</b>			
Board Administration			
Salaries . . . . .	\$ 2,023,000	\$ 1,952,742	\$ 2,108,634
Benefits . . . . .	312,600	299,798	352,751
Supplies and materials . . . . .	111,000	124,456	85,004
Liability insurance . . . . .	300,800	298,836	228,018
Professional fees . . . . .	40,000	55,420	41,499
Interest and service charges . . . . .	300,000	274,277	244,159
Other . . . . .	95,000	99,913	101,402
	3,182,400	3,105,442	3,161,467
Facilities and Grounds			
Salaries: Maintenance . . . . .	1,840,400	1,536,154	1,327,038
Custodial . . . . .	10,770,300	10,234,346	9,096,277
Benefits . . . . .	2,769,800	2,679,723	2,355,476
Supplies and materials			
Maintenance . . . . .	2,980,000	3,191,723	3,633,855
Custodial . . . . .	748,000	889,106	1,000,129
Facilities rental . . . . .	210,000	105,384	160,432
Travel and mileage . . . . .	60,000	38,196	37,403
Insurance . . . . .	498,000	519,281	380,392
Utilities: Electricity . . . . .			
Heating fuel . . . . .	3,049,400	3,386,874	2,473,674
Water/sewer . . . . .	675,000	760,835	769,888
Telephone/fax/data . . . . .	117,000	76,151	112,226
Vehicles . . . . .	275,000	206,697	373,654
Contracted services			
Maintenance . . . . .	525,400	455,004	516,289
Snow removal . . . . .	537,700	914,794	645,737
Garbage . . . . .	499,300	556,049	591,211
Grass cutting . . . . .	175,000	229,933	167,139
P3 school maintenance . . . . .	235,000	205,036	212,671
Cleaning services . . . . .	---	---	1,660,254
Relocation expense . . . . .	128,500	346,642	386,589
	29,891,400	30,627,177	29,669,079

**HALIFAX REGIONAL SCHOOL BOARD**

**General Fund  
Detail of Expenditure (continued)  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>
Business Services (continued)			
Student transportation . . . . .	11,510,500	11,737,892	11,024,200
Capital repairs and renovations . . . . .	2,870,900	3,288,940	3,735,095
Technology Services			
Salaries . . . . .	811,900	768,848	652,976
Benefits . . . . .	136,200	136,884	112,916
Supplies and materials . . . . .	354,000	405,821	215,080
IEIE - Non-salary expenses . . . . .	176,000	174,149	377,872
Other . . . . .	201,000	153,752	52,574
	1,679,100	1,639,454	1,411,418
EXCEL program			
Salaries . . . . .	1,377,700	1,121,593	1,179,143
Benefits . . . . .	121,400	89,172	88,393
Supplies and materials . . . . .	126,800	95,597	149,967
Other . . . . .	63,700	44,050	31,297
	1,689,600	1,350,412	1,448,800
Facilities rentals			
Salaries . . . . .	482,500	410,874	169,264
Benefits . . . . .	27,000	23,806	20,338
Supplies and materials . . . . .	11,500	4,813	4,419
	521,000	439,493	194,021
Administration allocation from Supplementary Fund . . . . .	(396,000)	(396,000)	(402,000)
	\$ 50,948,900	\$ 51,792,810	\$ 50,242,080
Corporate Services			
Board Administration			
Salaries . . . . .	\$ 1,386,900	\$ 1,364,230	\$ 1,140,530
Benefits . . . . .	176,500	176,470	179,151
Supplies and materials . . . . .	269,000	274,315	249,082
Professional services . . . . .	60,000	150,399	6,042
Telephones . . . . .	27,000	23,497	55,168
Other . . . . .	257,000	235,163	340,566
	2,176,400	2,224,074	1,970,539
Staff development			
Sabbaticals . . . . .	800,000	262,834	606,154
Professional development . . . . .	800,000	1,494,726	1,011,680
	1,600,000	1,757,560	1,617,834
International students program . . . . .	331,500	512,206	348,571
Summer school . . . . .	130,000	113,412	102,120
Community projects . . . . .	62,900	77,497	75,799
	\$ 4,300,800	\$ 4,684,749	\$ 4,114,863

**HALIFAX REGIONAL SCHOOL BOARD**

**Supplementary Fund - Halifax  
Detail of Revenue and Expenditure  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Actual</b></u>
<b>Revenue</b>			
Halifax Regional Municipality . . . . .	\$ 12,295,800	\$ 12,295,000	\$ 11,879,941
<b>Expenditure</b>			
School services			
Teachers' salaries			
Classroom . . . . .	4,859,000	5,147,616	4,708,133
Special Ed . . . . .	2,088,800	1,970,807	1,982,298
Guidance . . . . .	50,400	61,790	40,650
Administrators . . . . .	832,000	946,694	810,189
Substitutes . . . . .	235,900	227,495	230,009
Non-teachers' salaries			
Educational program assistants . . . . .	775,900	805,006	828,085
Library technicians . . . . .	746,700	752,187	742,940
School secretaries . . . . .	195,700	163,075	177,932
Student support workers . . . . .	60,900	61,414	59,871
Benefits . . . . .	1,203,400	927,383	1,075,315
Textbooks and classroom supplies . . . . .	1,101,580	947,373	739,552
	12,150,280	12,010,840	11,394,974
Administration allocation . . . . .	233,600	233,592	238,000
	12,383,880	12,244,432	11,632,974
Excess (deficiency) of revenue over expenditure . . . . .	(88,080)	50,568	246,967
Prior year's surplus (deficit) . . . . .	88,080	88,080	(158,887)
Excess of revenue over expenditure . . . . .	\$ ---	\$ 138,648	\$ 88,080

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Dartmouth  
Detail of Revenue and Expenditure  
Year Ended March 31, 2003

	<u>2003</u>		<u>2002</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenue</b>			
Halifax Regional Municipality . . . . .	\$ 5,239,200	\$ 5,239,200	\$ 5,061,975
<b>Expenditure</b>			
School services			
Teachers' salaries			
Classroom . . . . .	2,011,500	2,307,093	2,180,719
Special Ed . . . . .	785,200	730,930	722,124
Guidance . . . . .	112,300	40,104	34,987
Administrators . . . . .	137,600	130,687	132,376
Substitutes . . . . .	91,400	88,514	93,641
Non-teachers' salaries			
Educational program assistants . . . . .	342,600	347,417	320,435
Library technicians . . . . .	417,900	388,224	415,582
School secretaries . . . . .	104,700	97,389	104,481
Student support workers . . . . .	30,500	30,430	29,935
Benefits . . . . .	518,400	404,364	475,829
Textbooks and classroom supplies . . . . .	546,814	519,537	378,530
	<u>5,098,914</u>	<u>5,084,689</u>	<u>4,888,639</u>
Student transportation . . . . .	75,000	75,000	75,000
Administration allocation . . . . .	99,500	99,504	102,000
	<u>5,273,414</u>	<u>5,259,193</u>	<u>5,065,639</u>
Deficiency of revenue over expenditure . . . . .	(34,214)	(19,993)	(3,664)
Prior year's surplus . . . . .	34,214	34,214	37,878
Excess of revenue over expenditure . . . . .	\$ ---	\$ 14,221	\$ 34,214

**HALIFAX REGIONAL SCHOOL BOARD**

**Supplementary Fund - Halifax County/Bedford  
Detail of Revenue and Expenditure  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
	<u><b>Budget</b></u>	<u><b>Actual</b></u>	<u><b>Actual</b></u>
<b>Revenue</b>			
Halifax Regional Municipality .....	\$ 3,312,000	\$ 3,312,000	\$ 3,199,984
<b>Expenditure</b>			
Centrally managed funds:			
Teachers' salaries			
Classroom .....	30,000	30,630	---
Special Ed .....	610,900	737,267	386,227
Substitutes .....	18,300	19,543	11,780
Non-teachers' salaries			
Educational program assistants .....	27,200	25,296	16,987
Benefits .....	67,837	65,097	40,861
Textbooks and classroom supplies .....	---	---	726,936
	<u>754,237</u>	<u>877,833</u>	<u>1,182,791</u>
Family allocations:			
Budget allocated to families .....	2,486,773	---	---
Teachers' salaries			
Classroom .....	---	793,466	725,649
Special Ed .....	---	333,050	459,605
Teacher librarians .....	---	88,486	91,586
Administrators .....	---	17,535	10,625
Substitutes .....	---	32,872	62,030
Non-teachers' salaries			
Educational program assistants .....	---	189,733	380,218
Library technicians .....	---	480,052	462,120
School secretaries .....	---	93,989	66,664
Student support workers .....	---	---	46,095
Benefits .....	---	266,801	360,663
Textbooks and classroom supplies .....	---	70,689	---
	<u>2,486,773</u>	<u>2,366,673</u>	<u>2,665,255</u>
Administration allocation .....	62,900	62,904	62,000
	<u>3,303,910</u>	<u>3,307,410</u>	<u>3,910,046</u>
Excess (deficiency) of revenue over expenditure .....	8,090	4,590	(710,062)
Transfer from Reserve .....	---	---	701,972
Prior year's deficit .....	<u>(8,090)</u>	<u>(8,090)</u>	<u>---</u>
Excess (deficiency) of revenue over expenditure .....	<u>---</u>	<u>(3,500)</u>	<u>(8,090)</u>

HALIFAX REGIONAL SCHOOL BOARD

Schedule of Trust Funds  
March 31, 2003

	<u>George Perrin</u>	<u>Christopher Maxwell</u>	<u>Abbie J. Lane</u>	<u>Doane Hatfield</u>	<u>Annie M. Piercey</u>	<u>James R. Pineo</u>	<u>Almar H. Shatford</u>	<u>Mengie Shulman</u>	<u>Harold T. Barrett</u>
Cash. ....	\$ 1,032	\$ 29	\$ 2,157	\$ 31	\$ 368	\$ 10,571	\$ ---	\$ 3,746	\$ 657
Restricted cash. ....	10,000	500	8,500	500	5,000	---	16,849	---	10,000
Due to									
Operating Fund. ....	(483)	---	(1,201)	(20)	---	(491)	(89)	(369)	---
Due from									
Operating Fund. ....	---	---	---	---	8	---	---	---	17
Investments. ....	---	---	---	---	---	100,000	---	---	---
	<u>\$ 10,549</u>	<u>\$ 529</u>	<u>\$ 9,456</u>	<u>\$ 511</u>	<u>\$ 5,376</u>	<u>\$ 110,080</u>	<u>\$ 16,760</u>	<u>\$ 3,377</u>	<u>\$ 10,674</u>
Equity Fund. ....	<u>\$ 10,549</u>	<u>\$ 529</u>	<u>\$ 9,456</u>	<u>\$ 511</u>	<u>\$ 5,376</u>	<u>\$ 110,080</u>	<u>\$ 16,760</u>	<u>\$ 3,377</u>	<u>\$ 10,674</u>
Balance, beginning									
of year. ....	\$ 10,788	\$ 517	\$ 10,422	\$ 519	\$ 5,248	\$ 105,630	\$ 16,470	\$ 3,663	10,416
Donations. ....	---	---	---	---	---	---	---	---	---
Other. ....	---	---	---	---	---	---	---	---	---
Interest earned. ....	261	12	252	12	128	9,450	405	89	258
	11,049	529	10,674	531	5,376	115,080	16,875	3,752	10,674
Awards paid. ....	(500)	---	(1,218)	(20)	---	(5,000)	(115)	(375)	---
Balance, end									
of year. ....	<u>\$ 10,549</u>	<u>\$ 529</u>	<u>\$ 9,456</u>	<u>\$ 511</u>	<u>\$ 5,376</u>	<u>\$ 110,080</u>	<u>\$ 16,760</u>	<u>\$ 3,377</u>	<u>\$ 10,674</u>

HALIFAX REGIONAL SCHOOL BOARD

Schedule of Trust Funds (continued)  
March 31, 2003

	Carl & Rita Turner	Nick Oxner	John Travers Cornwell	Edith Cavell Prize	Donald Keith	Madeline LePage Godin	Spryfield Auxiliary	Ron Ruggles Memorial Fund	2002/2003 Total	2001/2002 Total
Cash. . . . .	\$ 3,285	\$ 5,829	\$ 12,078	\$ 1,124	\$ 795	\$ 2,896	\$ 2,585	\$ 1,524	\$ 48,707	\$ 54,359
Restricted cash. . . . .	---	---	---	---	7,023	5,000	---	---	63,372	55,817
Due to										
Operating Fund. . . . .	(495)	(473)	(381)	---	(688)	(213)	(1,254)	(250)	(6,407)	(9,947)
Due from										
Operating Fund. . . . .	---	---	---	1,000	---	---	---	---	1,025	48
Investments. . . . .	---	---	---	---	---	---	---	---	100,000	100,000
	<u>\$ 2,790</u>	<u>\$ 5,356</u>	<u>\$ 11,697</u>	<u>\$ 2,124</u>	<u>\$ 7,130</u>	<u>\$ 7,683</u>	<u>\$ 1,331</u>	<u>\$ 1,274</u>	<u>\$ 206,697</u>	<u>\$ 200,277</u>
Equity Fund. . . . .	<u>\$ 2,790</u>	<u>\$ 5,356</u>	<u>\$ 11,697</u>	<u>\$ 2,124</u>	<u>\$ 7,130</u>	<u>\$ 7,683</u>	<u>\$ 1,331</u>	<u>\$ 1,274</u>	<u>\$ 206,697</u>	<u>\$ 200,277</u>
Balance, beginning										
of year . . . . .	\$ 3,211	\$ 2,651	\$ 11,750	\$ 1,100	\$ 7,644	\$ 7,723	\$ 2,525	\$ ---	200,277	\$ 192,726
Donations. . . . .	---	3,091	---	1,000	---	---	---	1,755	5,846	18,007
Other. . . . .	---	---	64	---	---	---	---	---	64	---
Interest earned . . . . .	<u>79</u>	<u>114</u>	<u>283</u>	<u>24</u>	<u>186</u>	<u>185</u>	<u>60</u>	<u>19</u>	<u>11,817</u>	<u>13,039</u>
	3,290	5,856	12,097	2,124	7,830	7,908	2,585	1,774	218,004	223,772
Awards paid . . . . .	<u>(500)</u>	<u>(500)</u>	<u>(400)</u>	<u>---</u>	<u>(700)</u>	<u>(225)</u>	<u>(1,254)</u>	<u>(500)</u>	<u>(11,307)</u>	<u>(23,495)</u>
Balance, end										
of year . . . . .	<u>\$ 2,790</u>	<u>\$ 5,356</u>	<u>\$ 11,697</u>	<u>\$ 2,124</u>	<u>\$ 7,130</u>	<u>\$ 7,683</u>	<u>\$ 1,331</u>	<u>\$ 1,274</u>	<u>\$ 206,697</u>	<u>\$ 200,277</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, 2003, 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 Canadian 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, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP  
Chartered Accountants

Halifax, Canada  
June 19, 2003



**HIGHWAY 104 WESTERN ALIGNMENT CORPORATION**

**Statements of Earnings and Deficit  
Year Ended March 31, 2003**

	<b>Budget 2003</b>	<b>Actual 2003</b>	<b>2002</b>
<b>Revenue</b>			
Facility revenue. ....	\$ 13,279,714	\$ 13,864,445	\$ 13,515,205
Interest income. ....	390,000	409,148	510,021
	<u>13,669,714</u>	<u>14,273,593</u>	<u>14,025,226</u>
<b>Expenses</b>			
Bondholder representative fees. ....	168,000	100,544	191,407
Trustee fees . ....	28,450	39,387	27,603
Salaries and benefits. ....	174,913	166,887	174,158
Office . ....	56,560	53,211	46,686
General and administrative. ....	288,451	122,676	183,143
Enforcement. ....	60,000	60,000	60,000
Independent engineer . ....	50,000	31,686	29,956
Routine maintenance . ....	706,468	709,594	689,084
Major maintenance . ....	609,400	485,452	1,174,708
Facility operations. ....	1,723,426	1,674,587	1,609,072
Transponders . ....	---	71,558	36,714
	<u>3,865,668</u>	<u>3,515,582</u>	<u>4,222,531</u>
Earnings before other items. ....	9,804,046	10,758,011	9,802,695
<b>Other Items</b>			
Government assistance amortization (Note 2) . . . . .	1,147,444	1,147,444	1,092,804
Amortization and depreciation . ....	(2,661,471)	(2,673,954)	(2,576,310)
Interest on long term debt . ....	<u>(8,376,608)</u>	<u>(8,376,608)</u>	<u>(8,315,568)</u>
Net earnings. ....	\$ <u>(86,589)</u>	\$ <u>854,893</u>	\$ <u>3,621</u>
Deficit, beginning of year. ....	\$ (10,976,268)	\$ (8,671,313)	
Net earnings . ....		854,893	3,621
Transfer to reserve for restricted assets (Note 10) . . . . .		<u>(3,452,394)</u>	<u>(2,308,576)</u>
Deficit, end of year. ....	\$ <u>(13,573,769)</u>	\$ <u>(10,976,268)</u>	

See accompanying notes to the financial statements.

**HIGHWAY 104 WESTERN ALIGNMENT CORPORATION**

**Balance Sheet  
March 31, 2003**

<b>ASSETS</b>		<b>2003</b>	<b>2002</b>
Cash and cash equivalents . . . . .	\$	498,108	\$ 482,740
Inventory . . . . .		7,630	21,820
Prepays (Note 3) . . . . .		329,283	364,608
Receivables (Note 4) . . . . .		80,907	201,950
Restricted assets (Note 5) . . . . .		16,221,280	12,768,884
Facility (Note 6) . . . . .		112,509,031	115,062,126
Deferred costs (Note 7) . . . . .		<u>571,399</u>	<u>682,754</u>
	\$	<u><u>130,217,638</u></u>	\$ <u><u>129,584,882</u></u>

<b>LIABILITIES</b>			
Payables and accruals . . . . .	\$	664,495	\$ 484,965
Deferred revenue . . . . .		581,874	525,181
Long term debt (Note 8) . . . . .		82,096,714	81,407,630
Payable to the Province of Nova Scotia (Note 9) . . . . .		250,000	250,000
Deferred government assistance (Note 2) . . . . .		<u>49,916,124</u>	<u>51,063,568</u>
		<u>133,509,207</u>	<u>133,731,344</u>

<b>SHAREHOLDERS' DEFICIENCY</b>			
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 10) . . . . .		10,282,199	6,829,805
Deficit . . . . .		<u>(13,573,769)</u>	<u>(10,976,268)</u>
		<u>(3,291,569)</u>	<u>(4,146,462)</u>
	\$	<u><u>130,217,638</u></u>	\$ <u><u>129,584,882</u></u>

Commitments and contractual obligations (Note 13)

See accompanying notes to the financial statements.

**HIGHWAY 104 WESTERN ALIGNMENT CORPORATION**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Net earnings . . . . .	\$ 854,893	\$ 3,621
Government assistance amortization. . . . .	(1,147,444)	(1,092,804)
Amortization of deferred financing fees . . . . .	35,434	35,433
Amortization and depreciation . . . . .	<u>2,673,954</u>	<u>2,576,310</u>
	2,416,837	1,522,560
Change in non-cash operating working capital (Note 12) . . . . .	<u>406,781</u>	<u>83,099</u>
	<u>2,823,618</u>	<u>1,605,659</u>
<b>Financing</b>		
Increase in long term debt, net. . . . .	<u>689,084</u>	<u>627,993</u>
<b>Investing</b>		
Increase in restricted assets . . . . .	(3,452,394)	(2,227,329)
Construction of facility. . . . .	<u>(44,940)</u>	<u>(3,192)</u>
	<u>(3,497,334)</u>	<u>(2,230,521)</u>
Net increase in cash and cash equivalents. . . . .	15,368	3,131
Cash and cash equivalents, beginning of year. . . . .	<u>482,740</u>	<u>479,609</u>
Cash and cash equivalents, end of year. . . . .	<u>\$ 498,108</u>	<u>\$ 482,740</u>

See accompanying notes to the financial statements.

# HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

## Notes to the Financial Statements March 31, 2003

### 1. Nature of operations

The Corporation has been established for the purpose of financing, designing, constructing, operating and maintaining 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 commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5%.

Also included in the Facility are computer equipment costs of \$44,940. These costs are being amortized over three years under the straight line method.

#### 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%.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

#### Use of estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

**3. Prepaids**

	<b>2003</b>	<b>2002</b>
Operating expenses .....	\$ 44,040	\$ 79,365
Advance to operator .....	<u>285,243</u>	<u>285,243</u>
	<u>\$ 329,283</u>	<u>\$ 364,608</u>

**4. Receivables**

	<b>2003</b>	<b>2002</b>
Harmonized Sales Tax .....	\$ 52,827	\$ 53,455
Other .....	<u>28,080</u>	<u>148,495</u>
	<u>\$ 80,907</u>	<u>\$ 201,950</u>

**5. Restricted assets**

	<b>Cash</b>	<b>Investments</b>	<b>2003 Total</b>	<b>2002 Total</b>
Senior debt service				
reserve account .....	\$ 864	\$ 5,787,040	\$ 5,787,904	\$ 5,640,312
Capital reserve account .....	775,493	6,626,385	7,401,878	4,693,140
Major maintenance				
reserve account .....	<u>(174,354)</u>	<u>3,205,852</u>	<u>3,031,498</u>	<u>2,435,432</u>
	<u>\$ 602,003</u>	<u>\$ 15,619,277</u>	<u>\$ 16,221,280</u>	<u>\$ 12,768,884</u>

Investments are recorded at cost, have a weighted average term of 14.79 (2002-6.19) months to maturity and a weighted average interest rate of 3.69% (2002-2.84%). 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 bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

- (i) 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 accounts of the Corporation.
- (ii) 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.

(iii) 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**

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>2003 Net book Total</b>	<b>2002 Net book Total</b>
Facility .....	\$ <u>124,667,559</u>	\$ <u>12,158,528</u>	\$ <u>112,509,031</u>	\$ <u>115,062,126</u>

**7. Deferred costs**

		<b>2003</b>	<b>2002</b>
Start up .....	\$	---	\$ 75,921
Financing fees .....		<u>571,399</u>	<u>606,833</u>
		\$ <u>571,399</u>	\$ <u>682,754</u>

**8. Long term debt**

		<b>2003</b>	<b>2002</b>
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.		\$ 71,385,924	\$ 69,890,604

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.

		<u>10,710,790</u>	<u>11,517,026</u>
	\$	\$ <u>82,096,714</u>	\$ <u>81,407,630</u>

Minimum principal repayments required are as follows:

2004	\$	896,554
2005		996,970
2006		1,108,652
2007		2,498,137
2008		2,750,909

The combined fair value of the Corporation's long term debt, as comprised by senior and junior toll revenue bonds, is \$100,579,000 (2002 - \$97,159,000) and is determined using cash flows discounted at a rate equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

#### 9. 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 reinstated to the original rates as laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

#### 10. 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.

	2003	2002
Reserve for restricted assets, beginning of year .....	\$ 6,829,805	\$ 4,521,229
Transfers from project account .....	10,920,000	10,780,000
Interest income .....	395,337	485,205
Long term debt payments, including interest .....	(7,652,141)	(7,652,141)
Major maintenance payments, including HST to be recovered ...	(210,802)	(1,304,488)
	<u>3,452,394</u>	<u>2,308,576</u>
Reserve for restricted assets, end of year .....	<u>\$ 10,282,199</u>	<u>\$ 6,829,805</u>

#### 11. Financial instruments

The Corporation's financial instruments consist of prepaids, receivables, restricted assets, payables and accruals, amount payable to the Province of Nova Scotia, deferred revenue and long term debt. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Corporation estimates the fair value of its financial instruments to approximate their carrying values with the exception of long term debt as outlined in Note 8 to the financial statements.

## 12. Supplemental cash flow information

	2003	2002
<b>Change in non-cash operating working capital</b>		
Inventory.....	\$ 14,190	\$ 2,713
Prepays.....	35,325	(48,090)
Receivables.....	121,043	(56,447)
Payables and accruals.....	179,530	156,760
Deferred revenue.....	56,693	28,163
	<u>\$ 406,781</u>	<u>\$ 83,099</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks.....	\$ <u>498,108</u>	\$ <u>482,740</u>
Interest paid.....	\$ <u>6,845,904</u>	\$ <u>6,927,124</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. The agreement with the independent engineer was renewed for a five year term in November 2002.



The estimated deposits required to fund anticipated major maintenance for the next five years are as follows:

2004	\$	700,000
2005		700,000
2006		700,000
2007		700,000
2008		700,000

- **Annual Roadway Maintenance Agreement**

The five year agreement, renewed March 3, 2003, 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 \$830,600 and subsequently adjusted thereafter for inflation.

- **Facility Upgrade**

At year end, the Corporation had entered into an agreement to upgrade the existing lane controllers for the facility. The Agreement will expire August 31, 2003 and has an estimated cost of \$80,000.

- **Other**

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

2004	\$	27,348
2005		27,348
2006		18,232

## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and

To the Minister of Economic Development

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 2003, and the statements of continuity of fund 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

These financial statements reflect proposed write-offs of assistance outstanding of \$27,402,469 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 might be determined to be necessary should 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, 2003 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, FCA  
Auditor General

Halifax, Nova Scotia  
June 20, 2003

**INDUSTRIAL EXPANSION FUND**

**Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
		(in thousands)
Financial assets, at cost		
Loans - Industrial Development Act . . . . .	\$ 50,693	\$ 66,630
Loans - Venture Corporations Act (Note 4) . . . . .	809	809
Royalty rights (Note 5) . . . . .	9,618	9,623
Shares (Note 6) . . . . .	8,395	16,044
	<u>69,515</u>	<u>93,106</u>
Less: Provision for concessionary assistance (Note 7) . . . . .	18,624	34,707
Allowance for doubtful accounts . . . . .	14,755	17,423
	<u>33,379</u>	<u>52,130</u>
	<u>36,136</u>	<u>40,976</u>
Due from consolidated fund		
Guarantees (Note 8) . . . . .	126,266	111,942
Less: Provision for payment under guarantees . . . . .	566	5,259
	<u>125,700</u>	<u>106,683</u>
Assistance authorized but unadvanced . . . . .	1,747	5,573
	<u>127,447</u>	<u>112,256</u>
	<u>\$ 163,583</u>	<u>\$ 153,232</u>

**FUNDING AUTHORIZED AND COMMITTED**

Authorized, net of write-offs		
Industrial Development Act . . . . .	\$ 269,683	\$ 297,086
Venture Corporations Act . . . . .	4,408	4,408
	<u>274,091</u>	<u>301,494</u>
Less: Provision for concessionary assistance and possible losses on assistance (Note 9) . . . . .	33,945	57,389
Net fund balance . . . . .	240,146	244,105
Less: Uncommitted balance of fund . . . . .	76,563	90,873
	<u>\$ 163,583</u>	<u>\$ 153,232</u>

Contingency (Note 10)

See accompanying notes to the financial statements.

**INDUSTRIAL EXPANSION FUND**

**Statement of Continuity of Fund  
Under the Industrial Development Act**

	<b>March 31, 2003</b>		
	<b>2003</b>		<b>2002</b>
	(in thousands)		
Balance, beginning of year . . . . .	\$ 297,086	\$	299,024
Deduct: Accounts written off . . . . .	<u>27,403</u>		<u>1,938</u>
Balance, end of year . . . . .	<u>\$ 269,683</u>	\$	<u>297,086</u>
Comprising:			
Loans receivable, shares, rights and other assets . . . . .	\$ 68,706	\$	92,297
Guarantees in effect and utilized . . . . .	109,166		96,535
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized . . . . .	18,847		20,980
Uncommitted balance . . . . .	<u>72,964</u>		<u>87,274</u>
	<u>\$ 269,683</u>	\$	<u>297,086</u>

**Statement of Continuity of Fund  
Under the Venture Corporations Act**

	<b>March 31, 2003</b>		
	<b>2003</b>		<b>2002</b>
	(in thousands)		
Balance, beginning of year . . . . .	\$ 4,408	\$	5,685
Deduct: Accounts written off . . . . .	<u>---</u>		<u>1,277</u>
Balance, end of year . . . . .	<u>\$ 4,408</u>	\$	<u>4,408</u>
Comprising:			
Loans advanced . . . . .	\$ 809	\$	809
Uncommitted balance . . . . .	<u>3,599</u>		<u>3,599</u>
	<u>\$ 4,408</u>	\$	<u>4,408</u>

**Statement of Continuity of Fund  
Under the Terms of the Canada-Nova Scotia  
Development Fund Agreement**

	<b>March 31, 2003</b>		
	<b>2003</b>		<b>2002</b>
	(in thousands)		
Balance, beginning of year . . . . .	\$ ---	\$	1,138
Deduct: Accounts written off . . . . .	<u>---</u>		<u>1,138</u>
Balance, end of year . . . . .	<u>\$ ---</u>	\$	<u>---</u>
Comprising:			
Loans advanced . . . . .	\$ ---	\$	---
Uncommitted balance . . . . .	<u>---</u>		<u>---</u>
	<u>\$ ---</u>	\$	<u>---</u>

See accompanying notes to the financial statements.

## INDUSTRIAL EXPANSION FUND

### Notes to the Financial Statements March 31, 2003

#### 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. All assistance by the Fund is required to be approved by Order in Council.

Effective November 6, 2001, pursuant to Order in Council 2001-523, administrative responsibility for the Industrial Expansion Fund was assigned to Nova Scotia Business Inc., a corporation formed under the Nova Scotia Business Incorporated Act. The Fund's account and assistance management activities are performed by staff of the Office of Economic Development.

#### 2. Accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraphs (a), (b) and (c) below.

##### **Administrative expenses and interest revenue**

- (a) Administrative expenses of the Fund are included in the accounts of Nova Scotia Business Inc. and are not reflected in the financial statements of the Fund. Expenses relating to the change in the provision for possible losses on assistance and possible payments on guarantees are included in the accounts of the Office of Economic Development. Revenues earned on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the Fund. 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 flow**

- (b) A statement of cash flows is not provided since disclosure in the statements of continuity of the funds 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 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.

**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.

**Use of estimates**

(g) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Fair Values of Financial Instruments**

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments and guarantees in privately held companies and wholly-owned subsidiaries. Due to the limited amount of comparable market information available it was not practical to determine the fair value of these assets.

**4. 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 payments (2002 - NIL) were received.

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Loans made to venture corporations . . . . .	\$ 809	\$ 809
Less: Allowance for doubtful accounts . . . . .	809	809
	<u>\$ ---</u>	<u>\$ ---</u>

**5. Royalty rights**

Certain investments of the Fund are royalty agreements that provide a return in the form of royalty payments. The royalty payments are based upon net sales of the companies.

**6. Shares**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Preferred shares . . . . .	\$ 4,763	\$ 12,412
Common shares . . . . .	<u>3,632</u>	<u>3,632</u>
	<u>\$ 8,395</u>	<u>\$ 16,044</u>

Shares are recorded at cost. Any provision for the decline of fair market value below the cost of shares has been included in the allowance for doubtful accounts.

**7. Provision for concessionary assistance**

The provision for 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.

The terms of concessionary assistance through the Fund 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, for accounts with provision for concessionary assistance and net book value related to each of these loans and shares is as follows:

	<u>2003</u>			<u>2002</u>	
	<u>Assistance</u>	<u>Provision for</u>	<u>Net</u>	<u>Net</u>	
	<u>Outstanding</u>	<u>Assistance</u>	<u>Book</u>	<u>Book</u>	
			<u>Value</u>	<u>Value</u>	
	(in thousands)				
Loans . . . . .	\$ 28,791	\$ 17,724	\$ 11,067	\$	17,968
Shares . . . . .	<u>2,763</u>	<u>900</u>	<u>1,863</u>	<u>\$</u>	<u>2,349</u>
	<u>\$ 31,554</u>	<u>\$ 18,624</u>	<u>\$ 12,930</u>	<u>\$</u>	<u>20,317</u>

**8. Guarantees**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Guarantee - in effect and utilized . . . . .	\$ 109,166	\$ 96,535
Guarantee - in effect but not utilized . . . . .	<u>17,100</u>	<u>15,407</u>
	<u>\$ 126,266</u>	<u>\$ 111,942</u>

During the year, two guarantees totalling \$4,692,744 were paid out (2002 - \$2,000,000).

**9. Provision for concessionary assistance and possible losses on assistance**

The following is a continuity of the provision:

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Balance, beginning of year . . . . .	\$ 57,389	\$ 42,231
Add accounts transferred from the Nova Scotia Business Development Corporation Fund. . . . .	---	12,473
	<u>57,389</u>	<u>54,704</u>
Add current year provision. . . . .	3,959	5,900
Less: accounts written-off . . . . .	<u>27,403</u>	<u>3,215</u>
Balance, end of year	<u>\$ 33,945</u>	<u>\$ 57,389</u>

**10. Contingencies**

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.

**11. Related party transactions**

The Fund had the following transactions with related parties in addition to those disclosed elsewhere in these financial statements:

- (a) The Fund provided a guarantee in the amount of \$20,400,000 to the Nova Scotia Government Fund. At March 31, 2003, the Fund had dispersed \$11,900,000 in accordance with this guarantee. The guarantee has been provided on terms and conditions that would be similar to those of non-related parties.
- (b) The Fund enters into transactions with other government departments, agencies and corporations in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

**12. Credit risk**

Credit risk is the risk that the debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Fund regularly monitors entities to whom financial assistance has been provided. In addition to its regular monitoring procedures, at year-end, management performed an analysis of a number of accounts in order to assess the Fund's total exposure to credit and other risk. Factors such as the financial condition of the client were evaluated to determine how risk has changed since inception of the financial assistance, or the last analysis. Changes in risk are reflected in the carrying value of the assistance via the allowance for doubtful accounts and the provision for payment under guarantees.



## AUDITORS' REPORT

To the Minister of Health

We have audited the statement of financial position of the Province of Nova Scotia Insured Prescription Drug Plan Trust Fund as at March 31, 2003 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department of Health management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 Province of Nova Scotia Insured Prescription Drug Plan Trust Fund as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The opening balances were not audited by an independent accountant, and we have not examined nor do we express an opinion on the comparative figures presented in the financial statements.

GRANT THORNTON LLP  
Chartered Accountants

Halifax, Nova Scotia  
September 26, 2003

**INSURED PRESCRIPTION DRUG PLAN TRUST FUND**

**Statement of Financial Position  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>(Unaudited) 2002</b>
Cash .....	\$ 7,434,013	\$ 3,668,611
Receivables		
Seniors .....	463,037	281,586
Low Income Trust Fund .....	17,660	17,660
Department of Health .....	1,625,786	1,708,000
Investments (Note 2) .....	<u>5,693,388</u>	<u>8,493,960</u>
	<u>\$ 15,233,884</u>	<u>\$ 14,169,817</u>

**LIABILITIES**

Payables and accruals .....	\$ 5,674,379	\$ 4,732,141
Payable to Department of Health (Note 3) .....	1,169,063	1,579,611
Unearned Premiums .....	<u>8,390,442</u>	<u>7,858,065</u>
	<u>\$ 15,233,884</u>	<u>\$ 14,169,817</u>

**Statement of Operations  
year ended March 31, 2003**

	<b>2003</b>	<b>(Unaudited) 2002</b>
Revenue		
Seniors		
Premiums paid by seniors (Note 2) .....	\$ 13,828,116	\$ 9,320,018
Co-payments to pharmacies .....	<u>23,091,227</u>	<u>22,439,195</u>
	36,919,343	31,759,213
Department of Health .....	86,410,548	81,045,209
Investment Income .....	<u>339,423</u>	<u>466,136</u>
	123,669,314	113,270,558
Expenses		
Provider Claims (Note 2) .....	<u>123,669,314</u>	<u>113,270,558</u>
Excess of revenue over expenses .....	<u>\$ ---</u>	<u>\$ ---</u>

See accompanying notes to the financial statements.

**INSURED PRESCRIPTION DRUG PLAN TRUST FUND**

**Statement of Cash Flows  
March 31, 2003**

	<b>2003</b>	<b>(Unaudited) 2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Excess of revenue over expenses . . . . . \$	---	---
Changes in non-cash operating working capital		
Receivables . . . . .	(99,237)	85,597
Payables and accruals . . . . .	942,238	480,729
Prepaid premiums . . . . .	532,377	5,666,214
	<u>1,375,378</u>	<u>6,232,540</u>
<b>Financing</b>		
Repayment of excess advances from Department of Health . . . . .	<u>(410,548)</u>	<u>(8,410,594)</u>
<b>Investing</b>		
Proceeds on sale of investments, net . . . . .	<u>2,800,572</u>	<u>2,485,030</u>
Net increase in cash and cash equivalents . . . . .	3,765,402	306,976
<b>Cash and cash equivalents</b>		
Beginning of year . . . . .	<u>3,668,611</u>	<u>3,361,635</u>
End of year . . . . . \$	<u><u>7,434,013</u></u>	<u><u>3,668,611</u></u>

See accompanying notes to the financial statements.

# INSURED PRESCRIPTION DRUG PLAN TRUST FUND

## Notes to the Financial Statements March 31, 2003

### 1. Purpose of organization

Seniors' Pharmacare is a voluntary prescription drug insurance plan established, effective April 11, 1995, by Order-In-Council 95-557 and amended by Order-In-Council 2000-471 effective April 11, 2000. 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. Principle features of the Pharmacare program are:

- Participation in the Pharmacare program is optional. Eligible seniors must be 65 years of age and not already have coverage under other government programs or primary drug coverage through a contract of insurance.
- Eligible seniors are required to pay an annual premium of \$215 plus a co-payment fee of 33% of prescription costs to a maximum of \$350 per year. Annual premiums are waived for low-income seniors.
- The Department of Health is responsible for funding program costs net of recoveries from seniors and other income.

### 2. Summary of significant accounting policies

#### 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

Atlantic Blue Cross Corporation 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.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, net of indebtedness and short term deposits with original maturities of three months or less.

#### Investments

Investments consist of government and corporate bonds, and short term investments. All investments are carried at cost which approximates market value.

#### Use of estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those reported.

**Financial instruments**

The Trust's financial instruments consist of cash and cash equivalents, receivables, investments, and payables and accruals. Unless otherwise noted, it is management's opinion that the Trust is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**3. Payable to Department of Health**

This payable consists primarily of excess funding from the Department of Health at year end as follows:

	<b>2003</b>	<b>(Unaudited) 2002</b>
Payable (receivable) to Department of Health, beginning of year. ....	\$ 1,579,611	\$ 9,990,205
Add: Payments from Department of Health. ....	86,000,000	72,634,615
Less: Net Program expenses . . . . .	<u>(86,410,548)</u>	<u>(81,045,209)</u>
Payable to Department of Health, end of year. ....	<u>\$ 1,169,063</u>	<u>\$ 1,579,611</u>

## AUDITORS' REPORT

To the Board of The Izaak Walton Killam Health Centre

We have audited the balance sheet of The Izaak Walton Killam Health Centre as at March 31, 2003 and the statements of operations, fund balances 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 Canadian 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, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP  
Chartered Accountants

Halifax, Canada  
May 22, 2003

**THE IZAAK WALTON KILLAM HEALTH CENTRE**

**Statement of Operations  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Inpatient, outpatient and clinics. . . . .	\$ 111,572,000	\$ 105,694,000
Department of Community Services. . . . .	2,457,000	2,252,000
Rentals, recoveries and sales . . . . .	5,415,000	5,129,000
Mental health. . . . .	6,732,000	5,861,000
Grants from Health Centre Foundations. . . . .	397,000	397,000
	<u>126,573,000</u>	<u>119,333,000</u>
<b>Expenses</b>		
Children's acute and continuing care. . . . .	19,988,000	18,223,000
Children's acute and emergency care. . . . .	17,994,000	16,349,000
Maternal and newborn health. . . . .	27,055,000	25,511,000
Mental health services . . . . .	9,390,000	8,438,000
Women's health . . . . .	5,159,000	4,639,000
Maritime health and partnership . . . . .	---	9,000
Professional and academic. . . . .	14,751,000	13,926,000
Operations and support . . . . .	29,528,000	28,176,000
Executive offices and administration . . . . .	853,000	1,086,000
Non portable . . . . .	971,000	1,039,000
	<u>125,689,000</u>	<u>117,396,000</u>
Net income from operations . . . . .	\$ <u>884,000</u>	\$ <u>1,937,000</u>

See accompanying notes to the financial statements.

**THE IZAAK WALTON KILLAM HEALTH CENTRE**

**Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Current		
Cash and cash equivalents .....	\$ 13,033,000	\$ 10,731,000
Receivables (Note 3) .....	10,337,000	12,709,000
Receivable from the Health Centre Foundations .....	361,000	917,000
Inventories .....	1,085,000	1,056,000
Prepays .....	814,000	668,000
	<u>25,630,000</u>	<u>26,081,000</u>
Retirement allowance receivable (Note 9) .....	7,439,000	6,794,000
Property and equipment (Note 4) .....	107,748,000	105,952,000
	<u>\$ 140,817,000</u>	<u>\$ 138,827,000</u>

**LIABILITIES**

Current		
Payables and accruals (Note 5) .....	\$ 17,182,000	\$ 15,436,000
Deferred revenue - DOH advance .....	4,697,000	4,287,000
	<u>21,879,000</u>	<u>19,723,000</u>
Retirement allowances (Note 9) .....	7,439,000	6,794,000
Appropriations and reserves (Note 7) .....	5,304,000	6,358,000
	<u>34,622,000</u>	<u>32,875,000</u>

**FUND BALANCES (Page 201)**

Capital Fund .....	<u>106,195,000</u>	<u>105,952,000</u>
	<u>\$ 140,817,000</u>	<u>\$ 138,827,000</u>

Contingency (Note 12)

See accompanying notes to the financial statements.



**THE IZAAK WALTON KILLAM HEALTH CENTRE**

**Statement of Fund Balances  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Capital Fund</b>		
Balance, beginning of year .....	\$ 105,952,000	\$ 104,068,000
Funding for capital additions		
Specified donations for equipment .....	335,000	52,000
Transfers from operations .....	884,000	1,937,000
Transfer from appropriations and reserves .....	6,411,000	7,093,000
	7,630,000	9,082,000
Capital debt repayment .....	(225,000)	(239,000)
Depreciation .....	(7,162,000)	(6,959,000)
	(7,387,000)	(7,198,000)
Balance, end of year .....	\$ 106,195,000	\$ 105,952,000
 <b>Operating Fund</b>		
Balance, beginning of year .....	\$ ---	\$ ---
Net income from operations .....	884,000	1,937,000
Transfer to capital fund .....	(884,000)	(1,937,000)
Balance, end of year .....	\$ ---	\$ ---

See accompanying notes to the financial statements.

**THE IZAAK WALTON KILLAM HEALTH CENTRE**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Net income from operations. . . . .	\$ 884,000	\$ 1,937,000
Change in non-cash operating working capital (Note 11) . . . . .	<u>4,090,000</u>	<u>(1,599,000)</u>
	<u>4,974,000</u>	<u>338,000</u>
<b>Financing</b>		
Capital debt repayment. . . . .	(225,000)	(239,000)
Specified donations for equipment. . . . .	335,000	52,000
Transfers from appropriations and reserves . . . . .	<u>6,411,000</u>	<u>7,093,000</u>
	<u>6,521,000</u>	<u>6,906,000</u>
<b>Investing</b>		
Purchase of property and equipment. . . . .	(8,957,000)	(8,843,000)
Employee advances. . . . .	<u>(236,000)</u>	<u>87,000</u>
	<u>(9,193,000)</u>	<u>(8,756,000)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	2,302,000	(1,512,000)
Cash and cash equivalents		
Beginning of year. . . . .	<u>10,731,000</u>	<u>12,243,000</u>
End of year. . . . .	<u>\$ 13,033,000</u>	<u>\$ 10,731,000</u>

See accompanying notes to the financial statements.

# THE IZAAK WALTON KILLAM HEALTH CENTRE

## Notes to the Financial Statements March 31, 2003

### 1. Purpose of Organization

The IWK 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 Health Centre offers a broad range of health services to women, children, and their families. The IWK Health Centre is committed to helping children and women in the Maritimes be the healthiest in the world.

The IWK Health Centre is a not-for-profit organization under the Income Tax Act.

### 2. Summary of significant accounting policies

#### Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

#### 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 service equipment	2% to 5%
Major equipment	
Shareable, various	5% to 20%
Non-shareable, various	5% to 20%

#### Appropriations and reserves

Appropriations and reserves represent the balance of unexpended funds allocated for approved research, capital equipment and special purposes.

#### 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 or specified purpose thereof.

#### Employee benefits

The Health Centre accrues the estimated liability for its retirement plan, which is payable to its employees in subsequent years in accordance with its policy. The retirement allowance is actuarially determined using the projected benefit method prorated on service.

#### Financial instruments

The Health Centre's financial instruments consist of cash, receivables, payables and accruals, and deferred revenue. Unless otherwise noted, it is management's opinion that the Health Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

**3. Receivables**

	<b>2003</b>	<b>2002</b>
Patients and other accounts receivable, net of allowance for doubtful accounts of \$169,000 (2002 - \$105,000) . . . . .	\$ 5,054,000	\$ 4,793,000
Nova Scotia Department of Health year end adjustments . . . . .	<u>5,283,000</u>	<u>7,916,000</u>
	<u>\$ 10,337,000</u>	<u>\$ 12,709,000</u>

Year end adjustments are comprised of:

Accumulated deficit 1998/1999 . . . . .	1,468,000
Accumulated deficit 2002/2003 . . . . .	3,230,000
NS Nursing Strategy - Continuing Education . . . . .	136,000
Provincial Help Desk . . . . .	343,000
Provincial HIS Project . . . . .	42,000
Nursing Relocation . . . . .	39,000
Other . . . . .	<u>25,000</u>
	<u>\$ 5,283,000</u>

Of the total receivable from the Nova Scotia Department of Health, as of April 2003, \$143,000 has been received.

**4. Property and equipment**

	<b>2003</b>		<b>2002</b>	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land . . . . .	\$ 4,598,000	\$ ---	\$ 4,598,000	\$ 3,854,000
Building and service equipment . . . . .	112,074,000	26,613,000	85,461,000	85,395,000
Major equipment . . . . .	30,367,000	12,822,000	17,545,000	16,548,000
Group home . . . . .	206,000	62,000	144,000	155,000
	<u>\$ 147,245,000</u>	<u>\$ 39,497,000</u>	<u>\$ 107,748,000</u>	<u>\$ 105,952,000</u>

**5. Payables and accruals**

	<b>2003</b>	<b>2002</b>
Trade payables . . . . .	\$ 7,697,000	\$ 6,073,000
Accrued salaries and benefits . . . . .	5,451,000	6,766,000
Funds held on behalf of others . . . . .	3,809,000	2,597,000
Nova Scotia Department of Health . . . . .	<u>225,000</u>	<u>---</u>
	<u>\$ 17,182,000</u>	<u>\$ 15,436,000</u>

**6. Credit facility**

The Health Centre has been approved for a line of credit of \$2,000,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (2002 - \$Nil). Any outstanding amount is repayable on demand and bears interest at prime plus 3/4%.

**7. Appropriations and reserves**

**2003**                      **2002**

The following is a summary of the amounts in appropriations and reserves:

Capital		
Equipment . . . . .	\$ 246,000	\$ 1,484,000
General renovations . . . . .	---	859,000
Capital campaign construction . . . . .	949,000	645,000
Capital campaign undecided . . . . .	49,000	115,000
	<u>1,244,000</u>	<u>3,103,000</u>
Board fellowship . . . . .	308,000	265,000
Windsor fellowship. . . . .	90,000	90,000
Neonatal fellowship. . . . .	21,000	84,000
Research funds. . . . .	3,641,000	2,816,000
	<u>\$ 5,304,000</u>	<u>\$ 6,358,000</u>

The following is a summary of the continuity of appropriations and reserves:

Balance, beginning of year. . . . .	<u>\$ 6,358,000</u>	<u>\$ 5,958,000</u>
Grants from Health Centre Charitable Foundations . . . . .	1,787,000	2,600,000
Department of Health funding. . . . .	2,040,000	528,000
Research funding . . . . .	5,093,000	4,370,000
Capital campaign fund . . . . .	929,000	2,575,000
Other funding . . . . .	252,000	1,323,000
	<u>10,101,000</u>	<u>11,396,000</u>
Transfer to capital fund . . . . .	(6,411,000)	(7,093,000)
Disbursements		
Research . . . . .	(4,268,000)	(3,398,000)
Other . . . . .	(476,000)	(505,000)
	<u>(11,155,000)</u>	<u>(10,996,000)</u>
Balance, end of year . . . . .	<u>\$ 5,304,000</u>	<u>\$ 6,358,000</u>

**8. 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, 2002. The Health Centre is made the final annual payment in fiscal 2003.

**9. Retirement allowances**

The Health Centre maintains a non-contributory retirement allowance program offered to employees. The most recent actuarial valuation was conducted as at December 31, 2000. The Province of Nova Scotia has assumed responsibility for funding this liability and a corresponding receivable has been recorded.

**Retirement allowances (continued)**

Information about the retirement allowance is as follows:

	<b>2003</b>	<b>2002</b>
<b>Accrued benefit obligation</b>		
Balance, beginning of year . . . . .	\$ 6,794,000	\$ 6,113,000
Current service cost . . . . .	458,000	389,000
Interest cost . . . . .	426,000	397,000
Amortization of experience gains/losses . . . . .	(43,000)	18,000
Benefits paid . . . . .	(196,000)	(123,000)
Balance, end of year . . . . .	<u>\$ 7,439,000</u>	<u>\$ 6,794,000</u>
Funded status - plan deficit . . . . .	\$ (7,469,000)	\$ (6,158,000)
Unamortized net actuarial loss (gain) . . . . .	30,000	(636,000)
Accrued benefit liability recognized . . . . .	<u>\$ (7,439,000)</u>	<u>\$ (6,794,000)</u>

The Health Centre's net expense for the retirement allowance is as follows:

Retirement allowance . . . . .	<u>\$ 841,000</u>	<u>\$ 804,000</u>
--------------------------------	-------------------	-------------------

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2003:

Discount rate	6.17%
Rate of compensation increase	3.65 - 6.15%
Termination rates	1.2 - 20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.

A retirement allowance is paid in respect of employees who die prior to retirement and, therefore, the mortality rates in accordance with the Group Annuity Mortality Table for 1994 were utilized.

**10. 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, 2000 and indicates a funding surplus. The Health Centre's pension expense for the year amounted to \$4,357,000 (2002 - \$3,957,000).

**11. Supplement cash flow information**

	<b>2003</b>	<b>2002</b>
Change in non-cash operating working capital:		
Receivables . . . . .	\$ 2,607,000	\$ (1,033,000)
Receivable from Health Centre Foundations . . . . .	556,000	(633,000)
Inventories . . . . .	(29,000)	(130,000)
Prepays . . . . .	(146,000)	(149,000)
Payables and accruals . . . . .	1,746,000	(122,000)
Deferred revenue . . . . .	410,000	68,000
Appropriations and reserves, net . . . . .	(1,054,000)	400,000
	<u>\$ 4,090,000</u>	<u>\$ (1,599,000)</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks . . . . .	<u>\$ 13,033,000</u>	<u>\$ 10,731,000</u>

**12. Contingency**

The Health Centre has been named as a defendant in a legal action relating to malpractice. Counsel is unable to form an opinion regarding the merit of this claim, and therefore it is not possible to estimate a payment amount, if any. However, it is expected that any payment that may arise from this claim would be funded entirely by the liability insurance carrier.

**13. Comparative figures:**

Certain of the prior year figures have been restated to confirm to the presentation adopted for the current year.

## LAW REFORM COMMISSION OF NOVA SCOTIA

**Balance Sheet**  
as at March 31, 2003

## ASSETS

**Current Assets**

Petty Cash .....		\$ 25.00
Bank Operating Account .....	14,579.27	
T-Bill Account .....	<u>21,009.78</u>	
Total Cash .....		<u>35,589.05</u>
<b>Total Current Assets</b> .....		<u><u>35,614.05</u></u>

**Fixed Assets**

Computer Equipment .....	19,059.16	
Accum Computer Equipment .....	<u>(19,059.16)</u>	
Net Office Equipment .....		<u>---</u>
<b>Total Fixed Assets</b> .....		<u>---</u>
<b>Total Assets</b> .....		<u><u>\$ 35,614.05</u></u>

## LIABILITIES

**Current Liabilities**

Accounts Payable .....		\$ ---
UIC Payable .....	---	
CPP Payable .....	---	
Income Tax Payable .....	<u>---</u>	
Receiver General Payable .....		<u>---</u>
<b>Total Current Liabilities</b> .....		<u>---</u>
<b>Total Liabilities</b> .....		<u>\$ ---</u>

## EQUITY

**Surplus**

Surplus Beginning of Year .....		24,908.54
Surplus Current Year .....		<u>10,705.51</u>
<b>Accumulated Surplus</b> .....		<u><u>35,614.05</u></u>

<b>Total Equity</b> .....		<u>35,614.05</u>
<b>Liabilities and Equity</b> .....	<u>\$</u>	<u><u>35,614.05</u></u>



## LAW REFORM COMMISSION OF NOVA SCOTIA

Income Statement  
as at March 31, 2003

## Revenue

## Operating &amp; Project Income

Dept. of Justice .....	\$	---
NS Law Foundation Contribution .....		250,000.00
Interest Income .....		287.18
PYS (DO NOT USE) .....		---
<b>Total Contributions</b> .....		<u>250,287.18</u>
<b>Total Revenue</b> .....		<u>250,287.18</u>

## Expense

## Administrative Expenses

Wages .....	155,806.31	
EI Expense .....	3,070.12	
CPP Expense .....	4,403.67	
Group Insurance Expense .....	5,418.50	
<b>Total Personnel Related</b> .....		<u>168,698.60</u>
Advertising .....		---
Non Legal Consultants Fees .....		450.00
Commissioners Fees & Expenses .....		2,840.08
Electrical Expense .....		982.66
Meeting Costs .....		707.39
Library .....		1,740.02
Accounting Fees .....		750.00
Membership Fees .....		1,256.83
Professional Fees .....		2,367.53
Computer Software/Supplies/Repairs .....		1,098.23
Internet .....		1,301.95
Staff Expenses .....		1,529.00
Temp Staff Expense .....		5,842.14
Rent .....	18,654.20	
Office Equipment Rental .....	2,938.23	
Insurance .....	585.00	
<b>Total Premises Related</b> .....		<u>22,177.43</u>
Office Supplies .....	2,482.47	
Parking .....	630.69	
Photocopy/Printing .....	4,776.84	
Postage & Courier .....	1,768.35	
Telephone Expense .....	2,867.21	
Travel/Conference/Workshop .....	7,038.45	
Staff Development & Registration Fees .....	55.00	
<b>Total Office Related</b> .....		<u>19,619.01</u>
Bank Charges .....		270.20
HST Paid on Purchases .....		3,890.14
GST Paid on Purchases .....		85.00
HST Expense .....		3,975.46
<b>Total Administration</b> .....		<u>239,581.67</u>
<b>Total Expense</b> .....		<u>239,581.67</u>
<b>Net Income</b> .....	\$	<u><u>10,705.51</u></u>

## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia and;  
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2003 and the statements of changes of net assets available for benefits in the members' retiring allowance account and the members' supplementary retiring allowance account for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 of the accounts established under the Members' Retiring Allowances Act as at March 31, 2003 and changes in net assets available for benefits in the members' retiring allowance account and members' supplementary retiring allowance account for the period then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
June 6, 2003

**ACCOUNTS ESTABLISHED UNDER  
THE MEMBERS' RETIRING ALLOWANCES ACT**

**Statement of Net Assets Available for Benefits  
and Accrued Pension Benefits  
as at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		
<b>Receivable from the Consolidated Fund</b>		
Members' Retiring Allowance Account . . . . .	\$ 16,822,836	\$ 14,503,159
Less: Accounts payable and accruals . . . . .	<u>8,000</u>	<u>10,400</u>
	<u>16,814,836</u>	<u>14,492,759</u>
 Members' Supplementary Retiring Allowance Account . . . . .	 45,013,751	 38,805,041
Less: Accounts payable and accruals . . . . .	<u>12,000</u>	<u>15,600</u>
	<u>45,001,751</u>	<u>38,789,441</u>
	<u>\$ 61,816,587</u>	<u>\$ 53,282,200</u>
 <b>ACCRUED PENSION BENEFITS OBLIGATIONS</b>		
Members' Retiring Allowance Account (Note 3) . . . . .	\$ 16,814,836	\$ 14,492,759
Members' Supplementary Retiring Allowance Account (Note 3) . . . . .	<u>45,001,751</u>	<u>38,789,441</u>
	<u>\$ 61,816,587</u>	<u>\$ 53,282,200</u>

**Statement of Changes in Net Assets Available for Benefits  
in the Members' Retiring Allowance Account  
for the year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Increase in Assets</b>		
Interest . . . . .	\$ 1,214,381	\$ 1,035,064
Contributions		
Members' - matched . . . . .	221,256	220,752
Government - matched . . . . .	221,256	220,752
Government - unmatched . . . . .	<u>142,497</u>	<u>30,588</u>
Total increase in assets . . . . .	<u>1,799,390</u>	<u>1,507,156</u>
 <b>Decrease in Assets</b>		
Allowances (pensions) . . . . .	840,352	811,867
Professional services . . . . .	<u>11,391</u>	<u>9,661</u>
Total decrease in assets . . . . .	<u>851,743</u>	<u>821,528</u>
 <b>Increase in Net Assets before Actuarial Adjustment . . . . .</b>	 947,647	 685,628
Actuarial adjustment (Note 3) . . . . .	<u>1,374,430</u>	<u>1,429,281</u>
 <b>Increase in Net Assets after Actuarial Adjustments . . . . .</b>	 2,322,077	 2,114,909
 <b>Net Assets Available for Benefits at Beginning of Year . . . . .</b>	 <u>14,492,759</u>	 <u>12,377,850</u>
 <b>Net Assets Available for Benefits at End of Year . . . . .</b>	 <u>\$ 16,814,836</u>	 <u>\$ 14,492,759</u>

(See accompanying notes to financial statements)

**ACCOUNTS ESTABLISHED UNDER  
THE MEMBERS' RETIRING ALLOWANCES ACT**

**Statement of Changes in Net Assets Available for Benefits  
in the Members' Supplementary Retiring Allowance Account  
for the year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Increase in Assets</b>		
Interest .....	\$ 3,247,892	\$ 2,770,321
Contributions .....		
Members' - matched .....	71,244	71,248
Government - matched .....	71,244	71,248
Government - unmatched .....	<u>1,378,365</u>	<u>1,096,839</u>
Total increase in assets .....	<u>4,768,745</u>	<u>4,009,656</u>
 <b>Decrease in Assets</b>		
Allowance (pensions) .....	2,160,904	2,087,658
Professional services .....	<u>17,087</u>	<u>14,491</u>
Total decrease in assets .....	<u>2,177,991</u>	<u>2,102,149</u>
 <b>Increase in Net Assets before Actuarial Adjustment .....</b>		
	2,590,754	1,907,507
 Actuarial Adjustment (Note 3) .....	<u>3,621,556</u>	<u>4,752,984</u>
 <b>Increase in Net Assets before Actuarial Adjustment .....</b>		
	6,212,310	6,660,491
 <b>Net Assets Available for Benefits at Beginning of Year .....</b>	<u>38,789,441</u>	<u>32,128,950</u>
 <b>Net Assets Available for Benefits at End of Year .....</b>	<u>\$ 45,001,751</u>	<u>\$ 38,789,441</u>

**ACCOUNTS ESTABLISHED UNDER  
THE MEMBERS' RETIRING ALLOWANCES ACT**

**Notes to Financial Statements  
for the year ended March 31, 2003**

**1. Authority and Description of Plan**

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 (a registered pension plan under the Income Tax Act) and a 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 and salaries to the Members' Retiring Allowance Account, and 10% of allowances to the Members' Supplementary Retiring Allowance Account. The Province contributes an equal amount. The Province makes additional contributions to the accounts equal to the current service cost (annual cost of benefits accrued) less members' contributions and the Province's matching contributions. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities, allowances and salaries for the last three 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.

There are 52 Members of the Legislative Assembly. At year end, 48 were contributors to the accounts and the remaining four members had reached the 15 year maximum contributory service. There are also 105 allowances in pay at March 31, 2003 to former Members of the Legislative Assembly, surviving spouses and/or dependant children.

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. Summary of Significant Accounting Policies**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A statement of cash flow is not provided since disclosure in each of the statements of changes in net assets available for benefits is considered adequate.

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 at a rate of 8.5% according to the regulations of the Members' Retiring Allowances Act.

### 3. Actuarial Valuation

Actuarial valuations of benefit obligations under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of pension benefit obligations calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Partners Ltd., performed a valuation as at December 31, 2001 and issued their report in July 2002. An extrapolation of the December 31, 2001 valuation was performed as of March 31, 2003. The results of the valuation and related extrapolation are summarised as follows:

	<b>Extrapolation March 31, 2003</b>	<b>Valuation December 31, 2001</b>
Members' Retiring Allowance		
Account . . . . .	\$ 16,814,836	\$ 14,353,000
Members' Supplementary		
Retiring Allowance		
Account . . . . .	\$ 45,001,751	\$ 38,331,900

Actuarial adjustments were recorded to adjust the asset accounts to reflect the revised estimates of these actuarial values.

	<b>Extrapolation March 31, 2003</b>	<b>Valuation December 31, 2001</b>
Members' Retiring Allowance		
Account . . . . .	\$ 1,378,186	\$ 1,472,662
Members' Supplementary		
Retiring Allowance		
Account . . . . .	\$ 3,614,737	\$ 3,941,538

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected three year average indemnity, expense allowance and executive council salary (where applicable) at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation are as follows:

	<b>Extrapolation March 31, 2003</b>	<b>Valuation December 31, 2001</b>
Investment earnings		
- pre-retirement rate	6.17%	7.05%
- post-retirement rate	3.08%	3.93%
(Net of assumed pensioner cost-of-living increases per annum)		
Salary escalation	3.0%	3.0%
Cost of living	3.0%	3.0%

Average retirement age	<ul style="list-style-type: none"> <li>i) Age 55 if current age is less than 51.25</li> <li>ii) Current age +4.25 if 51.25 is less than or equal to current age less than or equal to 57.25</li> <li>iii) Later of current age +0.25 or 5 years of service if current age less than or equal to 58.25</li> </ul>	<ul style="list-style-type: none"> <li>i) Age 55 if current age is less than 50</li> <li>ii) Current age +5.5 if 50 is less than or equal to current age less than or equal to 56</li> <li>iii) Later of current age +1.5 or 5 years of service if current age less than or equal to 57</li> </ul>
Mortality	1994 Group Annuitant Mortality Table projected to 2000	1994 Group Annuitant Mortality Table projected to 2000

**4. Comparative Figures**

Certain comparative figures have been reclassified to conform with the financial statement presentation for this year.

## AUDITOR'S REPORT TO THE DIRECTORS

We have audited the balance sheet of Nova Scotia Business Incorporated as at March 31, 2003 and the statements of revenue, expenditures and retained earnings 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 Canadian 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 fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The balance sheet for March 31, 2002 was reported on by the Auditor General of Nova Scotia.

KPMG LLP  
Chartered Accountants

Halifax, Nova Scotia  
May 27, 2003



**NOVA SCOTIA BUSINESS INCORPORATED**

**Balance Sheet  
March 31, 2003, with comparative figures for 2002**

**ASSETS**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>Current assets:</b>		
Cash .....	\$ 9,243	\$ 100
Accrued interest receivable .....	792	---
Due from the Province of Nova Scotia .....	8,654	7,505
Other receivables .....	562	5
	<u>19,251</u>	<u>7,610</u>
<b>Nova Scotia Business Fund assets:</b>		
Loans receivable (notes 3 and 7) .....	119,958	123,053
Equity investments (notes 4 and 7) .....	7,098	8,995
Industrial Parks and malls (note 5) .....	4,742	4,965
Other assets (notes 6 and 7) .....	119	136
	<u>131,917</u>	<u>137,149</u>
	<u>\$ 151,168</u>	<u>\$ 144,759</u>

**LIABILITIES and EQUITY**

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities .....	\$ 10,905	\$ 7,610
Provision for payment of guarantees (note 7) .....	2,596	3,509
Principal due within one year to the Province of Nova Scotia .....	13,284	15,480
	<u>26,785</u>	<u>26,599</u>
<b>Long-term debt:</b>		
Due to the Province of Nova Scotia (note 8) .....	114,142	118,160
<b>Equity (note 9):</b>		
Retained earnings .....	10,241	---
	<u>\$ 151,168</u>	<u>\$ 144,759</u>

Commitments (note 11)  
Contingencies (note 12)

See accompanying notes to the financial statements

**NOVA SCOTIA BUSINESS INCORPORATED**

**Statement of Revenue, Expenditures and Retained Earnings  
Year ended March 31, 2003, with comparative figures for 2002**

	<b>2003</b>	<b>(Unaudited) 2002</b>
	(in thousands)	
<b>Revenue:</b>		
Provincial grants:		
Operating grant . . . . .	\$ 6,600	\$ 5,426
Strategic investment grant . . . . .	15,126	13,567
Valuation allowance grant. . . . .	3,874	4,147
Interest on loans receivable . . . . .	11,675	---
Other interest income . . . . .	754	---
Gain on disposal of Industrial Parks . . . . .	2,127	---
Miscellaneous . . . . .	<u>246</u>	<u>---</u>
	40,402	23,140
<b>Expenditures:</b>		
Operating expenses (Schedule 1). . . . .	6,595	4,971
Strategic investments . . . . .	15,126	13,567
Provision for credit losses and payment of guarantees . . . . .	5,965	4,147
Nova Scotia Business Fund expenses (Schedule 2) . . . . .	<u>2,475</u>	<u>455</u>
	<u>30,161</u>	<u>23,140</u>
Excess of revenue over expenditures . . . . .	10,241	---
Retained earnings, beginning of year . . . . .	<u>---</u>	<u>---</u>
Retained earnings, end of year . . . . .	<u>\$ 10,241</u>	<u>\$ ---</u>

See accompanying notes to the financial statements.

**NOVA SCOTIA BUSINESS INCORPORATED**

**Statement of Cash Flows**  
**Year ended March 31, 2003, with comparative figures for 2002**

	<b>2003</b>	<b>(Unaudited)</b>
		<b>2002</b>
	(in thousands)	
Cash provided by (used in):		
<b>Operations:</b>		
Excess of revenue over expenditures. . . . .	\$ 10,241	\$ ---
Add (deduct) items not involving cash:		
Amortization . . . . .	256	---
Capitalized interest on loans receivable. . . . .	(2,613)	---
Gain on sale of Industrial Parks . . . . .	(2,127)	---
Change in non-cash working capital:		
Increase in accrued interest receivable . . . . .	(792)	---
Increase in due from Province of Nova Scotia . . . . .	(1,149)	(7,505)
Increase in other receivables. . . . .	(557)	(5)
Increase in accounts payable and accrued liabilities . . . . .	3,295	7,610
	<u>6,554</u>	<u>100</u>
<b>Investments:</b>		
Loan advances. . . . .	(14,707)	---
Principal received on loans. . . . .	15,736	---
Redemption of shares. . . . .	454	---
Issue of convertible debentures. . . . .	(750)	---
Proceeds from disposal of Industrial Parks. . . . .	2,174	---
Provision for credit losses and payment of guarantees. . . . .	5,965	---
Transfer of investments from Nova Scotia Business Development Corporation Fund. . . . .	---	(133,640)
Other. . . . .	(69)	---
	<u>8,803</u>	<u>(133,640)</u>
<b>Financing:</b>		
New borrowings from the Province of Nova Scotia. . . . .	9,365	133,640
Principal repayment to the Province of Nova Scotia. . . . .	(15,579)	---
	<u>(6,214)</u>	<u>133,640</u>
Increase in cash. . . . .	9,143	100
Cash, beginning of year. . . . .	100	---
Cash, end of year (Note 15). . . . .	\$ <u>9,243</u>	\$ <u>100</u>

Cash position is defined as cash and short-term investments.

See accompanying notes to the financial statements.

# NOVA SCOTIA BUSINESS INCORPORATED

## Notes to the Financial Statements

Year ended March 31, 2003

Nova Scotia Business Incorporated is a corporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia.

### 1. Summary of significant accounting policies:

#### (a) Loans receivable:

Loans receivable are recorded at cost less a general allowance for credit losses equal to 5% of cost. In addition, a specific allowance is recorded if management considers it necessary to reduce the loan to its estimated recoverable amount.

#### (b) Equity investments:

Equity investments are initially recorded at cost less a general allowance for credit losses equal to 10% of cost. This allowance is immediately recorded to reflect the increased risk associated with equity investments. The investments are reviewed annually for potential declines in value - if a decline is considered to be other than temporary, a specific allowance is recorded.

#### (c) Industrial Parks and malls:

The Industrial Parks consist of properties held for sale and improved properties consisting of land and land improvements, buildings, wharves and utilities. Land is recorded at the lower of cost and estimated net realizable value. The remaining assets are recorded at cost and amortized on a declining balance basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Rate</b>
Land improvements	5%
Industrial malls and other buildings	5%
Wharves	5%
Utilities	15%

The Department of Transportation and Public Works has operational responsibility for the Industrial Parks. Certain 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.

#### (d) Revenue recognition:

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears.

(e) Allowance for credit losses and provision for payment of guarantees:

As financing is advanced, the Corporation immediately records a general allowance equal to 5-10% of the amount disbursed. In addition, the Corporation provides for possible credit losses on an item-by-item basis by examining such factors as the client's financial condition and the fair value of the underlying security.

The provision for credit losses is partially offset by funding from the Province of Nova Scotia in the form of a Valuation Allowance Grant.

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**2. Fair values of financial instruments:**

Financial assets and financial liabilities:

The carrying values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and due from Province of Nova Scotia approximates their fair values because of their short-term to maturity.

The fair values of loans receivable approximate their net realizable value.

Equity investments, loan guarantees and other assets represent investments and guarantees in privately held companies, as well as property acquired through foreclosure. Due to the limited amount of comparable market information available it was not practical to determine the fair value of these assets.

Due to the Province of Nova Scotia is comprised of a series of separate notes, the largest of which has no set terms of repayment. Principal is repaid to the Province as it is collected on the loans receivable financed by this note. Due to the volume of accounts financed by this note and the uncertainty with respect to timing of future cash flows, it is not practical to determine the fair value of the amount due to the Province of Nova Scotia.

**3. Loans receivable:**

	2003	2002
	(in thousands)	
(a) Principal due:		
Performing loans . . . . .	\$ 142,015	\$ 139,681
Impaired loans . . . . .	<u>26,850</u>	<u>24,752</u>
	168,865	164,433
Allowance for credit losses (note 7) . . . . .	<u>48,907</u>	<u>41,380</u>
	<u>\$ 119,958</u>	<u>\$ 123,053</u>

Included in the above loans receivable are loans with concessionary terms which have principal amounts outstanding of \$938 (2002 - \$1,108) and concessionary allowance of \$262 (2002 - \$350). The concessionary terms consist of interest free financing.

The concessionary allowance is calculated as the difference between the financing advances and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

(b) Principal payments receivable in each of the next five years are as follows:

2004	\$	13,420
2005		12,108
2006		11,803
2007		22,437
2008		22,320

**4. Equity investments:**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Common shares . . . . .	\$ 3,123	\$ 3,123
Preferred shares . . . . .	6,718	9,570
Convertible debentures . . . . .	1,250	500
	<u>11,091</u>	<u>13,193</u>
Allowance for credit losses (note 7) . . . . .	3,993	4,198
	<u>\$ 7,098</u>	<u>\$ 8,995</u>

Included in the above preferred shares are shares with concessionary terms which have principal amounts outstanding of nil (2002 - \$2,398) and concessionary allowances of nil (2002 - \$1,496). The concessionary terms consisted of no set dividend rate.

The concessionary allowance is calculated as the difference between the financing advances and the net present value of the anticipated future repayments at an interest rate similar to the usual established terms of the Corporation.

The convertible debentures matured before year-end. No action has been taken by the Corporation to demand repayment or to exercise the conversion options inherent in the debentures. The terms of one debenture were amended subsequent to year-end to extend the maturity date to 2005. For the remaining debentures management is negotiating with the companies to extend the maturity dates.

**5. Industrial parks and malls:**

	<b>2003</b>		<b>2002</b>	
	(in thousands)			
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land . . . . .	\$ 269	\$ ---	\$ 269	\$ 188
Land improvements . . . . .	957	217	740	780
Industrial malls and other buildings . . . . .	5,515	2,649	2,866	3,056
Wharves . . . . .	487	246	241	283
Utilities . . . . .	1,593	967	626	658
	<u>\$ 8,821</u>	<u>\$ 4,079</u>	<u>\$ 4,742</u>	<u>\$ 4,965</u>

**6. Other assets:**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Property acquired through foreclosure, at cost . . . . .	\$ 965	\$ 976
Less allowance for losses (note 7) . . . . .	846	840
	<u>\$ 119</u>	<u>\$ 136</u>

7. Allowance for credit losses and provision for payment of guarantees:

				<u>2003</u>
				(in thousands)
	<b>Gross balance outstanding</b>	<b>Specific allowance</b>	<b>General allowance</b>	<b>Total allowance</b>
Loans receivable (note 3) . . . . .	\$ 168,865	\$ 43,292	\$ 5,615	\$ 48,907
Equity investments (note 4) . . . . .	11,091	3,704	289	3,993
Guarantees (note 12) . . . . .	4,301	2,519	77	2,596
Other assets (note 6) . . . . .	965	840	6	846
	<u>\$ 185,222</u>	<u>\$ 50,355</u>	<u>\$ 5,987</u>	<u>\$ 56,342</u>

  

				<u>2002</u>
				(in thousands)
	<b>Gross balance outstanding</b>	<b>Specific allowance</b>	<b>General allowance</b>	<b>Total allowance</b>
Loans receivable (note 3) . . . . .	\$ 164,433	\$ 35,525	\$ 5,855	\$ 41,380
Equity investments (note 4) . . . . .	13,193	3,935	263	4,198
Guarantees (note 12) . . . . .	6,079	3,340	169	3,509
Other assets (note 6) . . . . .	976	840	---	840
	<u>\$ 184,681</u>	<u>\$ 43,640</u>	<u>\$ 6,287</u>	<u>\$ 49,927</u>

8. Due to Province of Nova Scotia:

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

				<u>2003</u>	<u>2002</u>
				(in thousands)	
	<b>Year of maturity</b>	<b>Weighted average interest rate</b>	<b>Principal outstanding</b>	<b>Principal outstanding</b>	<b>Principal outstanding</b>
Note payable 2002-01 . . . . .	2017	---	\$ 90,098	\$	105,597
Note payable 2002-02 . . . . .	2021	6.45%	30,963	\$	28,043
Note payable 2003-01 . . . . .	2008	4.85%	2,974	\$	---
Note payable 2003-02 . . . . .	2008	4.53%	734	\$	---
Note payable 2003-03 . . . . .	2012	5.02%	419	\$	---
Note payable 2003-04 . . . . .	2014	5.35%	1,233	\$	---
Note payable 2003-05 . . . . .	2011	5.44%	1,005	\$	---
			<u>127,426</u>	\$	<u>133,640</u>
Less principal due within one year			<u>13,284</u>	\$	<u>15,480</u>
			<u>\$ 114,142</u>	\$	<u>\$ 118,160</u>

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

2004	\$ 13,284
2005	11,982
2006	11,666
2007	22,509
2008	22,410

9. Share capital:

The Corporation has authorized 100 Class A common shares with a par value of \$1 each. 100 common shares have been issued to the Province of Nova Scotia.

**10. Nova Scotia Business Fund:**

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated and investments transferred from the Nova Scotia Business Development Corporation Fund on November 6, 2001. The following is a summary of the Fund as at March 31.

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>Assets:</b>		
Nova Scotia Business Incorporated portfolio . . . . .	\$ 8,391	\$ 500
Less allowance for credit losses . . . . .	938	25
	<u>7,453</u>	<u>475</u>
Financing authorized but unadvanced (note 11) . . . . .	7,439	1,765
	<u>14,892</u>	<u>2,240</u>
Nova Scotia Business Development Corporation portfolio . . . . .	177,272	183,067
Loan guarantees (note 12) . . . . .	4,301	6,079
Less allowance for credit losses . . . . .	55,404	49,902
	<u>126,169</u>	<u>139,244</u>
Financing authorized but unadvanced (note 11) . . . . .	9,746	17,720
	<u>135,915</u>	<u>156,964</u>
	<u>\$ 150,807</u>	<u>\$ 159,204</u>
<b>Funding authorized and committed:</b>		
Fund balance authorized, net of write offs . . . . .	\$ 273,106	\$ 273,106
Less uncommitted balance of fund . . . . .	65,957	63,975
Committed fund balance	<u>207,149</u>	<u>209,131</u>
Less allowance for credit losses and payment of guarantees. . . . .	56,342	49,927
	<u>\$ 150,807</u>	<u>\$ 159,204</u>

**11. Commitments:**

- (a) The Corporation has approved financing of \$17,185 (2002 - \$19,485) that is undisbursed at year-end.
- (b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by Nova Scotia Business Inc. are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant. As at March 31, 2003, transactions were approved with maximum annual payments over the next six years of \$58.95 million. In addition, transactions totaling \$18.3 million over the next six years received Executive Council approval after year-end. These transactions are included in the maximum annual payments shown below.

2004	\$ 18,764
2005	18,624
2006	16,553
2007	12,529
2008	9,502
2009	1,274



**12. Contingencies:**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
(a) Loan guarantees.....	\$ 4,301	\$ 6,079
Less provision for payment (note 7) .....	<u>2,596</u>	<u>3,509</u>
	<u>\$ 1,705</u>	<u>\$ 2,570</u>

(b) Litigation:

The Corporation is a co-defender with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. Any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

Counsel is unable to form an opinion at this early date in regard to the likelihood of loss; consequently, no provision for any possible loss has been recorded in these financial statements.

**13. Credit risk and interest risk:**

(a) Credit risk:

Credit risk is the risk that a debtor may not pay amounts owing, thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies:

Before a loan is approved, a risk assessment is performed on the client. Each loan is designated a risk rating based on the industry and business, quality of management, financial history and projections, other investors' level of financial involvement, ability of the client to access funds elsewhere, and any environmental risks. Applications with a high risk rating would warrant a higher interest rate or would not be approved if the level of risk is deemed unacceptable.

Clients are limited to a total of \$15 million in financing from Nova Scotia Business Incorporated's Nova Scotia Business Fund. Two clients currently exceed this total; their loans were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for these clients are approximately \$40 million and \$20 million, respectively.

In addition to its regular monitoring procedures, at year-end, management performed an in-depth analysis of a number of accounts representing approximately 90% of the gross portfolio outstanding in order to assess the Corporation's total exposure to credit and other risk. Factors such as the financial condition of the client were evaluated to determine how risk has changed since inception of the loan. Changes in risk are reflected in the carrying value of the loan via the provision for credit losses.

(b) Interest risk:

Interest rate risk is the impact future changes of interest rates have on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical.

Outstanding investments totaling \$90,098 (2002 - \$105,597) were funded by an interest free long-term note payable to the Province of Nova Scotia.

**14. Taxes:**

The Corporation is not subject to provincial or federal taxes.

**15. Supplementary cash information:**

During the year, cash received for interest income was \$9,088 (2002 - nil) and cash paid for interest was \$1,931 (2002 - nil).

**16. Related party transactions:**

Financing has been advanced to companies which are controlled or otherwise not independent of certain directors of Nova Scotia Business Incorporated. These investments total \$29,824 (2002 \$27,072) and certain of these investments have allowances recorded against them totaling \$8,844 (2002 - \$5,714).

These transactions were originally approved by the Board of the Nova Scotia Business Development Corporation and have been carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

**17. Comparative figures:**

The prior year balance sheet was audited by the Auditor General of Nova Scotia; however, subsequent to the audit, the financial statements were restated to reflect the addition of the amount due to the Province of Nova Scotia of \$133,640. Also, the Industrial Parks balance was restated to become more compliant with Canadian generally accepted accounting principles, as in the past they were accounted for as investments. The restatement resulted in a write down of the Industrial Parks balance of \$16,728 and was reflected as such in the consolidated statements of the Province of Nova Scotia as at March 31, 2002.

The comparative statement of revenue, expenditures and retained earnings and the statement of cash flows were not reported on by the Auditor General and are presented as unaudited.

Legislation enacting Nova Scotia Business Incorporated came into effect November 6, 2001. Operating expenses, Strategic Investments, and the related Provincial Grants for the twelve months ended March 31, 2002 were recorded in the accounts of Nova Scotia Business Incorporated. The provision for credit losses reflects activity during the period November 6, 2001 to March 31, 2002. Income from Nova Scotia Business Fund activity for the year ended March 31, 2002 was reported in the accounts of the Department of Finance of the Province of Nova Scotia.

The 2002 figures have been reclassified where necessary to conform to 2003 presentation.

## NOVA SCOTIA BUSINESS INCORPORATED

**Schedule of Operating Expenses**  
**Year ended March 31, 2003, with comparative figures for 2002**

	<b>2003</b>	<b>(Unaudited)</b> <b>2002</b>
	(in thousands)	
Legal and audit . . . . .	\$ 185	\$ 244
Marketing and communications . . . . .	905	680
Office expenses . . . . .	224	169
Other . . . . .	100	134
Salaries and benefits . . . . .	4,309	3,164
Telecommunications and technical support . . . . .	368	292
Travel . . . . .	504	288
	<u>\$ 6,595</u>	<u>\$ 4,971</u>

## Schedule 2

**Schedule of Nova Scotia Business Fund Expenses**  
**Year ended March 31, 2003, with comparative figures for 2002**

	<b>2003</b>	<b>(Unaudited)</b> <b>2002</b>
	(in thousands)	
Amortization . . . . .	\$ 256	\$ 189
Commissions . . . . .	46	---
Interest . . . . .	1,931	---
Repairs and maintenance . . . . .	242	266
	<u>\$ 2,475</u>	<u>\$ 455</u>

**NOVA SCOTIA COMMUNITY COLLEGE**

These financial statements are in draft form only

## NOVA SCOTIA COMMUNITY COLLEGE

Statement of Financial Position  
as at March 31, 2003

## ASSETS

	2003	2002
<b>Current assets</b>		
Cash .....	\$ 23,020,911	\$ 8,659,867
Accounts receivable (Note 3) .....	6,063,812	6,703,325
Inventory .....	716,430	663,027
Prepays .....	<u>275,082</u>	<u>763,571</u>
	30,076,235	16,789,790
<b>Capital assets (Note 4) .....</b>	6,173,046	6,721,880
<b>Foundation assets (Note 5) .....</b>	837,202	745,773
<b>Pensionable advance (Note 13) .....</b>	<u>743,206</u>	<u>793,935</u>
	\$ <u><u>37,829,689</u></u>	\$ <u><u>25,051,378</u></u>

## LIABILITIES

<b>Current liabilities</b>		
Accounts payable and accrued liabilities .....	\$ 18,026,304	\$ 11,648,333
Deferred revenue (Note 6) .....	<u>6,512,390</u>	<u>2,359,139</u>
	24,538,694	14,007,472
<b>Deferred revenue related to capital assets (Note 7) .....</b>	2,197,986	1,643,876
<b>Employee future benefit obligation (Note 16) .....</b>	<u>1,693,982</u>	<u>471,919</u>
	<u>28,430,662</u>	<u>16,123,267</u>

## NET ASSETS

<b>Invested in capital assets (Note 8) .....</b>	3,975,060	5,078,004
<b>Restricted for Foundation assets (Note 5) .....</b>	837,202	745,773
<b>Restricted for college development (Note 12) .....</b>	<u>4,586,765</u>	<u>3,104,334</u>
	<u>9,399,027</u>	<u>8,928,111</u>
	\$ <u><u>37,829,689</u></u>	\$ <u><u>25,051,378</u></u>

## NOVA SCOTIA COMMUNITY COLLEGE

Statement of Revenue and Expenditures  
Year Ended March 31, 2003

	2003	2002
<b>Revenue</b>		
Province of Nova Scotia (Note 9) . . . . .	\$ 66,982,000	\$ 60,779,000
Government of Canada . . . . .	7,440,100	8,439,955
Tuition and fees . . . . .	14,167,798	13,643,657
Customized training . . . . .	11,477,134	10,635,033
Amortization of deferred revenue related to capital assets. . . . .	1,021,445	945,640
Other (Note 10) . . . . .	12,816,208	12,398,664
	<u>113,904,685</u>	<u>106,841,949</u>
<b>Expenditures</b>		
Salaries and benefits . . . . .	74,752,600	70,402,312
Operating supplies and services . . . . .	20,381,259	19,824,816
Equipment, rentals, other administration. . . . .	8,088,554	6,572,385
Utilities and maintenance. . . . .	7,441,148	7,083,169
Amortization . . . . .	2,861,637	2,869,837
	<u>113,525,198</u>	<u>106,752,519</u>
<b>Excess of revenue over expenditures . . . . .</b>	<b>\$ <u>379,487</u></b>	<b>\$ <u>89,430</u></b>

## NOVA SCOTIA COMMUNITY COLLEGE

Statement of Cash Flows  
Year Ended March 31, 2003

	2003	2002
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess of revenue over expenditures . . . . .	\$ 379,487	\$ 89,430
Items not affecting cash		
Amortization of deferred revenue related to capital assets . . . . .	(1,021,445)	(945,640)
Amortization . . . . .	2,861,637	2,869,837
(Gain) loss on disposal of capital assets . . . . .	(13,245)	6,980
Employee future benefit obligation . . . . .	<u>1,222,063</u>	<u>471,919</u>
	3,428,497	2,492,526
Changes in non-cash working capital items (Note 11) . . . . .	<u>11,605,821</u>	<u>3,985,849</u>
	<u>15,034,318</u>	<u>6,478,375</u>
<b>Investing</b>		
Purchase of capital assets . . . . .	(2,319,170)	(2,099,850)
Proceeds on sale of capital assets . . . . .	<u>19,612</u>	<u>---</u>
	<u>(2,299,558)</u>	<u>(2,099,850)</u>
<b>Financing</b>		
Pensionable Advance . . . . .	50,729	(602,365)
Deferred revenue related to capital assets . . . . .	<u>1,575,555</u>	<u>1,000,000</u>
	<u>1,626,284</u>	<u>397,635</u>
<b>Net cash inflow (outflow)</b> . . . . .	14,361,044	4,776,160
<b>Cash position, beginning of year</b> . . . . .	<u>8,659,867</u>	<u>3,883,707</u>
<b>Cash position, end of year</b> . . . . .	\$ <u><u>23,020,911</u></u>	\$ <u><u>8,659,867</u></u>

**NOVA SCOTIA COMMUNITY COLLEGE**

**Draft**

**Statement of Changes in Net Assets  
Year Ended March 31, 2003**

	Invested in Capital Assets	Unrestricted	Restricted for Foundation Purposes (Note 5)	Restricted for College Development (Note 12)	2003 Total	2002 Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Balance, beginning of year</b> . . . . .	\$ 5,078,004	\$ ---	\$ 745,773	\$ 3,104,334	\$ 8,928,111	\$ 8,790,970
Excess (deficiency) of revenue over expenditures. . . . .	(1,840,192)	2,219,678	---	---	379,486	89,430
Investment in capital assets. . . . .	737,248	(2,219,678)	---	1,482,431	1	---
Endowment contributions and interest. . . . .	---	---	1,237,707	---	1,237,707	277,512
Endowment disbursements. . . . .	---	---	(1,146,278)	---	(1,146,278)	(229,801)
<b>Balance, end of year</b> . . . . .	<u>\$ 3,975,060</u>	<u>\$ ---</u>	<u>\$ 837,202</u>	<u>\$ 4,586,765</u>	<u>\$ 9,399,027</u>	<u>\$ 8,928,111</u>



## NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements  
Year Ended March 31, 2003**1. OVERVIEW OF OPERATIONS**

The Nova Scotia Community College ("the 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 Canadian generally accepted accounting principles and include the following significant accounting policies:

**a) Use of Estimates**

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

**b) 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.

**c) Cash**

Cash consist of cash on hand and amounts held by financial institutions, upon which interest is paid at commercial rates.

**d) 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
Leasehold improvements	2 to 5 years
Management Information System	5 years

Land and buildings that are owned by the Province are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year. Improvements made to these buildings with leases in place are capitalized and amortized over their useful life or the term of the lease, whichever is less.

**e) Contributed Services**

The Province provides the College with buildings at thirteen 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 because of the difficulty in determining the value.

**f) Inventory**

Inventory 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**

	<b>2003</b>	<b>2002</b>
Organizations .....	\$ 3,296,808	\$ 3,482,361
Student fees .....	2,332,484	2,527,493
Government funding.....	301,670	1,000,450
Harmonized Sales Tax .....	919,272	540,971
Allowance for doubtful accounts .....	(786,422)	(847,950)
	<u>\$ 6,063,812</u>	<u>\$ 6,703,325</u>

**4. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value 2003</b>	<b>Net Book Value 2002</b>
Computer equipment .....	\$ 6,005,930	\$ 5,725,344	\$ 280,586	\$ 255,750
Furniture and equipment .....	7,765,822	5,079,516	2,686,306	1,970,886
Leasehold improvements.....	233,662	194,977	38,685	88,217
Management Information System.....	<u>6,197,789</u>	<u>3,030,320</u>	<u>3,167,469</u>	<u>4,407,027</u>
	<u>\$ 20,203,203</u>	<u>\$ 14,030,157</u>	<u>\$ 6,173,046</u>	<u>\$ 6,721,880</u>

**5. FOUNDATION ASSETS**

The balance, which is externally restricted for foundation purposes, represents donations and related interest restricted for scholarships, awards and other specified purposes.

**6. DEFERRED REVENUE**

Deferred revenue represents the unearned portion of amounts received for specific purposes and is summarized as follows:

	<b>2003</b>	<b>2002</b>
Apprenticeship .....	\$ 907,537	\$ 642,343
Offshore Operation.....	1,694,795	---
JD Irving .....	250,000	---
Applied Research .....	462,210	---
Customized training .....	2,253,797	1,190,830
Other.....	944,051	525,966
	<u>\$ 6,512,390</u>	<u>\$ 2,359,139</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:

	2003	2002
Beginning balance . . . . .	\$ 1,643,876	\$ 1,589,516
Contributions received . . . . .	1,575,555	1,000,000
Amortization of deferred revenue related to capital assets . . . . .	<u>(1,021,445)</u>	<u>(945,640)</u>
Ending balance . . . . .	<u>\$ 2,197,986</u>	<u>\$ 1,643,876</u>

**8. NET ASSETS INVESTED IN CAPITAL ASSETS**

	2003	2002
Capital assets, net of amortization . . . . .	\$ 6,173,046	\$ 6,721,880
Deferred revenue related to capital assets . . . . .	<u>(2,197,986)</u>	<u>(1,643,876)</u>
	<u>\$ 3,975,060</u>	<u>\$ 5,078,004</u>

**9. REVENUE-PROVINCE OF NOVA SCOTIA**

	2003	2002
Funding received . . . . .	\$ 67,982,000	\$ 61,779,000
Portion related to capital assets . . . . .	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	<u>\$ 66,982,000</u>	<u>\$ 60,779,000</u>

**10. OTHER REVENUE**

Other revenue is summarized as follows:

	2003	2002
Bookstore revenue . . . . .	\$ 3,372,344	\$ 3,482,247
Food sales . . . . .	1,493,968	1,493,909
Apprenticeship/Shop . . . . .	2,468,984	1,944,361
Interest . . . . .	455,597	307,097
Recoveries . . . . .	1,922,680	2,156,564
Applied research . . . . .	348,100	68,146
Lodging, rent and miscellaneous . . . . .	<u>2,754,535</u>	<u>2,946,340</u>
	<u>\$ 12,816,208</u>	<u>\$ 12,398,664</u>

**11. CHANGES IN NON-CASH WORKING CAPITAL**

	2003	2002
Decrease in accounts receivable . . . . .	\$ 639,513	\$ 4,154,174
Increase in inventory . . . . .	(53,403)	(156,741)
Decrease (increase) in prepaids . . . . .	488,489	(187,520)
Increase (decrease) in accounts payable . . . . .	6,377,971	(505,663)
Increase in deferred revenue . . . . .	<u>4,153,251</u>	<u>681,599</u>
	<u>\$ 11,605,821</u>	<u>\$ 3,985,849</u>

**12. RESTRICTED FOR COLLEGE DEVELOPMENT**

These funds have been internally restricted by the Board to ensure that the funds are used solely for college development projects.

**13. PENSIONABLE ADVANCE**

When the College took over the Payroll function from the Province, it had to book a receivable, which represented a pay advance to staff. This was to account for the move from "paid to date" to "paid in arrears." This receivable was formerly held by the Province.

**14. COMMITMENTS**

The College is committed to the following lease and maintenance agreement payments over the next five years:

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 759,572	\$ 320,542	\$ 250,024	\$ 57,679	\$ 26,952

**15. PENSION PLAN**

The Nova Scotia Community College contributes to two defined benefit pension plans administered by the Province of Nova Scotia. The Province of Nova Scotia assumes the actuarial and investment risk associated with these plans. Accordingly, the College accounts for these pensions as defined contribution plans.

The College matches employees' contributions calculated as follows for the Nova Scotia Public Service Superannuation Plan: 5.4% on the part of their salary that is equal to or less than the "year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan (CPP) and 7% on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of \$2,966,818 from April 1, 2002 to March 31, 2003.

The College matches employees' contributions calculated as follows for the Nova Scotia Teachers' Union Pension Plan: 8.3% on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of \$5,438,120 from April 1, 2002 to March 31, 2003.

**16. EMPLOYEE FUTURE BENEFIT OBLIGATION**

An employee hired on or after August 1, 1998 who retires because of age or mental or physical incapacity shall be granted a College Service Award (CSA) equal to 1% of the employee's annual salary for each year of continuous service to a maximum of 25 years. There are no employee contributions in respect of the plan.

An actuarial evaluation was completed as of March 31, 2003 and the College's obligation relating to these benefits was \$1,694,000 (2002 - \$472,000).

The significant actuarial assumptions adopted in estimating the College's obligation are as follows:

Future salary increase	5% per annum
Expected rate of return	0% per annum
Retirement age	20% upon attainment of age 55 and 80 points (age plus service); the remainder at 35 years of service or age 60, whichever is earlier

## 17. FINANCIAL INSTRUMENTS

### **Fair Value**

The College evaluated the fair values of its financial instruments based on the current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values are considered to approximate fair values.

### **Credit Risk**

The College performs a continuous evaluation of its accounts receivable and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk at March 31, 2003.

## 18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current years presentation.

## AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

To the Chair and Members of the Nova Scotia Crop  
& Livestock Insurance Commission

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2003, and the statements of surplus and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E. R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
June 20, 2003

**NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**

**Balance Sheet  
March 31, 2003**

**ASSETS**

	2003		2002
<b>Current</b>			
Cash .....	\$ 83,458	\$	103,952
Short-term investments (note 3) .....	6,138,088		5,583,399
Receivables, trade .....	58,818		51,734
Accrued interest receivable .....	66,085		51,293
	<u>6,346,449</u>		<u>5,790,378</u>
<b>Capital assets (note 4) .....</b>	<b>35,462</b>		<b>33,921</b>
	<u>\$ 6,381,911</u>	\$	<u>5,824,299</u>

**LIABILITIES**

<b>Current</b>			
Unearned premiums .....	\$ 39,889	\$	31,415
Deposits for insurance .....	1,575		16,734
Provision for payment of unsettled indemnities (note 5) .....	6,403		30,000
	<u>47,867</u>		<u>78,149</u>
<b>Deferred contributions related to capital assets (note 6) .....</b>	<b>35,462</b>		<b>33,922</b>
	<u>83,329</u>		<u>112,071</u>

**FUND BALANCES**

**Fund balances**

Crop insurance .....	5,333,339		4,764,779
Livestock insurance .....	965,243		947,449
	<u>6,298,582</u>		<u>5,712,228</u>
	<u>\$ 6,381,911</u>	\$	<u>5,824,299</u>

**Commitments (note 10)**

## NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Statement of Surplus and Fund Balances  
year ended March 31, 2003

	Crop Insurance	Livestock Insurance	Other	Totals 2003	2002
<b>Revenues</b>					
Insurance premiums (Schedule A) . . . . .	\$ 815,882	\$ 21,217	\$ ---	\$ 837,099	\$ 694,277
Interest income . . . . .	148,683	28,321	---	177,004	245,908
Amortization of deferred contributions . . . . .	---	---	9,976	9,976	11,783
	<u>964,565</u>	<u>49,538</u>	<u>9,976</u>	<u>1,024,079</u>	<u>951,968</u>
Indemnity claims (Schedule A) . . . . .	352,384	31,744	---	384,128	924,058
Bad debt expense . . . . .	43,619	---	---	43,619	---
Administrative expenses (note 7) (Schedule B) . . . . .	665,709	6,793	6,793	679,295	611,086
Amortization of capital assets . . . . .	---	---	9,976	9,976	11,783
	<u>1,061,712</u>	<u>38,537</u>	<u>16,769</u>	<u>1,117,018</u>	<u>1,546,927</u>
Income (loss) before Government contributions . . . . .	(97,147)	11,001	(6,793)	(92,939)	(594,959)
Government contributions (note 8) . . . . .	665,707	6,793	6,793	679,293	611,084
<b>Net surplus</b> . . . . .	<u>568,560</u>	<u>17,794</u>	<u>---</u>	<u>586,354</u>	<u>16,125</u>
<b>Fund Balance</b>					
Beginning of year . . . . .	4,764,779	947,449	---	5,712,228	5,696,103
End of year . . . . .	<u>\$ 5,333,339</u>	<u>\$ 965,243</u>	<u>\$ ---</u>	<u>\$ 6,298,582</u>	<u>\$ 5,712,228</u>



**NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Operating Activities</b>		
Net surplus . . . . .	\$ 586,354	\$ 16,125
Net change in non-cash working capital balances related to operations (note 9) . . . . .	<u>(52,159)</u>	<u>(24,572)</u>
	<u>534,195</u>	<u>(8,447)</u>
<b>Investing Activities</b>		
Purchase of short-term investments . . . . .	<u>(554,689)</u>	<u>(13,877)</u>
<b>Decrease in cash during year</b> . . . . .	(20,494)	(22,324)
<b>Cash, beginning of year</b> . . . . .	<u>103,952</u>	<u>126,276</u>
<b>Cash, end of year</b> . . . . .	\$ <u><u>83,458</u></u>	\$ <u><u>103,952</u></u>

**NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**

**Notes to Financial Statements  
March 31, 2003**

**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 Canadian generally accepted accounting principles and include the following accounting policy.

**Capital Assets**

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

**3. Short-term investments**

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2003 these funds had a market value of \$6,131,033 (2002 - \$5,582,330) and were invested in various corporate and provincial bonds maturing in 2003 and 2005 with yields from 1.5% to 4.0%.

**4. Capital Assets**

	<b>2003</b>	<b>2002</b>
Equipment and furniture. . . . .	\$ 103,942	\$ 92,426
Accumulated amortization . . . . .	<u>(68,480)</u>	<u>(58,505)</u>
	<u>\$ 35,462</u>	<u>\$ 33,921</u>

**5. Provision for payment of unsettled indemnities**

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and 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.

**6. Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture and Fisheries on behalf of the Commission.

	<b>2003</b>	<b>2002</b>
Balance, beginning of year . . . . .	\$ 33,922	\$ 45,705
Add: Capital assets acquired . . . . .	11,516	---
Less: Amounts amortized to revenue . . . . .	<u>(9,976)</u>	<u>(11,783)</u>
Balance, end of year . . . . .	<u>\$ 35,462</u>	<u>\$ 33,922</u>

**7. Related party transactions**

Administrative expenses include \$30,000 (2002 - \$30,000) for rent and \$44,240 (2002 - \$44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Fisheries.

**8. 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 2003 fiscal year, the Federal government contributed 49% (2002 - 49%) of the total administrative expenses. The Provincial government funded the remainder.

**9. Net change in non-cash working capital balances related to operations**

	<b>2003</b>	<b>2002</b>
<b>Increase (decrease) in cash from changes in:</b>		
Receivables . . . . .	\$ (7,084)	\$ 3,710
Accrued interest receivable . . . . .	(14,792)	144,415
Increase in deposits for insurance . . . . .	(15,159)	16,172
Unsettled indemnities . . . . .	(23,598)	(189,375)
Unearned premiums . . . . .	<u>8,474</u>	<u>506</u>
	<u>\$ (52,159)</u>	<u>\$ (24,572)</u>

**10. Insurance coverage**

The total insurance coverage as of March 31, 2003 was \$52,632,562 (2002 - \$40,588,927), comprising crop insurance of \$15,899,230 (2002 - \$14,747,927) and livestock insurance of \$36,733,332 (2002 - \$25,841,000).

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. Advances to this Fund are recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately \$709,000. Management holds the opinion that the payment of these premiums was the responsibility of the Province. Discussions are ongoing to determine if the Commission should repay all, or a portion, of these re-insurance premiums to the Province. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

There is no Re-Insurance Fund for livestock.

Subsequent to year-end, the Commission took out their own re-insurance fund on both livestock and crops. They secured coverage of \$3 million, for a premium of \$195,000. They made the first instalment payment of the premium on April 30, 2003, in the amount of \$97,500 and will pay the balance in October.

**11. 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. The pension expense incurred in the current year was \$23,525.

**12. Economic dependance**

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

## NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

**Premium Revenue and Indemnity Claims  
for the year ended March 31, 2003**

	Premium Revenue					Indemnity Claims	
	Farmer	Federal	Provincial	2003	2002	2003	2002
<b>Crop Insurance</b>							
Spring grain .....	\$ 21,990	\$ 10,995	\$ 10,995	\$ 43,980	\$ 45,988	\$ 8,919	60,070
Winter grain .....	14,568	7,284	7,284	29,136	26,408	8,464	14,622
Tree fruit .....	97,381	48,690	48,690	194,761	214,605	13,135	99,201
Corn .....	20,980	10,490	10,490	41,960	41,291	12,065	10,410
Peas & beans .....	41,878	20,939	20,939	83,756	71,828	42,656	77,086
Blueberries .....	98,455	49,227	49,227	196,909	116,446	175,644	257,995
Strawberries and raspberries .....	9,863	4,931	4,931	19,725	10,772	10,605	9,615
Forage .....	4,057	1,946	2,001	8,004	9,670	8,554	6,391
Soybeans .....	3,686	1,842	1,842	7,370	9,913	6,821	6,785
Potatoes .....	34,429	17,214	17,214	68,857	50,309	(7,941)	160,873
Vegetables .....	60,712	30,356	30,356	121,424	69,310	73,462	216,620
	<u>407,999</u>	<u>203,914</u>	<u>203,969</u>	<u>815,882</u>	<u>666,540</u>	<u>352,384</u>	<u>919,668</u>
<b>Livestock Insurance</b>							
Dairy .....	21,217	---	---	21,217	27,737	31,744	4,390
<b>Total</b> .....	<u>\$ 429,216</u>	<u>\$ 203,914</u>	<u>\$ 203,969</u>	<u>\$ 837,099</u>	<u>\$ 694,277</u>	<u>\$ 384,128</u>	<u>\$ 924,058</u>

## NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Administrative Expenses  
for the year ended March 31, 2003

	Insurance			Totals	
	Crop	Livestock	Other	2003	2002
Personnel .....	\$ 471,850	\$ 4,815	\$ 4,815	\$ 481,480	\$ 443,835
Transportation and communication .....	52,419	535	535	53,489	50,038
Information .....	5,941	61	61	6,063	10,136
Professional and special services .....	30,410	310	310	31,030	7,871
Office accommodation and equipment rental .....	30,268	309	309	30,886	35,198
Repair and maintenance of equipment .....	1,085	11	11	1,107	521
Utilities, materials and supplies .....	30,381	310	310	31,001	19,247
Other expenditures .....	43,355	442	442	44,239	44,240
	<u>\$ 665,709</u>	<u>\$ 6,793</u>	<u>\$ 6,793</u>	<u>\$ 679,295</u>	<u>\$ 611,086</u>

## AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

To the Chair and Members of the Nova Scotia Farm Loan Board

I have audited the statement of financial position of the Nova Scotia Farm Loan Board as at March 31, 2003 and the statements of revenues and expenses, 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 the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
May 6, 2003

**NOVA SCOTIA FARM LOAN BOARD**

**Statement of Financial Position  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
		(in thousands)
Accounts receivable . . . . .	\$ 5,473	\$ 5,509
Due from Department of Finance . . . . .	1,792	1,687
Loans receivable (Note 3) . . . . .	158,969	160,137
Real estate (Note 4) . . . . .	4,445	5,138
	<u>\$ 170,679</u>	<u>\$ 172,471</u>

**LIABILITIES AND RETAINED EARNINGS**

Insurance reserve (Note 5) . . . . .	\$ 2,350	\$ 2,350
Advances from Department of Finance (Note 2) . . . . .	167,265	169,231
Retained earnings (Note 6) . . . . .	1,064	890
	<u>\$ 170,679</u>	<u>\$ 172,471</u>
Commitments (Note 7)		

**Statement of Revenues and Expenses  
For the Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
		(in thousands)
<b>Revenues</b>		
Interest revenue . . . . .	\$ 12,203	\$ 13,213
Fee revenue . . . . .	630	467
Insurance revenue . . . . .	159	169
	<u>12,992</u>	<u>13,849</u>
<b>Expenses</b>		
Interest expense (Note 2) . . . . .	10,420	10,677
Operating expenses (Note 8) . . . . .	1,105	992
Bad debt expense . . . . .	595	972
	<u>12,120</u>	<u>12,641</u>
Income before Government contributions . . . . .	872	1,208
Government contributions (Note 8) . . . . .	1,105	992
Net Income . . . . .	<u>\$ 1,977</u>	<u>\$ 2,200</u>

**Statement of Retained Earnings  
For the Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
		(in thousands)
Retained earnings, beginning of year . . . . .	\$ 890	\$ 648
Income before Government contributions . . . . .	872	1,208
Distribution to Department of Finance (Note 6) . . . . .	<u>(698)</u>	<u>(966)</u>
Retained earnings, end of year . . . . .	<u>\$ 1,064</u>	<u>\$ 890</u>

See accompanying notes to financial statements



**NOVA SCOTIA FARM LOAN BOARD**

**Notes to Financial Statements  
March 31, 2003**

**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 Canadian generally accepted accounting principles. The following are significant accounting policies of the Board.

**a) Interest Expense**

Loans provided by the Board are funded through quarterly advances from the Department of Finance. Advances are based on the Board's estimated requirement for the forthcoming quarter. Interest expense is calculated in accordance with the terms of a Memorandum of Understanding between the Board and the Department of Finance, based on the Department's cost of borrowing the Funds advanced.

**b) Allowance for Doubtful Accounts**

The Board provides for possible losses on loans receivable and real estate on an item by item basis. In addition, a general reserve is provided on loans receivable.

**c) Measurement Uncertainty**

Measurement uncertainty exists in financial statements when recorded amounts such as loan valuation allowances are based on assumptions or estimates. Accuracy of these numbers depends on the completeness and quality of information available when the recorded amount is derived. There could be significant variances between the estimates recorded and the actual results achieved.

**3. Loans Receivable**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Farm loans . . . . .	\$ 161,565	\$ 163,177
Timber loans . . . . .	1,801	1,798
	<u>163,366</u>	<u>164,975</u>
Less: Allowance for doubtful accounts . . . . .	4,397	4,838
	<u>\$ 158,969</u>	<u>\$ 160,137</u>

**4. Real Estate - at lower of cost and net realizable value**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Real estate being leased or held . . . . .	\$ 5,620	\$ 5,283
Land bank . . . . .	1,719	2,033
Land consolidation		
Agricultural Rural Development Agreement (ARDA) . . . . .	83	84
Less: Federal Government share of cost of		
ARDA Properties . . . . .	(43)	(43)
Held for Department of Agriculture and Fisheries . . . . .	562	450
	<u>7,941</u>	<u>7,807</u>
Less: Allowance for doubtful recoveries . . . . .	3,496	2,669
	<u>\$ 4,445</u>	<u>\$ 5,138</u>

**5. Insurance Reserve**

	2003	2002
	(in thousands)	
Balance, beginning of year . . . . .	\$ 2,350	\$ 2,350
Add: Premiums collected . . . . .	356	373
Interest earned . . . . .	19	79
	<u>375</u>	<u>452</u>
Deduct: Insurance costs before administration fees . . . . .	127	203
Administration fees . . . . .	89	80
Transfer to revenue . . . . .	159	169
	<u>375</u>	<u>452</u>
Balance, end of year . . . . .	<u>\$ 2,350</u>	<u>\$ 2,350</u>

The Board requires borrowers to participate in a group life insurance 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, pay for professional services related to the program, and contribute funds towards the acquisition of a computer system for Board operations.

In the year ended March 31, 2001, the Board commenced the practice of estimating the total amount of insurance reserve needed to fulfil the purpose of the reserve. Any funds in excess of this amount are transferred to the general revenues of the Board. For the year ended March 31, 2003 a balance of \$2,350,000 was established for the reserve and \$159,000 (2002 - \$169,000) was transferred to revenue.

Of the total reserve, \$728,000 (2002 - \$797,000) is held by the Department of Finance, and is included on the statement of financial position in the amount due from the Department of Finance. The remaining \$1,622,000 (2002 - \$1,553,000) 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. Retained Earnings**

A Memorandum of Understanding dated March 16, 1999 between the Nova Scotia Farm Loan Board and the Department of Finance enables the Board to retain 20% of income before government contributions for future use. The agreement took affect as of April 1, 1998. Previously, all net income of the Board was transferred to the Department of Finance. Net income retained is included on the statement of financial position in the amount due from the Department of Finance, and cannot be expended without the consent of the Department.

**7. Commitments**

As at March 31, 2003, the Board had authorized loans of \$6,447,000 (2002 - \$1,664,000) which had not been disbursed.

**8. Operating Expenses**

The operating expenses of the Board are paid by the Department of Agriculture and Fisheries on behalf of the Board.

	<b>2003</b>	<b>2002</b>
		(in thousands)
Salaries and benefits.....\$	944 \$	835
Supplies and services .....	44	66
Travel .....	49	40
Training and development .....	10	9
Professional services .....	16	19
Other .....	42	23
	<u>\$ 1,105</u>	<u>\$ 992</u>

**9. Public Service Superannuation Fund**

All full-time employees of the Board 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 Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

## AUDITOR'S REPORT

### TO THE MEMBERS OF THE BOARD OF THE NOVA SCOTIA FILM DEVELOPMENT CORPORATION:

We have audited the statement of financial position of the Nova Scotia Film Development Corporation as at March 31, 2003 and the statements of operations and changes in fund balances 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, 2003 and the results of its operations and the cash flows for the year then ended in accordance with the accounting policies as outlined in Note 2 to the financial statements.

LEVY CASEY CARTER MACLEAN  
CHARTERED ACCOUNTANTS

Halifax, Nova Scotia  
May 28, 2003

**NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**Statement of Financial Position  
March 31, 2003**

**ASSETS**

	<u>2003</u>	<u>2002</u>
<b>Current</b>		
Cash and short term investments .....	\$ 1,339,928	\$ 1,807,209
Other receivables .....	185,811	98,682
Prepaid expenses .....	<u>35,120</u>	<u>14,098</u>
	<u>\$ 1,560,859</u>	<u>\$ 1,919,989</u>

**LIABILITIES**

<b>Current</b>		
Payables and accruals, trade .....	\$ 69,504	\$ 16,901
Deferred revenue .....	<u>69,839</u>	<u>18,472</u>
	<u>139,343</u>	<u>35,373</u>

**FUND BALANCES**

<b>Unrestricted</b> .....	---	84,731
<b>Committed</b> .....	<u>1,421,516</u>	<u>1,799,885</u>
	<u>1,421,516</u>	<u>1,884,616</u>
	<u>\$ 1,560,859</u>	<u>\$ 1,919,989</u>

Contingent commitments - \$1,421,516 (2002 - \$1,799,885)

**NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**Statement of Operations and Changes in Fund Balances  
year ended March 31, 2003**

	<b><u>General</u></b>	<b><u>MTT New</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
	<b><u>Fund</u></b>	<b><u>Media Fund</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>Revenue</b>				
Contributions from the Department of				
Economic Development (note 4) . . . . . \$	2,388,700	\$ ---	\$ 2,388,700	\$ 2,529,125
Recovery of equity investments and				
development loans (notes 6 & 7) . . . . .	144,718	2,775	147,493	126,075
First Works . . . . .	70,889	---	70,889	85,403
Interest and other income . . . . .	78,646	6,283	84,929	135,502
	<u>2,682,953</u>	<u>9,058</u>	<u>2,692,011</u>	<u>2,876,105</u>
<b>Expenditures</b>				
Equity investments (note 6) . . . . .	1,832,522	---	1,832,522	1,586,399
Project development loans (note 7) . . . . .	291,862	---	291,862	173,364
Special projects . . . . .	229,036	---	229,036	260,370
Training assistance . . . . .	37,923	---	37,923	279,167
First Works . . . . .	99,646	---	99,646	47,158
New Media . . . . .	---	133,897	133,897	28,763
Advertising and marketing (page 258) . . . .	154,330	---	154,330	116,667
Administrative expenses (page 258) . . . . .	375,895	---	375,895	371,898
	<u>3,021,214</u>	<u>133,897</u>	<u>3,155,111</u>	<u>2,863,786</u>
<b>Excess (deficit) of revenues over</b>				
<b>    expenditures . . . . .</b>	(338,261)	(124,839)	(463,100)	12,319
<b>Fund balances, beginning of year . . . . .</b>	1,495,080	389,536	1,884,616	1,872,297
<b>Interfund transfers (note 5) . . . . .</b>	<u>264,697</u>	<u>(264,697)</u>	<u>---</u>	<u>---</u>
<b>Fund balances, end of year . . . . .</b>	<u>\$ 1,421,516</u>	<u>\$ ---</u>	<u>\$ 1,421,516</u>	<u>\$ 1,884,616</u>

# NOVA SCOTIA FILM DEVELOPMENT CORPORATION

## Notes to Financial Statements March 31, 2003

### 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 flows is not provided since disclosure in the statement of operations and changes in fund balances is considered adequate.
- b) The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles except for the following items:
  - i) Program loans and equity participation are charged to current expenditures as disbursed. Recoveries derived from equity investments and development loans are recorded as revenue 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.
  - 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, 2003, the Corporation is contractually committed to advance funds totalling \$1,421,516 (2002 - \$1,799,885 ) as investments and loans in respect of current and future projects.

**4. Cost Paid by the Province of Nova Scotia**

During the year, services were provided to the Corporation by government departments, the estimated amounts are as follows:

	<b>2003</b>	<b>2002</b>
Legal services .....	\$ 60,000	\$ 76,284
Rent .....	<u>25,000</u>	<u>30,000</u>
	<u>\$ 85,000</u>	<u>\$ 106,284</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 (1998 - \$75,000; 1999 - \$150,000; 2000 - \$175,000) which was matched by the Corporation. During the year, the balance of the MTT New Media Fund was transferred to the General Fund as the agreement between the Corporation and Maritime Tel & Tel has expired.

**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 \$83,513 (2002 - \$108,335). The total of equity investments of the Corporation to March 31, 2003 is \$20,695,788. As at March 31, 2003, \$1,081,086 has been recouped.

**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, 2003 were \$1,850,714 (2002 - \$1,599,509). Development loans of \$63,979 (2002 - \$17,741) 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 Public Service Superannuation Fund is administered by the Department of Finance. During the year, the Corporation contributed \$13,951 to the fund.

**9. Economic Dependence and Related Party Transactions**

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependant on the Department of Economic Development for annual funding. Details of any transactions between these related parties are separately disclosed.

**10. Comparative Figures**

Certain of the comparative figures are restated to conform with current year's presentation.

**NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**Schedule of Advertising and Marketing Expenses  
and Schedule of Administrative Expenses  
year ended March 31, 2003**

	<u>2003</u>	<u>2002</u>
<b>Advertising and Marketing Expenses:</b>		
Advertising .....	\$ 38,388	\$ 19,361
Annual report .....	3,467	8,012
Business travel and expenses .....	42,770	23,731
Familiarization tour and marketing materials .....	13,291	13,657
Location scout .....	7,200	8,861
Photos/location services .....	11,870	11,506
Production guide, net of receipts of \$58,883 (2002 - \$53,084) .....	(483)	(461)
Salaries and benefits .....	<u>37,827</u>	<u>32,000</u>
	\$ <u>154,330</u>	\$ <u>116,667</u>

**Administrative Expenses:**

Bank charges .....	\$ 2,363	\$ 2,132
Board honorarium and expenses .....	20,739	11,166
Capital equipment .....	10,728	5,346
Conference/marketing .....	2,250	6,025
Consultants .....	4,043	600
Courier services .....	1,807	3,160
Dues, fees and subscriptions .....	5,533	5,191
Insurance .....	1,962	1,102
Office supplies .....	16,757	21,422
Photocopier/fax rental .....	4,251	4,223
Postage .....	5,657	3,737
Professional fees .....	6,560	5,500
Repairs and maintenance .....	---	1,590
Salaries and benefits .....	281,305	288,969
Staff training .....	4,839	4,268
Telephone and fax .....	<u>7,101</u>	<u>7,467</u>
	\$ <u>375,895</u>	\$ <u>371,898</u>

## AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

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

I have audited the balance sheet of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2003 and the statements of revenues, expenditures and accumulated surplus, and 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 Fisheries and Aquaculture Loan Board as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
May 9, 2003

**NOVA SCOTIA  
FISHERIES AND AQUACULTURE LOAN BOARD**

**Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Loans receivable .....	\$ 67,309,985	\$ 59,663,265
Accrued interest receivable.....	1,601,093	1,743,262
Due from Consolidated Fund - Department of Finance (Note 3) .....	<u>69,616,073</u>	<u>78,134,062</u>
	<u>\$ 138,527,151</u>	<u>\$ 139,540,589</u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Applicants' funds on deposit .....	\$ 405,788	\$ 322,909
Due to Department of Finance.....	1,601,093	1,743,262
<b>Fisheries and Aquaculture Development Fund .....</b>	<u>136,520,270</u>	<u>137,474,418</u>
	<u>\$ 138,527,151</u>	<u>\$ 139,540,589</u>

**Commitments (Note 4)**

The accompanying notes are an integral part of these financial statements

**NOVA SCOTIA  
FISHERIES AND AQUACULTURE LOAN BOARD**

**Statement of Revenues, Expenditures and  
Accumulated Surplus  
for the year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Interest income. ....	\$ 4,945,114	\$ 4,576,365
Loan fees. ....	<u>188,361</u>	<u>151,273</u>
	<u>5,133,475</u>	<u>4,727,638</u>
<b>Expenditures</b>		
Interest expense (Note 5). ....	3,611,010	3,208,461
Salaries and benefits. ....	555,006	461,067
Board honoraria. ....	5,050	6,400
Travel. ....	60,020	50,145
Office expense. ....	45,167	21,737
Bad debts. ....	<u>954,148</u>	<u>49,999</u>
	<u>5,230,401</u>	<u>3,797,809</u>
(Deficit) surplus before Government contribution. ....	(96,926)	929,829
Contribution by Department of Agriculture and Fisheries (Note 6) . . . . .	<u>1,619,391</u>	<u>589,348</u>
<b>Surplus. ....</b>	1,522,465	1,519,177
Distribution to Department of Finance (Note 6) . . . . .	<u>1,522,465</u>	<u>1,519,177</u>
<b>Accumulated Surplus. ....</b>	<u>---</u>	<u>---</u>

**Statement of Continuity of Fund  
for the year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Balance, beginning of year</b> . . . . .	\$ 137,474,418	\$ 137,524,417
Deduct: Bad debts expenditure . . . . .	<u>954,148</u>	<u>49,999</u>
<b>Balance, end of year</b> . . . . .	<u>\$ 136,520,270</u>	<u>\$ 137,474,418</u>
Comprising:		
Loans receivable. ....	\$ 67,309,985	\$ 59,663,265
Loans authorized but unadvanced (Note 4). ....	4,617,923	2,442,151
Aquaculture loan guarantees (Note 3). ....	2,800,000	2,980,000
Uncommitted Fund balance. ....	<u>61,792,362</u>	<u>72,389,002</u>
	<u>\$ 136,520,270</u>	<u>\$ 137,474,418</u>

The accompanying notes are an integral part of these financial statements

**NOVA SCOTIA  
FISHERIES AND AQUACULTURE LOAN BOARD**

**Notes to Financial Statements  
March 31, 2003**

**1. Authority**

The Fisheries and Aquaculture Development Fund is established pursuant to Section 34 of the Fisheries and Coastal Resources Act. The purpose of the Fund is to finance the loans and guarantees of the Nova Scotia 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. Financial Reporting and Accounting Policies**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which for purposes of the Board's financial statements are represented by accounting recommendations of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting policies:

**Revenues**

Revenues are recorded on the accrual basis. The main components of revenue are interest and various fees for loans and guarantees.

**Expenditures**

Expenditures are recorded on the accrual basis. Net expenditures include recoveries which are directly related to the expenditures and are not normally considered to be revenues. Provisions are made for probable losses on certain loans and loan guarantees. These provisions are updated as estimates are revised, at least annually.

**Assets**

Loans receivable are recorded at the principal amount less valuation allowances. Any loan write-offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

**Measurement Uncertainty**

Measurement uncertainty exists in financial statements when recorded amounts such as loan valuation allowances are based on assumptions or estimates. Accuracy of these numbers depends on the completeness and quality of information available when the recorded amount is derived. There could be significant variances between the estimates recorded and the actual results achieved.

**3. Due from Consolidated Fund - Department of Finance**

	<b>2003</b>	<b>2002</b>
Loans authorized but unadvanced..... \$	4,617,923	\$ 2,442,151
Aquaculture loan guarantees .....	2,800,000	2,980,000
Applicants' funds on deposit .....	405,788	322,909
Uncommitted Fund balance.....	<u>61,792,362</u>	<u>72,389,002</u>
	\$ <u>69,616,073</u>	\$ <u>78,134,062</u>

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 former Nova Scotia Economic Renewal Agency to the Board, along with \$1,000,000 of existing loan guarantees. The strategy provided approval for capital advances and guarantees of \$2.0 million per year, until March 31, 2001.

**4. Commitments**

Commitments total \$4,617,923 (2002-\$2,442,151). Commitments are loans which have been approved by the Board but cash advances for the loans have not been made by year end.

**5. Interest Expense**

Loans provided by the Board are funded through advances by the Department of Finance. Interest expense is calculated by the Board based on an estimate by the Department of Finance of the rate at which the Province could borrow funds over the next quarter.

**6. Contributions and Surplus**

Expenses of the Board other than interest expense are paid by the Department of Agriculture and Fisheries on behalf of the Board. The operating surplus or deficit of the Board is retained in the Consolidated Fund of the Province.

**7. Public Service Superannuation Fund**

All full-time employees of the Board 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 Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

## AUDITORS' REPORT

To the Minister of Justice and  
Nova Scotia Freedom of Information and Protection of Privacy Review Officer

We have audited the balance sheet of the Nova Scotia Freedom of Information and Protection of Privacy Review Office as at March 31, 2003 and the statements of operations and surplus, capital assets 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 Canadian 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, 2003, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP  
Chartered Accountants

Halifax, Nova Scotia  
May 21, 2003



**NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION  
OF PRIVACY REVIEW OFFICE**

**Statements of Operations and Surplus  
Year Ended March 31**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Grant from the Province of Nova Scotia (Note 7) . . . . .	\$ 199,356	\$ 210,393
Interest and other revenue . . . . .	1,533	2,690
	<u>200,889</u>	<u>213,083</u>
<b>Expenses</b>		
Salaries, wages and benefits . . . . .	150,420	153,522
Rent (Note 5) . . . . .	11,902	13,790
Shared support costs (Note 7). . . . .	11,000	12,000
Office supplies and services . . . . .	7,045	5,323
Travel. . . . .	6,902	4,767
Legal, audit and consulting . . . . .	5,126	6,567
Telephone . . . . .	2,728	2,580
Dues and fees . . . . .	1,976	1,155
Equipment . . . . .	1,855	2,485
Depreciation . . . . .	1,442	2,436
Printing and copying . . . . .	1,034	140
Repairs and maintenance . . . . .	854	7,199
Hospitality . . . . .	47	35
	<u>202,331</u>	<u>211,999</u>
Operating (deficit) surplus. . . . .	<u>\$ (1,442)</u>	<u>\$ 1,084</u>
Surplus, beginning of year. . . . .	\$ ---	\$ ---
Operating (deficit) surplus. . . . .	<u>(1,442)</u>	<u>1,084</u>
Transfer from (to) investment in capital assets for		
Depreciation. . . . .	1,442	2,436
Capital asset acquisitions . . . . .	---	(3,520)
	<u>1,442</u>	<u>(1,084)</u>
Surplus, end of year. . . . .	<u>\$ ---</u>	<u>\$ ---</u>

**Balance Sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash . . . . .	\$ 6,701	\$ 26,521
Due from related party (Note 7). . . . .	1,936	2,360
	<u>8,637</u>	<u>28,881</u>
Capital assets . . . . .	2,788	4,230
	<u>\$ 11,425</u>	<u>\$ 33,111</u>

**LIABILITIES**

<b>Current</b>		
Payables and accruals. . . . .	\$ 2,707	\$ 3,551
Due to related party (Note 7). . . . .	5,930	25,330
	<u>8,637</u>	<u>28,881</u>

**SURPLUS**

Investment in capital assets (Note 3) . . . . .	2,788	4,230
	<u>\$ 11,425</u>	<u>\$ 33,111</u>

Commitment (Note 5)  
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, 2003**

	Cost			Accumulated Depreciation			2003	2002
	Opening	Additions	Closing	Opening	Expense	Closing	Net Book Value	Net Book Value
Computer equipment. . . . .	\$ 11,530	\$ ---	\$ 11,530	\$ 9,183	\$ 1,173	\$ 10,356	\$ 1,174	\$ 2,347
Furniture . . . . .	2,690	---	2,690	807	269	1,076	1,614	1,883
	<u>\$ 14,220</u>	<u>\$ ---</u>	<u>\$ 14,220</u>	<u>\$ 9,990</u>	<u>\$ 1,442</u>	<u>\$ 11,432</u>	<u>\$ 2,788</u>	<u>\$ 4,230</u>

**Statements of Cash Flows  
Year Ended March 31, 2003**

	2003	2002
Increase in cash and cash equivalents		
<b>Operating</b>		
Operating (deficit) surplus. . . . .	\$ (1,442)	\$ 1,084
Depreciation . . . . .	1,442	2,436
	---	3,520
Change in non-cash operating working capital (Note 6) . . . . .	(19,820)	(28,167)
	(19,820)	(24,647)
<b>Investing</b>		
Purchase of capital assets . . . . .	---	(3,520)
Decrease in cash and cash equivalents. . . . .	(19,820)	(28,167)
Cash and cash equivalents		
Beginning of year . . . . .	26,521	54,688
End of year. . . . .	<u>\$ 6,701</u>	<u>\$ 26,521</u>

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, 2003**

**1. Incorporation**

The Nova Scotia Freedom of Information and Protection of Privacy Review Office (the Review Office) was created pursuant to the Freedom of Information and Protection of Privacy Act, Chapter 5 of the Acts of Nova Scotia, 1993.

**2. Summary of significant accounting policies**

**General**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

**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
Furniture	10 years

**Use of estimates**

In preparing the Review Office's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair value of financial instruments**

The Review Office's estimate of the fair value of cash, receivables, payables and accruals approximate their carrying value due to their short-term nature.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks.

**3. Investment in capital assets**

	<b>2003</b>	<b>2002</b>
Balance, beginning of year. ....	\$ 4,230	\$ 3,146
Capital asset acquisitions. ....	---	3,520
Depreciation. ....	<u>(1,442)</u>	<u>(2,436)</u>
Balance, end of year. ....	<u>\$ 2,788</u>	<u>\$ 4,230</u>

**4. Pensions**

Full time employees of the Review Office are civil servants and as such 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. Commitment**

The Review Office has entered into an agreement to lease its premises until December 31, 2006. The annual rent of premises consists of a minimum rent plus the Review Office's portion of common cost such as maintenance, power, water and property taxes. Minimum rent payable for premises for each of the next three fiscal years is as follows:

2004	\$ 5,555
2005	4,166
2006	4,166

**6. Supplement cash flow information**

	2003	2002
Change in non-cash operating working capital		
Due from related party. . . . .	\$ 424	\$ 8,262
Payables and accruals and due to related party. . . . .	<u>(20,244)</u>	<u>(36,429)</u>
	<u>\$ (19,820)</u>	<u>\$ (28,167)</u>

**7. Related party transactions**

The Freedom of Information and Protection of Privacy Review Office is an independent agency of the Province of Nova Scotia. Funding for the Review Office is provided from the Consolidated Fund of the Province through a public service vote. Any retained surplus of the Review Office is refundable to the Province.

Transactions with the Province by financial statement category are as follows:

	2003	2002
Grant from the Province of Nova Scotia. . . . .	\$ 199,356	\$ 210,393
Accounts receivable . . . . .	1,936	2,360
Payables and accruals. . . . .	5,930	8,171
Surplus - investments in capital assets . . . . .	2,788	4,230

To minimize cost to government while preserving the independence of the Review Office some administrative support is provided by another agency, the Nova Scotia Utility and Review Board (NSUARB). The NSUARB recovers all direct costs paid on behalf of the Review Office and charges a portion of its administrative overhead for the service. Effective April 1, 2003, administrative support services will no longer be provided by the Nova Scotia Utility and Review Board. These support functions will be assumed by the Department of Justice of the Province of Nova Scotia. In future, financial results of the Review Office will be included in the Public Accounts of the Department of Justice of the Province of Nova Scotia.

Transactions with the NSUARB by financial statement category are as follows:

	2003	2002
Shared support costs. . . . .	\$ 12,000	\$ 12,000
Payables and accruals. . . . .	456	17,159

## 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, 2003 the statement of income and payment to the Province, the statement of retained earnings and the statement of 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
May 29, 2003

**NOVA SCOTIA GAMING CORPORATION**

**Balance Sheet  
As At March 31, 2003**

**ASSETS**

	<b>2003</b>		<b>2002</b>
	(in thousands)		
<b>Current</b>			
Cash & short term investments (Note 3) . . . . .	\$ 19,042	\$	15,836
Cash - Restricted (Note 2) . . . . .	6,704		9,605
Inventory, at cost . . . . .	3,087		2,448
Prepays . . . . .	404		253
	<u>29,237</u>		<u>28,142</u>
<b>Long-term</b>			
Cash - Casino Replacement Reserve (Notes 3 and 9) . . . . .	5,746		5,721
Investment in Atlantic Lottery Corporation Inc. . . . .	1		1
Investment in Interprovincial Lottery Corporation (Note 6) . . . . .	1		1
Capital Assets (Note 7) . . . . .	138,092		126,772
	<u>143,840</u>		<u>132,495</u>
	<u>\$ 173,077</u>	\$	<u>160,637</u>

**LIABILITIES**

<b>Current</b>			
Accounts Payable . . . . .	\$ 2,226	\$	781
Deferred Lottery Revenue . . . . .	928		745
Liabilities for Unclaimed Prizes (Note 2) . . . . .	6,704		9,605
Capital Obligation - Current Portion (Note 8) . . . . .	32,849		31,491
Due to Operators (Note 12) . . . . .	14,105		8,970
Due to Atlantic Gaming Equipment Limited- Current Portion . . . . .	13,539		7,398
Due to Nova Scotia Gaming Foundation . . . . .	74		76
Due to Province of Nova Scotia . . . . .	18,570		13,953
	<u>88,995</u>		<u>73,019</u>
<b>Long-term</b>			
Due to Atlantic Gaming Equipment Limited . . . . .	32,340		21,448
Capital Obligation (Note 8) . . . . .	43,561		58,648
	<u>75,901</u>		<u>80,096</u>
	<u>164,896</u>		<u>153,115</u>

**EQUITY**

Casino Capital Replacement Reserve (Note 9) . . . . .	<u>8,181</u>		<u>7,522</u>
	<u>\$ 173,077</u>	\$	<u>160,637</u>

Contingencies and Commitments (Notes 3, 5, 11, and 13)

See accompanying notes to the financial statements.

**NOVA SCOTIA GAMING CORPORATION**

**Statement of Income and Payment to the Province  
For the Year Ended March 31, 2003**

(in thousands)

	2003							2002						
	Lotteries (Sch. I)		Casinos (Sch. II/III)		Responsible Gaming	Other (Sch. IV)	Total	Lotteries (Sch. I)		Casinos (Sch. II/III)		Responsible Gaming	Other (Sch. IV)	Total (Note 14)
	Ticket Lottery	Video Lottery	Halifax	Sydney				Ticket Lottery	Video Lottery	Halifax	Sydney			
Revenues. . . . .	\$ 212,259	\$ 182,104	\$ 71,633	\$ 28,253	\$ ---	\$ 653	\$ 494,902	\$ 204,421	\$ 161,686	\$ 71,452	\$ 30,565	\$ ---	\$ 817	\$ 468,941
Expenses. . . . .	167,258	64,178	64,959	20,624	2,248	2,653	321,920	158,375	50,074	71,905	23,459	1,964	3,792	309,569
Net Income. . . . .	45,001	117,926	6,674	7,629	(2,248)	(2,000)	172,982	46,046	111,612	(453)	7,106	(1,964)	(2,975)	159,372
Win tax. . . . .	---	---	12,826	5,251	---	---	18,077	---	---	12,906	5,757	---	---	18,663
Payment to Province \$	<u>45,001</u>	<u>117,926</u>	<u>19,500</u>	<u>12,880</u>	<u>(2,248)</u>	<u>(2,000)</u>	<u>191,059</u>	<u>46,046</u>	<u>111,612</u>	<u>12,453</u>	<u>12,863</u>	<u>(1,964)</u>	<u>(2,975)</u>	<u>178,035</u>

**Statement of Retained Earnings  
For the Year Ended March 31, 2003**

(in thousands)

	2003	2002
Retained earnings, beginning of year . . . . .	\$ ---	\$ ---
Net Income . . . . .	172,982	159,372
Net income paid to Province . . . . .	<u>(172,982)</u>	<u>(159,372)</u>
Retained earnings, end of year . . . . .	\$ <u>          </u>	\$ <u>          </u>

See accompanying notes to the financial statements.

**NOVA SCOTIA GAMING CORPORATION**

**Statement of Cash Flows  
For the Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Net Income . . . . .	\$ 172,982	\$ 159,372
Allocation of income to Province . . . . .	(172,982)	(159,372)
Depreciation and amortization . . . . .	7,407	8,007
Net changes in short-term assets and liabilities (Note 16) . . . . .	10,588	(1,542)
	<u>17,995</u>	<u>6,465</u>
<b>Financing</b>		
Increase in obligation to Atlantic Gaming Equipment Limited . . . . .	17,033	16,728
Reduction of capital obligation . . . . .	(13,729)	(4,808)
	<u>3,304</u>	<u>11,920</u>
<b>Investing</b>		
Purchase of fixed assets, net additions . . . . .	(18,727)	(20,086)
Increase in Casino Capital Replacement Reserve, net of cash increase. . . . .	634	414
	<u>(18,093)</u>	<u>(19,672)</u>
<b>Net Increase (decrease) in cash &amp; cash equivalents . . . . .</b>	<b>3,206</b>	<b>(1,287)</b>
<b>Cash, beginning of year . . . . .</b>	<b>15,836</b>	<b>17,123</b>
<b>Cash, end of year . . . . .</b>	<b>\$ <u>19,042</u></b>	<b>\$ <u>15,836</u></b>



NOVA SCOTIA GAMING CORPORATION

Notes to the Financial Statements
For the Year Ended March 31, 2003

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.

2. Accounting Policies

a) Basis of Presentation

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

b) Casino Revenues

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.

c) Ticket Lottery Revenues

In accordance with industry practice, gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

d) 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.

e) Income Guarantee

In accordance with the Operating Contract between Metropolitan Entertainment Group (Operator), the Corporation and Sheraton International Inc. (Guarantor), an income guarantee was provided to the Corporation which provided that if Total Provincial Revenue was less than \$25 million in each of the four years ended July 31, 1999, then the Operator would pay to the Corporation an amount equal to the difference between Total Provincial Revenue and \$25 million.

If Total Provincial Revenue exceeded \$25 million in any year through to July 31, 2000, any previous guarantee payments paid by the Operator to the Corporation would be recovered to the extent Total Provincial Revenue was in excess of \$25 million in such year. The Corporation records any repayments to the Operator as a reduction of net income of the Corporation.(Note 3)

f) Capital Assets

Capital Assets are stated at cost less accumulated amortization.

Amortization on the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

Table with 2 columns: Asset Type and Rate. Computer equipment 30%, Furniture and equipment 20%.

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization on the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 10% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

**g) Nova Scotia Gaming Foundation Contribution**

VLT retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

**h) Long-term Investments**

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

**i) Unclaimed Lottery Prizes**

Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded directly by the Interprovincial Lottery Corporation with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

**j) Use of Estimates**

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

**3. Casino Nova Scotia**

**a) Operating Contract**

*i) Term and Structure*

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Operator), then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

*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 (\$91.6 million total, \$69.3 million outstanding) and Sydney (\$23.2 million total, \$5.4 million outstanding) with respect to each casino complex, to be amortized straight-line over a ten year term in the Sydney casino and a seven year term in the Halifax casino, with interest calculated monthly at 12% per annum on the total outstanding capital investment;

- an amount equal to 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement reserve;
- an amount equal to 3% of casino revenue before casino win taxes (20%) in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and 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; and,
- an amount equal to 35% of cash available for distribution in Halifax.

*iii) Operating Period*

Net operating income earned by the Corporation is calculated based upon the operating period defined in the Operating Contract as January 1 - December 31. Any net operating income earned by the Corporation during the period January 1 - March 31, 2003 is subject to adjustment for the results of operations in the period April 1 - December 31, 2003.

**b) Cash in Casino Accounts**

Under the Operating Contract, the cash is managed by the Operator on behalf of the Corporation. The Corporation has included \$12,577,000(2002 - \$10,003,000) in cash from the Casino Accounts on the Balance Sheet.

**c) Income Guarantee**

The income guarantee and clawback periods were on July 31, 2000. Between April 1, 2000 and July 31, 2000, Total Provincial Revenue exceeded the income guarantee pro-rata allocation by \$700,000, which reduced the Corporation's net operating income for the 2000-01 year (Note 2).

In 2002-03, the Corporation received \$1,069,000 (2001-02-\$849,000) in HST savings related to the income guarantee and clawback periods, which was repaid to the Operator.

**d) Casino Option Contract**

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase each of the Halifax and the Sydney casino complexes, including capital assets and working capital totalling \$3.1 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.

**e) Capital Replacement Reserve**

A capital replacement reserve, based on 1.5% of annual gross operating revenues of the casinos, is intended to provide for replacement of casino capital assets.

**f) Recovery of HST**

Casino Nova Scotia engaged a consultant to review the HST Regulations applicable to casino operations and determine whether there are potential HST savings. As a result of the review, the Corporation received recovery of HST of \$6.7 million (2001-02 - \$0.3 million), which is net of HST on the equity repayment, fees and repayment to the operator for rebates related to the income guarantee and clawback periods.

#### 4. Atlantic Lottery Corporation Inc.

##### a) Profit Distribution

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland, Lotteries Commission of New Brunswick and Prince Edward Island Lotteries Commission own 25 per cent of the Atlantic Lottery Corporation Inc.

##### b) Agency Agreement

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation. The Agreement has not yet been signed; however, it has been implemented operationally since April 1, 2000. Management does not believe that there will be any significant changes to the financial statements as a result of signing the Agreement.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets and expired prizes in the unclaimed prize fund pre - April 1, 2000.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit and bank term loans. These loans have various terms and interest rates from 4.56% to 5.64% maturing at various dates through November 2007. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

## 5. Special Payments and Bonus Commissions

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	2003		2002
	(in thousands)		
The Department of Tourism and Culture (in support of the Cultural Federation of Nova Scotia) . . . . .	50	\$	50
The Department of Agriculture and Fisheries (in support of the Exhibition Association of Nova Scotia) . . . . .	50		50
The Sport and Recreation Commission (in support of Sport Nova Scotia) . . . . .	100		100
	<u>\$ 200</u>	\$	<u>200</u>

These payments are special funds under the Provincial Finance Act established by the Minister of Finance under Section 14(1) of the Atlantic Lottery Regulations as made under the Gaming Control Act.

Bonus commissions of \$5,000 (2002 - \$9,000) were paid during the year to ten sporting and cultural organizations.

## 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 one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

## 7. Capital Assets

	Accumulated		2003		2002
	Cost	Amortization	Net Book		Net Book
			Value		Value
(in thousands)					
Automotive . . . . .	\$ 1,100	\$ 355	\$ 745	\$	629
Computer equipment . . . . .	4,014	1,413	2,601		2,771
Furniture and equipment . . . . .	138	67	71		74
Computer Software . . . . .	38	6	32		---
Retail equipment . . . . .	250	33	217		---
Leaseholds . . . . .	610	256	354		396
Halifax casino assets . . . . .	91,637	14,554	77,083		82,527
Sydney casino assets . . . . .	23,206	10,975	12,231		12,889
Casino furniture and equipment . . . . .	5,211	2,776	2,435		1,801
On-line gaming terminals . . . . .	10,927	4,499	6,428		8,659
Video lottery terminals . . . . .	49,377	13,481	35,896		17,026
	<u>\$ 186,508</u>	<u>\$ 48,415</u>	<u>\$ 138,093</u>	\$	<u>126,772</u>

In 2002-03, the Corporation acquired capital assets of \$26.8 million (2002 - \$20.9 million) financed through Atlantic Gaming Equipment Limited, \$0.4 million (2002 - \$2.1 million) financed by Metropolitan Entertainment Group, and \$1.6 million (2002 - \$1.1 million) financed by the Casino Capital Replacement Reserve.

## 8. Capital Obligation

The Corporation has an obligation under the Operating Contract to repay the operator of the casinos for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos. Future minimum obligations based on there being adequate cash flow are as follows:

	<u>Halifax</u>	<u>Sydney</u> (in thousands)	<u>Total</u>
2004. ....	\$ 36,238	\$ 2,843	\$ 39,081
2005. ....	17,258	2,564	19,822
2006. ....	15,684	793	16,477
2007. ....	14,109	---	14,109
Subsequent. ....	1,104	---	1,104
Net minimum obligation. ....	<u>84,393</u>	<u>6,200</u>	<u>90,593</u>
Less: amount representing interest			
at 12% . ....	<u>13,398</u>	<u>785</u>	<u>14,183</u>
Present value of minimum obligation. ....	70,995	5,415	76,410
Less: amount due within one year. ....	<u>30,529</u>	<u>2,321</u>	<u>32,850</u>
Balance of obligation. ....	<u>\$ 40,466</u>	<u>\$ 3,094</u>	<u>\$ 43,560</u>

## 9. Capital Replacement Reserve Liability

	<u>Halifax</u>	<u>Sydney</u>	<u>Total</u> <u>2003</u>	<u>Total</u> <u>2002</u>
	(in thousands)			
Cash balance, beginning				
of year. ....	\$ 4,416	\$ 1,305	\$ 5,721	\$ 5,080
Funding . ....	1,075	424	1,499	1,531
Interest. ....	105	32	137	185
Capital Asset				
purchases . ....	<u>(1,210)</u>	<u>(401)</u>	<u>(1,611)</u>	<u>(1,075)</u>
Cash balance, end				
of year . ....	4,386	1,360	5,746	5,721
Add: cumulative capital				
asset purchases . ....	3,063	2,148	5,211	3,600
Less: accumulated				
amortization . ....	<u>(1,628)</u>	<u>(1,148)</u>	<u>(2,776)</u>	<u>(1,799)</u>
Balance, end of year . ....	<u>\$ 5,821</u>	<u>\$ 2,360</u>	<u>\$ 8,181</u>	<u>\$ 7,522</u>

## 10. Related Party Transactions

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

**11. Harness Racing**

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. In March 2002, Government approved a contribution of \$750,000 in 2002-03 to support the harness racing industry in Nova Scotia.

In March 2003, Government approved a \$750,000 contribution in 2003-04 to support the harness racing industry in Nova Scotia.

**12. Due to Operators**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Due to Atlantic Lottery Corporation Inc. . . . .	\$ 5,724	\$ 60
Due from Lottery Operations . . . . .	(8,259)	(6,515)
Due to Lottery Operations . . . . .	5,460	6,341
Due to Casino Operations. . . . .	11,180	9,084
	<u>\$ 14,105</u>	<u>\$ 8,970</u>

**13. Other Commitments**

The Corporation is required to make annual lease payments of approximately \$104,000 over the next three years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately \$790,000 over the next four years.

**14. Comparative figures**

Some of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.

**15. Pensions**

All permanent employees of the Corporation 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 Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the superannuation fund.

**16. Supplemental cash flow information**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Net changes in short-term assets and liabilities		
Inventory. . . . .	\$ (639)	\$ 52
Prepays . . . . .	(151)	(2)
Accounts Payable . . . . .	1,445	(517)
Deferred Lottery Revenue . . . . .	183	(178)
Due to operators . . . . .	5,135	(1,152)
Payable to Nova Scotia Gaming Foundation . . . . .	(2)	8
Due to Province of Nova Scotia . . . . .	4,617	247
	<u>\$ 10,588</u>	<u>\$ (1,542)</u>

**17. Fair value of financial assets and financial liabilities**

The fair value of the Corporation's cash, accounts payable, deferred lottery revenue, liabilities for unclaimed prizes, due to operators, due to the Nova Scotia Gaming Foundation and due to the Province of Nova Scotia approximates their carrying amounts.

It is not practicable to estimate the fair value for capital obligation as repayment can only be made to the extent there is adequate cash flow from the casinos.

The fair value of the Corporation's due to Atlantic Gaming Equipment Limited at March 31, 2003 was \$40.3 million compared to a carrying value of \$45.9 million . Fair value has been calculated using the future cash flows (principal and interest) of the actual outstanding debt instruments discounted at current market rates available to the Corporation for the same or similar instruments.



**NOVA SCOTIA GAMING CORPORATION**  
**Atlantic Lottery Corporation Inc.**

**Ticket Lottery and Video Lottery Operating Results**  
**For the Year Ended March 31, 2003**

	<u>Ticket Lottery</u>	<u>Video Lottery</u>	<u>Total 2003</u>	<u>Total 2002</u>
	(in thousands)			
Ticket Lottery Sales . . . . .	\$ 212,259	\$ ---	\$ 212,259	\$ 204,421
Ticket Lottery Sales Discounts . . . . .	324	---	324	297
Prize Expense . . . . .	113,968	---	113,968	106,637
Net Ticket Lottery Sales . . . . .	97,967	---	97,967	97,487
Net Video Lottery Sales . . . . .	---	182,104	182,104	161,686
Total Net Sales . . . . .	<u>97,967</u>	<u>182,104</u>	<u>280,071</u>	<u>259,173</u>
Retailer Commissions . . . . .	13,558	39,299	52,857	47,959
Ticket Costs . . . . .	5,764	881	6,645	5,663
	<u>19,322</u>	<u>40,180</u>	<u>59,502</u>	<u>53,622</u>
Gross Profit . . . . .	<u>78,645</u>	<u>141,924</u>	<u>220,569</u>	<u>205,551</u>
Operating Expenses				
Advertising & Promotion . . . . .	3,631	180	3,811	3,711
Communication . . . . .	117	89	206	448
Depreciation & Amortization . . . . .	591	310	901	1,382
Development & Recruitment . . . . .	476	215	691	471
Equipment & Maintenance . . . . .	886	781	1,667	1,925
General & Professional Services . . . . .	643	304	947	1,793
Lease Expense . . . . .	3,312	7,770	11,082	4,597
Movement & Storage . . . . .	440	110	550	587
Occupancy Cost . . . . .	746	563	1,309	1,309
Other . . . . .	182	117	299	266
Research & Development . . . . .	311	50	361	464
Salaries & Benefits . . . . .	7,064	4,325	11,389	9,973
Supplies . . . . .	136	86	222	324
Telecommunication . . . . .	2,380	247	2,627	2,468
Travel & Vehicle Expenses . . . . .	915	587	1,502	1,375
Total Operating Expenses . . . . .	<u>21,830</u>	<u>15,734</u>	<u>37,564</u>	<u>31,093</u>
Operating Profit . . . . .	56,815	126,190	183,005	174,458
Other Income (expenses) . . . . .	<u>(373)</u>	<u>(87)</u>	<u>(460)</u>	<u>961</u>
Profit Before Other Distributions . . . . .	56,442	126,103	182,545	175,419
HST Expense . . . . .	5,308	7,504	12,812	11,315
Federal Contribution . . . . .	934	673	1,607	1,556
Charity Non-Profit . . . . .	39	---	39	44
Retailer Bonus . . . . .	5,160	---	5,160	4,846
Net Profit . . . . .	<u>\$ 45,001</u>	<u>\$ 117,926</u>	<u>\$ 162,927</u>	<u>\$ 157,658</u>

## NOVA SCOTIA GAMING CORPORATION

**Halifax Casino Nova Scotia  
Operating Results  
For the Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>Revenue</b>		
Casino Revenue . . . . .	\$ 64,129	\$ 64,531
Beverage, Food and Other Revenue . . . . .	7,504	6,921
	<u>71,633</u>	<u>71,452</u>
<b>Expenses</b>		
Amortization . . . . .	5,825	5,772
Capital Replacement Reserve (Note 3) . . . . .	1,075	1,072
General Administration and Marketing . . . . .	9,366	8,153
Harmonized Sales Tax . . . . .	5,191	6,773
Recovery of HST (Note 3) . . . . .	(5,631)	(289)
Interest . . . . .	8,176	9,664
Other Expenses Including Cost of Beverage and Food . . . . .	4,548	5,322
Premise Expense . . . . .	3,008	2,737
Salaries and Benefits . . . . .	20,575	19,795
Win Tax . . . . .	<u>12,826</u>	<u>12,906</u>
	<u>64,959</u>	<u>71,905</u>
Net Income . . . . .	6,674	(453)
Win Tax . . . . .	<u>12,826</u>	<u>12,906</u>
Total Payment to Province . . . . .	<u>\$ 19,500</u>	<u>\$ 12,453</u>

## NOVA SCOTIA GAMING CORPORATION

**Sydney Casino Nova Scotia  
Operating Results  
For the Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>Revenue</b>		
Casino Revenue . . . . .	\$ 26,255	\$ 28,787
Beverage, Food and Other Revenue . . . . .	1,998	1,778
	<u>28,253</u>	<u>30,565</u>
<b>Expenses</b>		
Amortization . . . . .	658	826
Capital Replacement Reserve (Note 3) . . . . .	424	459
General Administration and Marketing . . . . .	2,405	2,216
Harmonized Sales Tax . . . . .	1,794	2,286
Recovery of HST (Note 3) . . . . .	(1,085)	---
Interest . . . . .	801	1,079
Operator Fee (Note 3) . . . . .	1,621	1,989
Other Expenses Including Cost of Beverage and Food . . . . .	1,336	1,654
Premise Expense . . . . .	703	543
Salaries and Benefits . . . . .	6,716	6,650
Win Tax . . . . .	5,251	5,757
	<u>20,624</u>	<u>23,459</u>
Net Income . . . . .	7,629	7,106
Win Tax . . . . .	<u>5,251</u>	<u>5,757</u>
Total Payment to Province . . . . .	<u>\$ 12,880</u>	<u>\$ 12,863</u>

## NOVA SCOTIA GAMING CORPORATION

**Other Revenues and Expenses**  
**For the Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
	(in thousands)		
<b>Other Revenues</b>			
Payment from New Brunswick . . . . .	\$ 393	\$	500
Interest Income . . . . .	260		317
	653		817
<b>Other Expenses</b>			
Special Payments and Bonus Commissions (Note 5) . . . . .	205		209
Nova Scotia Harness Racing Fund Contribution (Note 11) . . . . .	750		1,000
<b>Management Expenses</b>			
Advertising . . . . .	3		1
Amortization . . . . .	23		27
Directors fees . . . . .	52		44
Harmonized Sales Tax . . . . .	103		144
Membership Dues . . . . .	11		7
Occupancy Taxes . . . . .	5		5
Office and Miscellaneous . . . . .	35		41
Office Equipment . . . . .	14		17
Periodicals . . . . .	15		8
Postage and Freight . . . . .	8		7
Printing and Stationery . . . . .	12		13
Professional and Other Fees . . . . .	73		650
Rent . . . . .	120		98
Salaries and Benefits . . . . .	1,129		1,431
Telecommunications . . . . .	16		21
Training . . . . .	38		26
Travel . . . . .	41		43
	1,698		2,583
<b>Total Other Expenses . . . . .</b>	<b>2,653</b>		<b>3,792</b>
	<b>\$ (2,000)</b>	<b>\$</b>	<b>(2,975)</b>

## AUDITOR'S REPORT

To the Members of the Legislative Assembly; and  
To the Minister of the Office of Health Promotion

I have audited the balance sheet of Nova Scotia Gaming Foundation for the year ended March 31, 2003, and the statement of operations and the statement of cash flows 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 Gaming Foundation as at March 31, 2003, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
May 15, 2003

**NOVA SCOTIA GAMING FOUNDATION**

**Balance Sheet  
as at March 31, 2003**

**ASSETS**

	2003	2002
<b>Current Assets</b>		
Cash .....	\$ 4,540,624	\$ 4,444,811
Accrued Interest .....	10,612	6,667
Due from Nova Scotia Gaming Corporation .....	73,896	76,376
	<u>\$ 4,625,132</u>	<u>\$ 4,527,854</u>

**LIABILITIES**

<b>Current Liabilities</b>		
Accounts Payable .....	\$ 10,887	\$ 18,319
Grants Payable .....	730,021	682,139
	<u>740,908</u>	<u>700,458</u>
<b>Fund Balance .....</b>	<u>3,884,224</u>	<u>3,827,396</u>
	<u>\$ 4,625,132</u>	<u>\$ 4,527,854</u>

**Statement of Operations,  
for the year ended March 31, 2003**

	2003	2002
<b>Revenues</b>		
Nova Scotia Gaming Corporation .....	\$ 455,259	\$ 404,216
VLT Retailers .....	455,259	404,216
Interest .....	109,329	132,168
	<u>1,019,847</u>	<u>940,600</u>
<b>Expenses</b>		
Grants .....	776,967	574,740
Board meetings .....	14,619	18,801
Committee meetings .....	4,290	2,253
Public relations .....	29,088	---
Administrative salaries & benefits .....	56,776	50,885
Travel .....	1,472	754
IT hardware and supplies .....	671	4,473
Printing and advertising .....	27,233	2,577
Professional fees .....	51,762	2,500
Office .....	141	---
	<u>963,019</u>	<u>656,983</u>
Excess of revenues over expenses .....	56,828	283,617
<b>Fund balance, beginning of year .....</b>	<u>3,827,396</u>	<u>3,543,779</u>
<b>Fund balance, end of year .....</b>	<u>\$ 3,884,224</u>	<u>\$ 3,827,396</u>

**NOVA SCOTIA GAMING FOUNDATION**

**Statement of Cash Flows  
for the year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Cash Flows from Operating Activities . . . . .	\$ <u>56,828</u>	\$ <u>283,617</u>
Add (deduct) changes in non-cash working capital		
Change in accrued interest . . . . .	(3,945)	9,371
Change in due from Nova Scotia Gaming Corporation . . . . .	2,480	(8,805)
Change in accounts payable . . . . .	(7,432)	(18,481)
Change in grants payable . . . . .	<u>47,882</u>	<u>256,816</u>
	<u>38,985</u>	<u>238,901</u>
Increase in cash . . . . .	95,813	522,518
Cash, beginning of year . . . . .	<u>4,444,811</u>	<u>3,922,293</u>
Cash, end of year . . . . .	\$ <u><u>4,540,624</u></u>	\$ <u><u>4,444,811</u></u>

# NOVA SCOTIA GAMING FOUNDATION

## Notes to Financial Statements for the year Ended March 31, 2003

### 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 VLT Problem Gaming Fund monies in furtherance of the purposes set out in the Gaming Control Act, including 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, 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. Transfer of Responsibility

On December 1, 1999, Lieutenant Governor in Council amended the Nova Scotia Gaming Foundation Regulations by Order in Council 1999-592 replacing the Nova Scotia Gaming Corporation with the Minister of Health as the body responsible for the Foundation effective December 8, 1999. In December 2002, the Office of Health Promotion was created and responsibility for the Foundation was transferred from the Department of Health to this portfolio. The Foundation is managed by a Board of Directors.

### 3. Accounting Policies

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

### 4. Administrative Services

Accounting services were provided by the Department of Health at no cost.



## AUDITORS' REPORT

To the Shareholder of the  
Nova Scotia Government Fund Limited

We have audited the balance sheet of the Nova Scotia Government Fund Limited as at December 31, 2002 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 Fund as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 24, 2003

DELOITTE & TOUCHE LLP  
Chartered Accountants

**NOVA SCOTIA GOVERNMENT FUND LIMITED**

**Balance Sheet  
as at December 31, 2002**

	<b>2002</b>	<b>2001</b> Restated (Note 7)
<b>ASSETS</b>		
Cash and cash equivalents . . . . .	\$ 10,997,229	\$ 14,721,624
Cash held in trust . . . . .	---	258,774
Funds designated for investment (Note 3) . . . . .	11,025,000	11,025,000
Interest receivable . . . . .	99,841	162,515
Deferred financing costs . . . . .	<u>1,070,823</u>	<u>1,755,632</u>
	<u>\$ 23,192,893</u>	<u>\$ 27,923,545</u>

<b>LIABILITIES</b>		
Accounts payable and accrued liabilities . . . . .	\$ 254,420	\$ 29,972
Notes payable (Note 4) . . . . .	<u>21,500,000</u>	<u>26,000,000</u>
	<u>21,754,420</u>	<u>26,029,972</u>

<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5) . . . . .	1	1
Retained earnings . . . . .	<u>1,438,472</u>	<u>1,893,572</u>
	<u>1,438,473</u>	<u>1,893,573</u>
	<u>\$ 23,192,893</u>	<u>\$ 27,923,545</u>

Contingency (Note 4)

**Statement of Earnings  
Year Ended December 31, 2002**

	<b>2002</b>	<b>2001</b> Restated (Note 7)
Revenue		
Interest . . . . .	<u>\$ 838,883</u>	<u>\$ 1,074,838</u>
Expenses		
Amortization . . . . .	684,809	501,609
Interest expense . . . . .	331,013	307,491
Administration fees . . . . .	269,447	234,417
Professional fees . . . . .	8,661	12,535
Bank and interest charges . . . . .	<u>53</u>	<u>25</u>
	<u>1,293,983</u>	<u>1,056,077</u>
<b>Net (loss) earnings . . . . .</b>	<u><b>\$(455,100)</b></u>	<u><b>18,761</b></u>

**NOVA SCOTIA GOVERNMENT FUND LIMITED**

**Statement of Retained Earnings  
Year Ended December 31, 2002**

	<b>2002</b>	<b>2001</b> Restated (Note 7)
Retained earnings, beginning of year as previously stated. . . . .	\$ 2,645,986	\$ 2,125,616
Prior period adjustment (Note 7) . . . . .	<u>(752,414)</u>	<u>(250,805)</u>
Retained earnings, beginning of year, restated. . . . .	1,893,572	1,874,811
Net (loss) earnings. . . . .	<u>(455,100)</u>	<u>18,761</u>
Retained earnings, end of year . . . . .	<u>\$ 1,438,472</u>	<u>\$ 1,893,572</u>

**Statement of Cash Flows  
Year Ended December 31, 2002**

	<b>2002</b>	<b>2001</b> Restated (Note 7)
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net (loss) earnings. . . . .	\$ (455,100)	\$ 18,761
Amortization. . . . .	684,809	501,609
Changes in non-cash operating items . . . . .	<u>287,122</u>	<u>569,707</u>
	<u>516,831</u>	<u>1,090,077</u>
<b>Financing</b>		
Repayment of notes . . . . .	(4,500,000)	---
Issue of notes . . . . .	<u>---</u>	<u>250,000</u>
	<u>(4,500,000)</u>	<u>250,000</u>
<b>Net cash (outflow) inflow. . . . .</b>	<b>(3,983,169)</b>	<b>1,340,077</b>
<b>Cash and cash equivalents, beginning of year . . . . .</b>	<b><u>14,980,398</u></b>	<b><u>13,640,321</u></b>
<b>Cash and cash equivalents, end of year . . . . .</b>	<b><u>\$ 10,997,229</u></b>	<b><u>\$ 14,980,398</u></b>
<b>Cash and cash equivalents represented by:</b>		
Cash in bank . . . . .	\$ 250,542	\$ 1,829
Province of Nova Scotia promissory notes (unsecured) . . . . .	10,746,687	14,719,795
Cash held in Trust . . . . .	<u>---</u>	<u>258,774</u>
	<u>\$ 10,997,229</u>	<u>\$ 14,980,398</u>

**NOVA SCOTIA GOVERNMENT FUND LIMITED**

**Notes to the Financial Statements  
December 31, 2002**

**1. THE FUND**

The Fund is an approved government administered venture capital fund pursuant to the Immigration Act of Canada and related regulations. The Fund was incorporated under the Nova Scotia Companies Act on December 31, 1994.

**2. ACCOUNTING POLICIES**

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

**a) Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit with a financial institution and Province of Nova Scotia promissory notes (unsecured).

**b) Deferred Financing Costs**

Financing costs are deferred and amortized on a straight-line basis over the term of the notes payable.

**c) Use of Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**3. FUNDS DESIGNATED FOR INVESTMENT**

In July 1999, the Fund agreed to lend the sum of \$11,025,000 to Alderney Landing Limited and Nova Learning Incorporated to fund construction projects. As at December 31, 2002, the balance has been paid to an escrow agent pending further eligible projects by the borrowers. Funds are currently invested with the Province of Nova Scotia.

**4. NOTES PAYABLE**

The notes payable are unsecured and bear interest at the rate of 1% annually. The notes were scheduled for repayment 5 years from the date the funds were invested in eligible investments.

The Immigration Act of Canada stipulates that the investor's funds must be invested within nine months of receipt; however, the Fund has not met this requirement for the majority of the funds received. In addition, the Fund has only completed one investment to date rather than the minimum of two investments required. A second investment was authorized by the Fund in June 2000 in the amount of \$7,175,000 to Education Services and Products (N.S.) Limited. The Fund is a minority shareholder in Education Services and Products (N.S.) Limited. Certain matters relating to the investment are expected to be concluded during 2003, but the proposed investment date relating to the required holding period is June 26, 2000, subject to Citizenship Immigration Canada (CIC) approval. The Fund has agreed to increase the interest rate on notes not paid 5 years and nine months after the date of issue (see below).

As indicated, the notes payable issued by the Fund were intended to be repaid 5 years from the investment date, which was expected to be no later than nine months following the date of the notes. On this basis, the notes of 18 investors were originally expected to be repaid not later than March 27, 2002. The Fund provided \$250,000 to each holder of these 18 notes by cheques dated March 27, 2002. The CIC objected to further disbursements of this nature from the Fund until completion of the five-year investment requirement of CIC. No provision for financial ramifications related to these requirements, if any, are included in these financial statements.

In response to the CIC's objection, alternative options for reimbursement were explored and the Fund provided holders of the remaining notes two options for repayment, both of which have been approved by the CIC. The first option is that investors may leave their money in the Fund and be paid interest, at a rate equal to that of a Province of Nova Scotia bond, annually until the note is repaid. The second option involves a Royal Bank of Canada facility established by an agent for the investors and guaranteed by the Province of Nova Scotia. Investors may take out a loan of \$240,000 under this facility and all costs of arranging the bank loan as well as interest costs on the loan are paid by increasing the interest payable by the Fund under the notes from 1% to the total of these costs. When a note issued by the Fund in favour of an investor who borrowed from the Royal Bank of Canada is repaid, \$240,000 of the amount is to be paid to the bank pursuant to the investor's assignment of the note. Investors will then receive the \$10,000 balance from the note payable, together with accrued interest based on the rate applicable to option one. By December 31, 2002, a total of \$7,300,000 had been borrowed by the agent for the investors to advance to the investors under option two.

**5. SHARE CAPITAL**

Authorized:  
40,000 Common shares with no par value

	2002	2001
Issued:		
100 Common shares .....	\$ <u>1</u>	\$ <u>1</u>

**6. FINANCIAL INSTRUMENTS**

The fair value of the Fund's financial instruments approximate their carrying values given their short-term maturities.

**7. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was recorded to recognize the amortization of deferred financing costs since the proposed investment date of the second eligible investment, and accordingly, the prior years' financial statements have been restated. Previously reported retained earnings as at December 31, 2000 have been restated to recognize \$250,805 in amortization expense that related to the 2000 fiscal year. Also, the December 31, 2001 comparatives have been restated to recognize \$501,609 in amortization expense.

## 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, 2003 and the statement of income 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
May 29, 2003

**NOVA SCOTIA HARNESS RACING INCORPORATED**

**Balance Sheet  
as at March 31, 2003**

**ASSETS**

	2003	2002
	(in thousands)	
<b>Current</b>		
Bank .....	\$ ---	\$ ---
	<u>---</u>	<u>---</u>
	<u>---</u>	<u>---</u>

**LIABILITIES**

<b>Current</b>		
Accounts payable .....	\$ ---	\$ ---
	<u>---</u>	<u>---</u>
	<u>---</u>	<u>---</u>

**Income Statement  
for the year ended March 31, 2003**

	2003	2002
	(in thousands)	
<b>Revenue</b>		
Contribution to the Nova Scotia Harness Racing Fund from Nova Scotia Gaming Corporation. ....	\$ 750	\$ 1,000
	<u>750</u>	<u>1,000</u>
<b>Expenses</b>		
Contribution to NS Department of Agriculture & Fisheries. ....	750	1,000
	<u>750</u>	<u>1,000</u>
Excess of revenue over expenses .....	\$ ---	\$ ---
	<u>---</u>	<u>---</u>

See accompanying notes to the financial statements.

**NOVA SCOTIA HARNESS RACING INCORPORATED**

**Notes to the Financial Statement  
for the year ended March 31, 2003**

**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.

In March 2002, the Government decided to provide \$750,000 in 2002-03 (2001-02 - \$1 million) to support the harness racing industry in Nova Scotia. \$750,000 was provided by the Nova Scotia Gaming Corporation to the Nova Scotia Harness Racing Fund and paid by Nova Scotia Harness Racing Incorporated to the Department of Agriculture and Fisheries. The Department of Agriculture and Fisheries managed the monies received from the Fund and determined how they would be distributed to the industry.

**2. Accounting Policies**

**Basis of Presentation**

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada. A statement of cash flow is not provided as disclosure in the balance sheet and the income statement is considered adequate.

**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.



## AUDITOR'S REPORT

To the Directors of the Nova Scotia Health Research Foundation

We have audited the balance sheet of Nova Scotia Health Research Foundation as at March 31, 2003 and the statements of the Foundation's net assets and operating support and expenditures for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 Foundation as at March 31, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year figures were reported on by other accountants.

HUNTER & BELGRAVE  
Chartered Accountants

Dartmouth, Nova Scotia  
June 11, 2003

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Statement of Operating Support and Expenditures  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
		(as restated)
<b>OPERATING SUPPORT</b>		
Grant revenue .....	\$ 375,000	\$ 750,000
Program sponsorships .....	30,000	33,500
Interest income .....	306,474	32,620
	<u>711,474</u>	<u>816,120</u>
 <b>OPERATING EXPENSES</b>		
Capacity building program .....	277,521	328,380
Salaries and benefits .....	185,127	159,449
Communications, public awareness and research findings .....	99,576	92,784
Consultants .....	85,391	44,968
Workshops .....	71,239	87,630
Peer review of grant applications .....	48,390	34,536
Office Supplies .....	24,244	37,675
Travel and meetings .....	17,249	18,955
Telephone, fax and website maintenance .....	14,644	7,255
Meals and networking .....	6,833	3,438
Depreciation .....	6,675	7,848
Professional development .....	3,731	5,022
Regional partnership program .....	91	630
	<u>840,711</u>	<u>828,570</u>
 <b>EXCESS OF EXPENDITURES OVER SUPPORT .....</b>	 (129,237)	 (12,450)
 Net assets unrestricted balance, beginning of year, as originally reported .....	 21,129	 504,517
Error correction (note 9) .....	375,000	375,000
Net assets unrestricted balance, beginning of year, as restated .....	396,129	879,517
Transfer to restricted fund .....	---	(465,035)
Net change in investment in capital assets .....	<u>5,505</u>	<u>(5,904)</u>
 <b>NET ASSETS UNRESTRICTED</b>		
<b>BALANCE, END OF YEAR .....</b>	<u><u>\$ 272,397</u></u>	<u><u>\$ 396,128</u></u>

**Nova Scotia Health Research Foundation**

**Statement of Changes in Net Assets  
For Year Ended March 31, 2003**

				2003	2002 (as restated)
	<b>Invested in capital assets</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total</b>	<b>Total</b>
Balance, beginning of year, as originally reported. . . . .	\$ 33,681	\$ 310,592	\$ 21,129	\$ 365,402	\$ 388,995
Error correction (Note 9) . . . . .	---	2,502,261	375,000	2,877,261	2,500,000
Balance, beginning of year, as restated . . . . .	33,681	2,812,853	396,129	3,242,663	2,888,995
Excess of expenditures over support . . . . .	---	---	(129,237)	(129,237)	(12,450)
Support for grants . . . . .	---	2,125,000	---	2,125,000	4,250,000
Issuance of grants . . . . .	---	(4,325,376)	---	(4,325,376)	(4,068,734)
Interest on restricted funds) . . . .	---	---	---	---	184,851
Net change in investments in capital assets					
depreciation . . . . .	(6,675)	---	6,675	---	---
acquisition of capital assets. . . . .	1,170	---	(1,170)	---	---
Balance, end of year . . . . .	<u>\$ 28,176</u>	<u>\$ 612,477</u>	<u>\$ 272,397</u>	<u>\$ 913,050</u>	<u>\$ 3,242,662</u>

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Balance Sheet  
as at March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
		(as restated)
Cash		
- administration..... \$	34,631 \$	---
- restricted.....	269,351	---
Accounts receivable.....		
- administration.....	25,375	404,152
- restricted.....	221,368	2,156,846
Investments (note 4).....		
- administration.....	225,838	134,013
- restricted.....	3,611,503	2,759,124
Capital assets (note 5).....	28,176	33,681
	<u>\$ 4,416,242</u>	<u>\$ 5,487,816</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Bank indebtedness..... \$	---	\$ 73,973
Accounts payable and accrued liabilities		
- administration.....	13,449	68,064
- restricted.....	3,489,743	2,103,116
	<u>3,503,192</u>	<u>2,245,153</u>

**NET ASSETS**

Net assets invested in capital assets.....	28,176	33,681
Net assets restricted.....	612,477	2,812,853
Net assets unrestricted.....	272,397	396,129
	<u>\$ 913,050</u>	<u>\$ 3,242,663</u>
	<u>\$ 4,416,242</u>	<u>\$ 5,487,816</u>

**NOVA SCOTIA HEALTH RESEARCH FOUNDATION**

**Notes to Financial Statements  
Year Ended March 31, 2003**

**1. DESCRIPTION OF ENTITY**

The Nova Scotia Health Research Foundation, a not-for-profit organization established by the Health Research Foundation Act of the Province of Nova Scotia (Bill No. 22) was given Royal Assent on December 3, 1998 and became effective on January 1, 2000. As stated in the Act the objects of the Foundation are to assist, collaborate with and fund individuals and organizations conducting health research in the Province including the fields of health policy, health promotion and health care and without limiting the generality of the foregoing, assist health-services research, health-outcome research, health public policy research and medical research.

The accompanying financial statements include only the assets and operations of the Foundation.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

The Financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

**Fund Accounting**

The Foundation follows the restricted fund method of accounting for contributions.

The Unrestricted Fund is used to account for the primary operations of the Foundation, including costs related to administration, operations, and promotion of public awareness of the Foundation. Government grants and other income recorded directly by this fund include only those available for unrestricted operating purposes.

The Restricted Fund is used to account for funds received that are designated for the issuance of research grants including grants for medical, health-outcome, health-services, and public policy research. At the time the research grants are approved, the grant amounts payable are recorded as a reduction of the fund equity.

**Revenue Recognition**

Contributions are recognized as revenue of the fund to which they relate in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**Financial Instruments**

The Foundation's financial instruments consist of cash, accounts receivable, investments, bank indebtedness and accounts payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair market value of these financial instruments approximate their carrying values unless otherwise noted.

**Investments**

Investments are valued at the lower of average cost and quoted market value if there is a permanent decline in value.

### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Foundation's management to make use of estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

### Capital Assets

Capital assets are recorded at cost, and are amortized using the declining balance method at the annual rate of 30% for computer equipment and 20% for furniture and fixtures. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal. Leasehold improvements are amortized by the straight-line method over ten years with a full year of amortization recorded in the year of acquisition.

## 3. DISTRIBUTION OF FUNDING

The annual grant made to the Foundation, which is provided from funds appropriated by the Nova Scotia legislature, shall be distributed in accordance with the objects of the Foundations as follows:

- (a) 40% shall be spent on medical research
- (b) 15% shall be spent on health-outcome research
- (c) 15% shall be spent on health-services research
- (d) 15% shall be spent on health public-policy research
- (e) a maximum of 15% may be spent on the administration of the Foundation and 5% of the total amount spent on administration shall be spent on increasing the public knowledge and awareness of the Foundation.

If less than the total money allocated is spent in any of the categories, the remaining portion shall be reallocated to one of the remaining categories in a manner determined by the Board. During 2002 the board approved reallocating 85% of the remaining portion of unspent administrative funds to medical research.

## 4. INVESTMENTS

At year end the investments consisted of

105,368.329 (2002 - 154.94) units of Investors Canadian High Yield Money Market Fund with an average cost of \$10.00 (2002 - \$10.00) per unit. Cost - \$1,053,683 (2002 - \$1,549); market value - \$1,053,683 (2002 - \$1,549).

557,346.449 (2002 - 243,164.68) units of Investors Government Bond Fund with an average cost of \$4.99 (2002 - \$4.74) per unit. Cost - \$2,781,159 (2002 - \$1,152,601); market value - \$2,764,996 (2002 - \$1,157,464).

Nil (2002 - 143,789.14) units of Investors Canadian High Yield Income Fund with an average cost of \$nil (2002 - \$8.51) per unit. Cost - \$nil (2002 - \$1,223,646); market value - \$nil (2002 - \$1,262,469).

Nil (2002 - 103,899.66) units of Investors Mortgage Fund with an average cost of \$nil (2002 - \$4.96) per unit. Cost - \$nil (2002 - \$515,342); market value - \$nil (2002 - \$517,212).

Investments have not been written down to quoted market value because there has been not been a permanent impairment in value.

**5. CAPITAL ASSETS**

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment. . . . .	\$ 11,967	\$ 6,476	\$ 5,491	\$ 6,424
Furniture and fixtures. . . . .	23,427	9,536	13,891	17,364
Leasehold improvements . . . . .	10,992	2,198	8,794	9,893
	<u>\$ 46,386</u>	<u>\$ 18,210</u>	<u>\$ 28,176</u>	<u>\$ 33,681</u>

**6. RESTRICTED FUND**

During the year the restricted fund received a support grant from the province of Nova Scotia, authorized and paid health research grants, and earned investment income on the funds invested. For the current year all investment income was allocated to the operating fund. Amounts have been distributed to each category as follows:

	Opening Fund Balance (as restated)	Support Grant	Authorized Grants	Investment Income	Ending Fund Balance
Medical research. . . . .	\$ 1,081,179	\$ 1,000,000	\$ (2,045,838)	---	\$ (1,045,838)
Health outcome, services and public policy research. . . . .	1,731,675	1,125,000	(2,279,537)	---	(1,154,537)
	<u>\$ 2,812,854</u>	<u>\$ 2,125,000</u>	<u>\$ (4,325,375)</u>	<u>---</u>	<u>\$ (2,200,375)</u>

**7. INCOME TAX STATUS**

According to Bill 22, which was given Royal Assent effective January 1, 2000, the Foundation and its property are exempt from taxation imposed by or under the authority of an enactment of the Province of Nova Scotia. The Foundation is a registered charitable organization under the Income Tax Act and is therefore exempt from income taxes.

**8. STATEMENT OF CASH FLOW**

A statement of cash flow was not prepared, as it would not provide any additional meaningful information to the users of these financial statements.

**9. ERROR CORRECTION**

During the current year two errors were discovered related to prior periods. The prior period financial statements have been restated to reflect the error corrections.

During 2002 the Foundation accrued a \$500,000 payable for the Regional Partnership Program; however, the grants actually approved and payable for 2002 amounted to only \$122,738. Grants payable, included in restricted accounts payable and accrued liabilities, and the corresponding issued grants for 2002 have been reduced by \$377,262 to reflect the actual approved grants payable balance of \$122,738. This adjustment resulted in an increase of \$377,262 in the opening net assets restricted for 2003.

During previous years the Foundation has never accrued a receivable for the second support grant of \$2,500,000 owing from the province of Nova Scotia at year end and has accounted for the support grants received on a cash basis. Prior year figures have been adjusted to reflect the support grant receivable of \$2,500,000 from the province of Nova Scotia at year end. The support grant receivable for 2002 was allocated \$375,000 to administration accounts receivable and \$2,125,000 to restricted accounts receivable in accordance with the objects of the Foundation. This adjustment resulted in an increase of \$375,000 in the opening net assets unrestricted for 2003 and an increase of \$2,125,000 in the opening net assets restricted for 2003. For the year ended March 31, 2003, the support grant receivable was \$nil.

#### **10. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.



## AUDITOR'S REPORT

To the Members of the Legislative Assembly; and  
To the Minister of Community Services

I have audited the consolidated balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 2003, and the consolidated statements of revenues and expenses 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003, and the results of its operations and changes in the fund balance for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
July 11, 2003

**NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION**

**Consolidated Balance Sheet  
as at March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
<b>Current assets</b>		
Cash, accounts receivable and accrued interest . . . . .	\$ 9,489,748	\$ 5,305,143
Current portion of mortgages receivable (Note 7) . . . . .	2,871,084	2,783,000
	<u>12,360,832</u>	<u>8,088,143</u>
<b>Mortgages receivable (Note 7) . . . . .</b>	36,307,775	31,660,745
<b>Investment in land and social housing (Notes 8) . . . . .</b>	379,598,521	393,300,363
<b>Deferred development costs (Note 16) . . . . .</b>	5,795,746	809,490
<b>Fund for future social housing expenditures (Note 4) . . . . .</b>	31,882,286	18,740,874
	<u>\$ 465,945,160</u>	<u>\$ 452,599,615</u>

**LIABILITIES**

<b>Current liabilities</b>		
Payables and accruals . . . . .	\$ 10,108,090	\$ 7,178,504
Current portion of long-term debt (Note 9) . . . . .	10,849,425	10,285,035
Deferred federal contributions (Note 4) . . . . .	31,882,286	18,740,874
	<u>52,839,801</u>	<u>36,204,413</u>
<b>Long-term debt (Note 9) . . . . .</b>	318,949,953	319,909,225
<b>Reserve for mortgage guarantees, indemnified loans and interest fluctuations (Note 10) . . . . .</b>	13,523,874	14,623,667
<b>Partner's equity and minority interest (Note 12) . . . . .</b>	5,499,027	942,603
<b>Housing Development Corporation Fund (Note 6) . . . . .</b>	75,132,505	80,919,707
	<u>\$ 465,945,160</u>	<u>\$ 452,599,615</u>

Commitments and Contingencies (Note 10)

The accompanying notes are an integral part of these statements.

**NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION**

**Consolidated Statement of Revenues and Expenses  
for the Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Rental revenue .....	\$ 48,624,312	\$ 48,424,480
Interest revenue .....	2,212,751	2,533,873
Land sales .....	3,984,096	2,532,098
Recoveries from Canada Mortgage and Housing Corporation (Notes 2 and 4) .....	43,890,833	52,545,985
Recoveries from provincial government departments and municipalities (Note 5) .....	25,969,377	15,685,530
	<u>124,681,369</u>	<u>121,721,966</u>
<b>Expenses</b>		
Administration fee .....	2,605,637	2,524,129
Amortization of investment in social housing .....	9,564,032	9,007,387
Cost of land sales .....	2,517,169	385,172
Operating costs, Housing Authorities (Note 13) .....	59,136,190	56,180,899
Interest on long-term debt .....	29,407,072	30,609,753
Transfer to Housing Services .....	19,695,964	20,740,984
Provision for doubtful accounts .....	1,755,305	2,273,642
	<u>124,681,369</u>	<u>121,721,966</u>
<b>Excess of revenues over expenditures</b> .....	\$ <u>---</u>	\$ <u>---</u>

The accompanying notes are an integral part of these statements.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Statement of Changes in Fund Balance  
for the Year Ended March 31, 2003

	2003	2002
<b>Funds provided by (used for):</b>		
<b>Operations</b>		
Excess of revenues over expenses . . . . .	\$ ---	\$ ---
Add (Deduct):		
Expenses not requiring cash		
Amortization of investment in social housing . . . . .	9,564,032	9,007,387
Increase in provision for doubtful accounts . . . . .	1,755,305	2,273,642
Gain on sale of land. . . . .	(1,466,927)	(2,146,926)
Net change in operating assets and liabilities . . . . .	<u>(1,255,019)</u>	<u>1,615,567</u>
	<u>8,597,391</u>	<u>10,749,670</u>
<b>Investing activities</b>		
Decrease (increase) in mortgages receivable . . . . .	(4,647,030)	2,476,285
Increase (decrease) in partner's equity and minority interest . . . . .	4,556,424	(2,047,998)
Increase (decrease) in net investment in social housing and deferred development costs. . . . .	<u>(2,324,701)</u>	<u>1,540,299</u>
	<u>(2,415,307)</u>	<u>1,968,586</u>
<b>Financing activities</b>		
Repayment of long-term debt . . . . .	<u>(394,882)</u>	<u>(7,246,371)</u>
<b>Decrease in Fund balance during the year . . . . .</b>	<b>5,787,202</b>	<b>5,471,885</b>
<b>Fund balance, beginning of year . . . . .</b>	<b><u>(80,919,707)</u></b>	<b><u>(86,391,592)</u></b>
<b>Fund balance, end of year . . . . .</b>	<b>\$ <u><u>(75,132,505)</u></u></b>	<b>\$ <u><u>(80,919,707)</u></u></b>

The accompanying notes are an integral part of these statements.

# NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

## Notes to Financial Statements For the Year Ended March 31, 2003

### 1. Status of the Corporation

The Nova Scotia Housing Development Corporation is a crown corporation established by the Nova Scotia Housing Development Corporation Act.

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Nova Scotia Housing Development Corporation and the seven Housing Authorities which are controlled by the Corporation including all program recoveries and expenses administered under the Social Housing Agreement.

Transactions and account balances between the Corporation and the Housing Authorities have been eliminated in these consolidated financial statements.

### 2. Significant Accounting Policies

The policies used in preparing the Corporation's consolidated financial statements are in accordance with accounting principles generally accepted in Canada.

#### Mortgages Receivable

Mortgages receivable are carried net of provisions for concessionary assistance and doubtful recoveries as described in Note 7 to the financial statements.

A provision for doubtful recoveries is established to the extent that anticipated losses on bad debts exceed reserves. The Housing Development Corporation charges mortgage insurance fees to borrowers to offset the cost of bad debt write offs from the mortgages receivable portfolio. These insurance fees are retained as reserves and are charged with the losses on bad debts when realized.

The provision for concessionary assistance represents the present value of estimated future subsidies provided by the Housing Services Division of the Department of Community Services to low income borrowers to assist them in meeting their monthly mortgage payments to the Corporation.

#### Investment in Land and Social Housing

Investments in Social Housing represent housing properties which are carried at cost including the cost of site investigation, land, construction, administration, and interest during construction less accumulated amortization.

The capital cost of social housing properties is amortized, using the sinking fund method, by the amount equal to the principal repaid on the related long-term debt financing the project.

Investments in land represent properties developed for resale. Land projects are carried at the lower of cost or estimated net realizable value. Land costs include acquisition and servicing costs, capitalized interest charges and administrative costs where applicable.

The Corporation has established reserves for risks associated with reduction in the value of land developments.

### Recoveries From CMHC - Social Housing

Pursuant to the Social Housing Agreement executed by the Corporation and Canada Mortgage and Housing Corporation (CMHC) which took effect October 1, 1997, CMHC is required to pay fixed annual contributions to the Corporation over the remainder of the CMHC commitment period ending June 30, 2034. Contributions from CMHC are used by both the Corporation and the Housing Services Division of the Department of Community Services to meet the interest, amortization, subsidy and administration expenses of programs under the Agreement.

During 2002-03, the Corporation changed its method of disclosing CMHC recoveries, and the related transfer to Housing Services Division, from the gross amount of receipts per the Agreement to the actual amount used to fund related expenditures during the year. The difference continues to be recorded as a deferred recovery.

### 3. Administration Fee

The administration of the Nova Scotia Housing Development Corporation is carried out by the staff of the Department of Community Services. The Corporation reimburses the Housing Services Division of the Department to the extent that revenues earned by the Corporation would otherwise exceed expenditures.

### 4. Fund for Future Social Housing Expenditures

CMHC funding not used during the current fiscal year by the Corporation or the Housing Services Division 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 (FFSHE) and Deferred Federal Contributions.

	2003	2002
Opening Balance, April 1 .....	\$ 18,740,874	\$ 13,788,194
Total shareable expenditures .....	(68,695,886)	(67,067,191)
Less: Provincial Contributions .....	18,949,263	9,052,645
Less: Municipal Contributions .....	5,855,790	5,468,561
Expenses funded from FFSHE .....	(43,890,833)	(52,545,985)
CMHC social housing transfer per agreement .....	56,326,764	56,905,540
	12,435,931	4,359,555
Interest earned by the fund .....	705,481	593,125
Net increase in the fund .....	13,141,412	4,952,680
Closing Balance, March 31 .....	\$ 31,882,286	\$ 18,740,874

Recoveries from CMHC are subject to an independent audit. Adjustments to recoveries, accounts receivable, deferred federal contributions and the Fund for Future Social Housing Expenditures, arising from the audit process, are recorded in the year the audit is finalized.

**5. Recoveries From Provincial Government Departments and Municipalities**

Costs incurred by the Corporation for the amortization of provincial social housing assets and the interest costs associated with the debt financing of these assets are recovered from the applicable provincial government department or municipality:

	<b>2003</b>	<b>2002</b>
Department of Community Services . . . . .	\$ 18,949,263	\$ 9,052,645
Department of Justice . . . . .	1,164,324	1,164,324
Municipal share of public housing costs . . . . .	5,855,790	5,468,561
	<u>\$ 25,969,377</u>	<u>\$ 15,685,530</u>

**6. 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 \$175 million.

**7. Mortgages Receivable**

Mortgages receivable have an amortization period of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately \$239,257 including interest. Interest rates vary from 6.5% to 13.05%, with renewal dates ranging from April 1, 2003 to October 1, 2012. The mortgages are secured by registered first mortgages on the related properties.

	<b>2003</b>	<b>2002</b>
Mortgages receivable . . . . .	\$ <u>41,814,118</u>	\$ <u>36,855,937</u>
Less: Current portion due within one year . . . . .	2,871,084	2,783,000
Provision for concessionary assistance and doubtful recoveries . . . . .	<u>2,635,259</u>	<u>2,412,192</u>
	<u>5,506,343</u>	<u>5,195,192</u>
	<u>\$ 36,307,775</u>	<u>\$ 31,660,745</u>

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

2004-2005	\$ 2,633,332
2005-2006	\$ 2,563,629
2006-2007	\$ 2,546,837
2007-2008	\$ 2,573,345

**8. Investment in Land and Social Housing**

	<b>2003</b>	<b>2002</b>
Investment in land . . . . .	\$ 5,488,514	\$ 6,549,163
Investment in social housing . . . . .	<u>380,698,392</u>	<u>391,400,172</u>
	<u>386,186,906</u>	<u>397,949,335</u>
Less: Provision for doubtful land recoveries . . . . .	2,488,385	3,068,676
Provision for fire and liability losses . . . . .	<u>4,100,000</u>	<u>1,580,296</u>
	<u>6,588,385</u>	<u>4,648,972</u>
	<u>\$ 379,598,521</u>	<u>\$ 393,300,363</u>

**9. Long -Term Debt**

	<b>2003</b>	<b>2002</b>
Notes payable . . . . .	\$ 254,556,346	\$ 252,656,544
Mortgages payable . . . . .	<u>75,243,032</u>	<u>77,537,716</u>
	329,799,378	330,194,260
Less: Current portion due within one year . . . . .	<u>10,849,425</u>	<u>10,285,035</u>
	<u>\$ 318,949,953</u>	<u>\$ 319,909,225</u>

Long term debt is comprised of mortgages and notes payable from various lenders. The amortization of the notes payable ranges from 5 to 36 years. The mortgages payable amortization periods range from 20 to 35 years with either five or ten year renewal terms. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly instalments of interest and principal. Interest rates vary from 4.00% to 21.50% with renewal dates ranging from April 1, 2003 to January 1, 2034.

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

2004-2005	\$ 11,465,614
2005-2006	\$ 12,164,166
2006-2007	\$ 11,842,262
2007-2008	\$ 11,818,779

**10. Commitments and Contingencies**

Pursuant to the October 1, 1997 Social Housing Transfer Agreement, CMHC requires the Corporation to indemnify CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 2003 there were 547 loans with an approximate outstanding balance of \$171,740,510 (2002 - \$178,473,218).

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 2003 a total of 28 (2002 - 30) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was \$26,506,620 (2002 - \$27,474,887).

The Corporation has established reserves for possible losses on mortgage guarantees and indemnified loans in the amount of \$13,523,874 (2002 - \$14,623,667) which includes a reserve for risks associated with interest fluctuation of \$3,200,000 (2002 - \$3,200,000). In addition, the Corporation has a provision of \$3,100,000 (2002 - \$1,000,000) self insurance included in the provision for fire and other social housing losses as disclosed in Note 8.

**11. Related Party Transactions**

Included in Note 5 of these consolidated financial statements are transactions with various Nova Scotia government departments related to the Corporation by virtue of common control.

**12. Partners' Equity (Deficiency) and Minority Interest**

The Housing Authorities operate under partnership agreements among the Nova Scotia Department of Community Services - Housing Services, Municipal governments and each Housing Authority. Under the terms of these agreements, the Housing Authorities, as trustee, have lease title to certain rental housing properties for the control, operations, management and administration of various projects.



	<b>2003</b>	<b>2002</b>
Department of Community Services		
Opening balance, April 1 .....	\$ 7,373,425	\$ 9,515,968
Advances and amortization .....	51,820,707	44,073,446
Payment of deficits by municipalities .....	(6,615,249)	(5,563,106)
Deffered assistance .....	(644,887)	(1,790,063)
Excess of revenue over expenses .....	<u>(40,252,937)</u>	<u>(38,862,820)</u>
Closing balance, March 31. ....	<u>11,681,059</u>	<u>7,373,425</u>
Various Municipalities' and Towns' Minority Interest		
Opening Balance, April 1. ....	(6,430,822)	(6,525,367)
Payments of deficits by municipalities .....	6,615,249	5,563,106
Excess of revenue over expenses .....	<u>(6,366,459)</u>	<u>(5,468,561)</u>
Closing balance, March 31. ....	<u>(6,182,032)</u>	<u>(6,430,822)</u>
Partners' Equity .....	<u>\$ 5,499,027</u>	<u>\$ 942,603</u>

**13. Operating (Housing Authorities)**

	<b>2003</b>	<b>2002</b>
Administration. ....	\$ 11,668,588	\$ 11,181,609
Maintenance. ....	14,165,625	13,561,458
Management fee. ....	413,904	1,014,650
Modernization and improvements .....	3,990,983	4,970,944
Municipal taxes .....	7,666,453	6,553,158
Other operating .....	7,210,194	6,906,153
Utilities. ....	<u>14,020,443</u>	<u>11,992,927</u>
	<u>\$ 59,136,190</u>	<u>\$ 56,180,899</u>

**14. Pension Plan and Post Employment Benefits**

The Housing Authorities each have defined contribution pension plans available to eligible employees. Housing Authority contributions are included in operating expenses in the consolidated statement of revenues and expenses. The Housing Authorities record the costs of retirement health benefits and public service awards in the year they are paid. An actuarial estimation of the liability related to these benefits has not been made.

**15. Tangible Capital Assets**

The investment in social housing disclosed in Note 8 of \$380,698,392 (2002 - \$391,400,172) includes social housing properties acquired through the Social Housing Agreement from acquisitions dating back several decades to predecessor housing organizations within government.

These properties were originally recorded at net book value which included cost of land and buildings. Net book value was amortized over the years. Amortization includes amounts related to land which is not in accordance with generally accepted accounting principals. Historical information related to the original cost of land versus buildings is not available.

On a carry forward basis, future construction and or acquisitions will be separated as to land and building in accordance with generally accepted accounting principles.

The tangible capital assets consolidated from the Housing Authorities' financial statements are included in the net book value above. The rates and method of depreciation used to amortize these assets over their estimated useful lives are as follows:

Buidings	5% declining balance
Equipment	20% declining balance
Computer equipment	30% declining balance
Vehicles	30% declining balance

The following information on cost, accumulated amortization and net book value is available for those assets:

	<b>Accumulated</b>		<b>Net Book Value</b>	
	<b>Cost</b>	<b>Amortization</b>	<b>2003</b>	<b>2002</b>
Buidings . . . . .	\$ 7,021,443	\$ 1,680,369	\$ 5,341,074	\$ 4,694,751
Equipment . . . . .	56,376	30,398	25,978	32,473
Computer . . . . .	73,772	57,006	16,766	23,484
Vehicles . . . . .	1,576,308	1,112,771	463,537	483,374
Total . . . . .	<u>\$ 8,727,899</u>	<u>\$ 2,880,544</u>	<u>\$ 5,847,355</u>	<u>\$ 5,234,082</u>

**16. Deferred Development Costs**

During 2001-02 the Housing Authorities began work on implementation of the Information Technology Review Program. Deferred development costs of \$5,795,746 (2002 - \$809,490) incurred to date include consulting fees, training and certain overhead costs associated with the Program. The Program was completed in March 2003. The Housing Authorities will begin amortizing costs in April 2003 on a straight line basis over five years.

**17. Comparative Figures**

Certain of the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and  
To the Minister of the Office of Economic Development

I have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 2003 and the consolidated statements of loss, 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
June 3, 2003

**NOVA SCOTIA INNOVATION CORPORATION**

**Consolidated Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Current		
Cash and cash equivalents..... \$	1,434,172	\$ 2,130,218
Receivables .....	1,418,895	1,628,794
Inventories.....	99,592	99,033
	<u>2,952,659</u>	<u>3,858,045</u>
Investments and funds		
Nova Scotia First Fund (Note 3).....	8,376,874	9,393,115
Research Endowment Fund (Note 4).....	661,182	661,182
Other investments (Note 5).....	502,752	708,590
Receivables (Note 6).....	309,660	493,557
Capital assets (Note 7).....	5,296,599	5,536,148
Intangible assets (Note 8).....	9,335	1,019
Deferred lease inducement (Note 9).....	109,659	44,270
	<u>\$ 18,218,720</u>	<u>\$ 20,695,926</u>

**LIABILITIES**

	<b>2003</b>	<b>2002</b>
Current		
Payables and accruals..... \$	701,354	\$ 881,541
Payable to Province of Nova Scotia.....	2,940,535	2,823,274
Deferred revenue .....	72,233	72,003
Current portion of long term debt.....	31,468	29,265
	<u>3,745,590</u>	<u>3,806,083</u>
Long term debt (Note 10).....	376,229	432,375
Deferred revenue.....	15,519	16,412
Deferred government contributions (Note 2(h)).....	378,454	390,725
	<u>4,515,792</u>	<u>4,645,595</u>
Non-controlling interest (Note 13).....	---	(323,399)

**EQUITY**

Capital stock and contributed surplus (Note 11).....	19,110,755	19,110,755
Deficit.....	(5,407,827)	(2,737,025)
	<u>13,702,928</u>	<u>16,373,730</u>
	<u>\$ 18,218,720</u>	<u>\$ 20,695,926</u>

Commitments (Note 3)  
Contingency (Note 3)

See accompanying notes to the consolidated financial statements

**NOVA SCOTIA INNOVATION CORPORATION**

**Consolidated Statements of Loss and Deficit  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Revenues and contributions		
Government contributions (Note 12) . . . . .	\$ 2,207,171	\$ 2,333,968
Mentoring . . . . .	909,569	697,834
Incubation . . . . .	603,800	437,732
Investment . . . . .	5,774	71,238
Tehnical services . . . . .	159,355	686,259
	<u>3,885,669</u>	<u>4,227,031</u>
Expenses		
Mentoring . . . . .	1,889,722	2,021,357
Incubation . . . . .	979,892	887,538
Investment . . . . .	248,538	319,768
Tehnical services . . . . .	152,467	582,749
Corporate services . . . . .	1,385,690	1,457,271
	<u>4,656,309</u>	<u>5,268,683</u>
Operating loss . . . . .	<u>(770,640)</u>	<u>(1,041,652)</u>
Amortization . . . . .	(317,964)	(397,124)
Investment income (loss), net of valuation adjustments		
Nova Scotia First Fund . . . . .	(1,016,241)	(842,606)
Other . . . . .	(257,816)	125,939
Non-controlling interest in subsidiary's net loss (Note 13) . . . . .	132,512	287,143
	<u>(1,459,509)</u>	<u>(826,648)</u>
Loss before unusual item and discontinued operations . . . . .	(2,230,149)	(1,868,300)
Unusual item (Note 13) . . . . .	<u>(455,911)</u>	---
Loss before discontinued operations . . . . .	(2,686,060)	(1,868,300)
Discontinued operations (Note 14) . . . . .	15,258	176,658
Net loss . . . . .	\$ <u>(2,670,802)</u>	\$ <u>(1,691,642)</u>
Deficit, beginning of year . . . . .	\$ (2,737,025)	\$ (1,045,383)
Net loss . . . . .	<u>(2,670,802)</u>	<u>(1,691,642)</u>
Deficit, end of year . . . . .	\$ <u>(5,407,827)</u>	\$ <u>(2,737,025)</u>

See accompanying notes to the consolidated financial statements

**NOVA SCOTIA INNOVATION CORPORATION**

**Consolidated Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Net loss . . . . .	\$ (2,670,802)	\$ (1,691,642)
Amortization . . . . .	317,964	396,358
Deferred government assistance recognized. . . . .	(100,577)	(141,368)
Nova Scotia First Fund net loss. . . . .	1,016,241	842,606
Non-controlling interest in subsidiary's net loss . . . . .	(132,512)	(287,143)
Loss on takeover . . . . .	455,911	---
Loss (gain) on disposal of capital assets . . . . .	10,564	(173,314)
Writedown of other investments . . . . .	205,838	---
	<u>(897,373)</u>	<u>(1,054,503)</u>
 Change in non-cash operating working capital (Note 15) . . . . .	 <u>145,751</u>	 <u>817,968</u>
	<u>(751,622)</u>	<u>(236,535)</u>
 <b>Investing</b>		
Proceeds from NSFF portfolio investments - net. . . . .	649,250	246,251
Acquisition of NSFF investments - net. . . . .	(649,250)	(246,251)
Advances from investees, net . . . . .	---	81,544
Long term receivable. . . . .	---	(214,850)
Long term receivable payments received. . . . .	183,897	124,740
Capital and intangible asset purchases . . . . .	(97,295)	(26,419)
Proceeds from disposal of capital assets. . . . .	---	315,790
Lease inducement, net. . . . .	(65,389)	(44,270)
	<u>21,213</u>	<u>236,535</u>
 <b>Financing</b>		
Long term debt repayments . . . . .	(53,943)	(41,485)
Deferred government assistance . . . . .	88,306	25,400
Increase in equipment lease obligation. . . . .	---	18,587
	<u>34,363</u>	<u>2,502</u>
 (Decrease) increase in cash and cash equivalents. . . . .	 (696,046)	 2,502
 Cash and cash equivalents,		
Beginning of year . . . . .	2,130,218	2,127,716
 End of year . . . . .	 <u>\$ 1,434,172</u>	 <u>\$ 2,130,218</u>

See accompanying notes to the consolidated financial statements

# NOVA SCOTIA INNOVATION CORPORATION

## Notes to the Consolidated Financial Statements March 31, 2003

### 1. Authority

The Nova Scotia Innovation Corporation (InNOVAcorp) was established on February 6, 1995 by the Innovation Corporation Act and is wholly owned by the Province of Nova Scotia. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world. InNOVAcorp is exempt from income tax under section 149 of the Income Tax Act.

### 2. Summary of significant accounting policies

InNOVAcorp's financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following:

#### a. Principles of consolidation

The consolidated financial statements include the accounts of InNOVAcorp, its wholly owned subsidiary, 1402998 Nova Scotia Limited (formerly Nova Magnetics Limited) and its 86% owned subsidiary, 3839966 Canada Limited (operating as The Decision Point).

#### b. Use of estimates

In preparing InNOVAcorp's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

#### c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and temporary money market instruments at cost plus accrued interest with original maturities of three months or less.

#### d. Inventory

Inventory is valued at the lower of cost or net realizable value.

**e. Long term investments**

Venture capital investments made through the Nova Scotia First Fund are carried at cost. InNOVAcorp does not have control over the investee companies, except in one case in which it does not intend to maintain this control position over the long term. Accordingly, the investment in this investee company is carried at its cost of \$530,000 and the accounts are not consolidated. The following supplementary financial information related to this investee company for its latest reporting period of December 31, 2002 as audited by another firm of Chartered Accountants is as follows:

Current assets .....	\$	335,610
Capital assets .....		<u>407,526</u>
Total assets .....		<u>743,136</u>
Current liabilities .....		79,121
Long term liabilities .....		<u>806,045</u>
Total liabilities .....		<u>885,166</u>
Capital stock .....		3
Deficit .....		<u>(142,033)</u>
Carrying value of net identifiable assets .....	\$	<u>(142,030)</u>
Total revenues .....	\$	992,421
Total expenses .....		<u>917,685</u>
Net earnings .....	\$	<u>74,736</u>
Financial commitments per annum Leased office space .....	\$	<u>23,565</u>

Where management has determined a decline in value that is considered to be other than temporary, these investments are written down to provide for the loss. Fixed income investments of the Nova Scotia First Fund terms to maturity greater than ninety days are recorded at cost plus accrued interest.

**f. Capital assets**

The cost of capital assets is being depreciated over the estimated lives of the assets using the following rates:

Buildings	4%	declining	balance
Machinery and equipment	20%	declining	balance
Computer equipment	30%	declining	balance
Furniture and fixtures	20%	declining	balance
Site improvements	8%	declining	balance
Management Information Systems	10%	straight line	
Leased equipment	25%	straight line	



**g. 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 as described in Note 2(f) above.

**h. Government contributions**

Government contributions used for the acquisition of property, plant and equipment are deferred and recognized as income on the same basis as the related assets are depreciated. Contributions related to other expenditures are recognized as income in the year the related expenditures are incurred.

**i. Translation of foreign currencies**

Current assets, current liabilities, long term monetary assets and liabilities are translated at the year end rate of exchange. Revenue and expenses are translated at the rates prevailing when the transaction occurred. Translation gains and losses are included in earnings except for unrealized gains and losses arising from translation of long term monetary assets and liabilities, which are deferred and amortized over the remaining lives of the related items.

**j. Lease inducements**

Amounts paid to tenants to renovate premises are recorded as deferred lease inducement and amortized over the life of the lease.

**k. Financial instruments**

InNOVAcorp's financial instruments consist of cash, receivables, investments and funds, payables and long term debt. It is management's opinion that InNOVAcorp is not exposed to significant interest, currency or credit risks arising from these financial instruments and the fair value of these financial instruments approximates their carrying value.

**3. 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 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 further 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:

	<b>Portfolio Investments</b>	<b>Fund Investments</b>	<b>Fund Obligations</b>	<b>Valuation Adjustment</b>	<b>Fund Balance</b>
Beginning, Balance . . . . .	\$ 5,652,918	\$ 8,534,166	\$ (225,000)	\$ (4,568,969)	9,393,115
Add (Deduct):					
Equity investments . . .	(649,250)	649,250	---	---	---
Income . . . . .	149,913	---	---	(1,166,154)	(1,016,241)
Repayments . . . . .	(225,000)	---	225,000	---	---
Ending Balance . . . . .	<u>\$ 4,928,581</u>	<u>\$ 9,183,416</u>	<u>\$ ---</u>	<u>\$ (5,735,123)</u>	<u>8,376,874</u>

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.

In addition to the above investments and obligations, as at March 31, 2003 there were \$295,000 of approved commitments for the NSFF (2002 - \$706,250).

InNOVAcorp and TARA (Telecom Applications Research Alliance) entered into a \$2 million investment alliance agreement (InNOVAcorp share \$1 million) to support emerging information technology (IT) companies. This strategic alliance provides capital to IT companies with high growth potential and is targeted at early-stage companies seeking \$100,000 to \$300,000 in venture financing. A subcommittee of representatives from both organizations manages the joint venture. At March 31, 2003, \$1,000,000 (InNOVAcorp share - \$500,000) has been placed under this agreement.

Fund investments include \$325,000 invested in a company which has commenced an action against a customer for patent infringement. The recovery of this investment is dependent on the success of the legal proceedings which are not determinable at this time.

As at April 1, 2003, the Province of Nova Scotia has committed an additional \$8 million investment in the Nova Scotia First Fund which is not reflected in these financial statements.

#### 4. 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.

The funds have been invested in bonds and debentures and their fair market value approximates cost.

#### 5. Other Investments

	<b>2003</b>	<b>2002</b>
Applied Microelectronics Incorporated - 490,000 3%, non-cumulative preferred shares . . . . .	\$ 490,000	\$ 490,000
Immune Network Ltd. 1,248,436 common shares . . . . .	2,752	84,141
PlantSelect Biotechnology Systems Limited 20,000 common shares . . . . .	---	29,744
Preferred shares . . . . .	---	94,705
Produxys Solutions Inc. 1,000 common shares . . . . .	10,000	10,000
	<u>\$ 502,752</u>	<u>\$ 708,590</u>

Immune Network Ltd. and Plant Select Biotechnology Systems Limited investments were written down during the year to reflect their estimated net realizable value.

**6. Receivables**

	<b>2003</b>	<b>2002</b>
Loan receivable . . . . .	\$ 81,500	\$ 176,750
Leases receivable . . . . .	242,828	354,837
	<u>324,328</u>	<u>531,587</u>
Current portion . . . . .	14,668	38,030
	<u>\$ 309,660</u>	<u>\$ 493,557</u>

The loan is receivable in quarterly instalments, with interest at a rate of 9.65% per annum. The final instalment is due October 31, 2004.

InNOVAcorp leases equipment under agreements with terms of three to eight years. The leases, which transfer substantially all of the risks and benefits incidental to ownership, have been accounted for as sales.

**7. Capital assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2003 Carrying Value</b>	<b>2002 Carrying Value</b>
Land . . . . .	\$ 350,700	\$ ---	\$ 350,700	\$ 350,700
Buildings . . . . .	5,972,358	1,473,489	4,498,869	4,639,534
Machinery, equipment and leased equipment . . . . .	942,331	704,324	238,007	294,294
Computer equipment . . . . .	595,906	509,387	86,519	134,806
Furniture and fixtures . . . . .	213,289	135,340	77,949	56,347
Management information system . . . . .	146,474	101,919	44,555	60,467
	<u>\$ 8,221,058</u>	<u>\$ 2,924,459</u>	<u>\$ 5,296,599</u>	<u>\$ 5,536,148</u>

**8. Intangible assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2003 Carrying Value</b>	<b>2002 Carrying Value</b>
Intellectual property . . . . .	2	---	2	---
Incorporation costs . . . . .	10,601	1,268	9,333	1,019
	<u>\$ 10,603</u>	<u>\$ 1,268</u>	<u>\$ 9,335</u>	<u>\$ 1,019</u>

During the year, The Decision Point purchased intellectual property at its carrying value from related parties in exchange for common shares. Legal fees associated with the transaction of \$9,582 have been capitalized as incorporation costs and will be amortized to income over five years.

**9. Deferred lease inducements**

	<b>2003</b>	<b>2002</b>
Lease inducement . . . . .	\$ 135,600	\$ 51,265
Accumulated amortization . . . . .	(11,791)	---
	<u>123,809</u>	<u>51,265</u>
Less: current portion . . . . .	14,150	6,995
	<u>\$ 109,659</u>	<u>\$ 44,270</u>

**10. Long term debt**

	<b>2003</b>	<b>2002</b>
Nova Scotia Business Inc. (NSBI).....\$	72,118 \$	97,390
Long term service award .....	243,858	267,982
Equipment lease obligation. ....	10,177	14,724
Payable to shareholders. ....	81,544	81,544
	<u>407,697</u>	<u>461,640</u>
Less: Current portion. ....	31,468	29,265
	<u>\$ 376,229</u>	<u>\$ 432,375</u>

The 5.5% loan payable to NSBI, a party related by virtue of common ownership with the Province of Nova Scotia, is repayable in monthly principal instalments of \$2,500 to 2005.

The 10.8% office equipment lease obligation is repayable in monthly principal instalments of \$479 to 2005.

Principal repayments for the NSBI loan and equipment lease obligation for the next three years years are as follows:

2004	\$	31,467
2005	\$	33,524
2006	\$	17,304

**Payable to shareholders**

The amounts advanced from minority shareholders of an 86% owned subsidiary are non-interest bearing, with no set terms of repayment.

**Long Term Service Award**

Employees of the Corporation are entitled to long term service awards on retirement, based on the number of years of service. These are earned at a rate of one week's pay for every year of service, to a maximum of 26 weeks.

The liability recorded represents management's best estimate of the net present value of future awards to be paid to retiring staff. The benefit expense calculation includes an imputed interest charge on the average unfunded liability throughout the period, and an accrual for the award earned by the employees during the period.

**11. Capital stock and contributed surplus**

	<b>2003</b>	<b>2002</b>
Capital stock		
Class A Common Shares, par value \$1 .....	75 \$	75
Principal Share, par value \$1 .....	1	1
	<u>76</u>	<u>76</u>
Contributed surplus		
Nova Scotia First Fund .....	11,110,791	11,110,791
Nova Scotia Research Foundation Corporation .....	7,509,888	7,509,888
Applied Microelectronics Incorporated (Note 5) .....	490,000	490,000
	<u>19,110,679</u>	<u>19,110,679</u>
	<u>\$ 19,110,755</u>	<u>\$ 19,110,755</u>

**12. Government contributions**

InNOVAcorp receives an annual grant from the Province of Nova Scotia as well as funding from various other federal and provincial government agencies for current operations and acquisition of capital assets.

Funding related to the acquisition of capital assets is deferred as disclosed in note 2(h).

Details of funding for the year are as follows:

	<b>2003</b>	<b>2002</b>
Contributions received - Province of Nova Scotia .....	\$ 2,194,900	\$ 2,218,000
Contributions used to finance capital assets .....	(88,306)	(25,400)
Amortization of capital contributions .....	100,577	141,368
	<u>12,271</u>	<u>115,968</u>
Net contributions - Province of Nova Scotia	<u>\$ 2,207,171</u>	<u>\$ 2,333,968</u>

Also included in Mentoring revenue are the following government contributions:

Government of Canada		
National Research Council Canada		
Industrial Research Assistance Program .....	\$ 485,000	\$ 474,000
Province of Nova Scotia		
Office of Economic Development .....	300,000	---
	<u>\$ 785,000</u>	<u>\$ 474,000</u>

**13. Unusual items - non-controlling interest**

	<b>2003</b>	<b>2002</b>
Opening non-controlling interest .....	\$ 323,399	---
Proportion of losses up to date of agreement .....	132,512	---
Total loss on takeover .....	<u>\$ 455,911</u>	<u>---</u>

On December 18, 2002, The Decision Point issued an additional 700,000 shares to InNOVAcorp, the minority partners and an additional investor in exchange for intellectual property. This share issue decreased InNovacorp's ownership interest from 80% to 69%.

On March 31, 2003, an additional 818,000 shares were issued to InNOVAcorp, increasing its ownership to 86%.

As a result of these transactions, a new shareholders' agreement was signed which does not require a guarantee or obligation by the minority parties for their share of The Decision Point's loss. Accordingly, 100% of its losses are reported in InNOVAcorp's financial statements.

**14. Discontinued operations**

	<b>2003</b>	<b>2002</b>
Sale of Environmental Simulation Lab		
Net (loss) earnings for the year .....	\$ (1,547)	14,750
Gain on disposal of assets .....	---	148,387
	<u>(1,547)</u>	<u>163,137</u>
Sale of Nova Magnetics Limited		
Net loss for the year .....	(13,711)	(11,054)
Gain on disposal of assets .....	---	24,575
	<u>(13,711)</u>	<u>13,521</u>
	<u>\$ (15,258)</u>	<u>\$ 176,658</u>
Revenues excluded from revenues and grants		
Nova Magnetics Limited .....	\$ ---	\$ 368,893

These divisions were sold in 2001 and 2002.

The activity in these divisions related to costs associated with seconded employees from these divisions.

**15. Supplemental cash flow information**

	<b>2003</b>	<b>2002</b>
Change in non-cash operating working capital		
Deferred charges . . . . .	\$ --	\$ 118,473
Receivables . . . . .	209,899	606,505
Inventories . . . . .	(559)	148,155
Payables and accruals . . . . .	(180,187)	(234,417)
Payable to Province of Nova Scotia . . . . .	117,261	160,597
Deferred revenue . . . . .	(663)	18,655
	<u>\$ 145,751</u>	<u>\$ 817,968</u>

**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. Related party transactions**

<b>Entity</b>	<b>Relationship</b>	<b>Revenues Generated</b>	<b>Year End Receivable</b>
PlantSelect			
Biotechnology			
Systems Limited	50% investee	\$ 4,290	\$ 359,224
BioScience			
Enterprise Centre	Managed Incubator	64,930	38,980
NSFF Investments	Investments	48,504	292,922

Facilities and administrative services are provided to PlantSelect Biotechnology Systems Limited at no cost.

Sales to NSFF investors are at the same prices and terms as with unrelated parties.

InNOVAcorp has the use of the Technology Innovation Centre, which is owned by the Province of Nova Scotia, at no cost.

During the year InNOVAcorp paid \$4,360 in interest to NSBI, a party related by common ownership with the Province of Nova Scotia.

**18. Comparative Figures**

Certain of the 2002 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2003.

## 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, 2003, and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E. R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
June 23, 2003

**NOVA SCOTIA LEGAL AID COMMISSION**

**Statement of Revenue and Expenses  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Grants - Province of Nova Scotia .....	\$ 12,655,871	\$ 12,525,939
Interest .....	117,281	191,803
Other income .....	107,274	125,523
	<u>12,880,426</u>	<u>12,843,265</u>
<b>Expenses</b>		
Amortization .....	221,681	138,902
Capital lease interest .....	---	697
Directors' fees .....	8,400	21,378
Equipment and maintenance .....	90,237	80,707
Library .....	166,193	160,907
Membership, meetings and conferences .....	179,289	202,091
Office disbursements .....	257,947	253,757
Private solicitors' fees (Note 6) .....	2,133,985	2,096,444
Professional and other fees .....	144,648	187,822
Salaries and benefits .....	8,874,465	8,758,048
Supplies and services .....	948,491	964,455
Travel .....	152,833	128,103
	<u>13,178,169</u>	<u>12,993,311</u>
<b>Deficiency of revenue over expenses before special cases and unusual items .....</b>	<u>(297,743)</u>	<u>(150,046)</u>
<b>Special cases (Note 7)</b>		
Contribution from the Province of Nova Scotia .....	257,426	343,533
Contributions from clients .....	17,910	15,194
	<u>275,336</u>	<u>358,727</u>
Expenses, special cases .....	275,336	358,727
	<u>---</u>	<u>---</u>
<b>Deficiency of revenue over expenses before unusual items .....</b>	<u>(297,743)</u>	<u>(150,046)</u>
Unusual items (Note 15) .....	---	227,129
<b>(Deficiency) excess of revenue over expenses .....</b>	<u><u>\$ (297,743)</u></u>	<u><u>\$ 77,083</u></u>

See accompanying notes to the financial statements.



NOVA SCOTIA LEGAL AID COMMISSION

Balance Sheet  
March 31, 2003

ASSETS

	2003	2002
<b>Current</b>		
Cash and cash equivalents . . . . .	\$ 1,674,286	\$ ---
Investments . . . . .	2,161,446	3,999,576
Receivables . . . . .	80,088	337,509
Prepays . . . . .	29,685	22,620
	<u>3,945,505</u>	<u>4,359,705</u>
<b>Trust Fund - long service awards (Note 3)</b> . . . . .	1,563,638	1,425,108
<b>Capital assets (Note 4)</b> . . . . .	438,177	561,799
	<u>\$ 5,947,320</u>	<u>\$ 6,346,612</u>

LIABILITIES

<b>Current</b>		
Bank indebtedness . . . . .	\$ ---	\$ 321,939
Payables and accruals (Notes 5 and 6) . . . . .	1,442,248	1,768,650
Deferred contribution - special cases (Note 7) . . . . .	784,931	524,698
	<u>2,227,179</u>	<u>2,615,287</u>
<b>Long term</b>		
Long service awards (Note 8) . . . . .	1,563,638	1,425,108
	<u>1,563,638</u>	<u>1,425,108</u>
<b>Deferred contributions - capital assets (Note 9)</b> . . . . .	697,209	549,180
	<u>4,488,026</u>	<u>4,589,575</u>
<b>Net Assets</b>		
Unrestricted net assets . . . . .	428,484	917,604
Reserve for capital asset expenditures (Note 10) . . . . .	150,000	---
Net assets invested in capital assets (Page 330) . . . . .	194,921	157,208
Reserve for future case completion (Page 330 & Note 10) . . . . .	685,889	682,225
	<u>1,459,294</u>	<u>1,757,037</u>
	<u>\$ 5,947,320</u>	<u>\$ 6,346,612</u>

**Commitment and contingencies (Note 11)**

See accompanying notes to the financial statements.

## NOVA SCOTIA LEGAL AID COMMISSION

Statement of Changes in Net Assets  
Year Ended March 31, 2003

	Unrestricted <u>Net Assets</u>	Reserve for Capital Asset <u>Expenditures</u>	Net Assets Invested in <u>Capital Assets</u>	Reserve for Future Case <u>Completion</u>	2003 <u>Total</u>	2002 <u>Total</u>
<b>Balance, beginning of year</b> .....	\$ 917,604	\$ ---	\$ 157,208	\$ 682,225	\$ 1,757,037	\$ 1,679,954
(Deficiency) excess of revenue over expenses .....	(297,743)	---	---	---	(297,743)	77,083
Purchase of capital assets .....	(87,023)	---	87,023	---	---	---
Amortization, net .....	49,310	---	(49,310)	---	---	---
Transfer to reserve for capital asset expenditures .....	(150,000)	150,000	---	---	---	---
Transfer to reserve for future case completion .....	<u>(3,664)</u>	<u>---</u>	<u>---</u>	<u>3,664</u>	<u>---</u>	<u>---</u>
<b>Balance, end of year</b> .....	<u>\$ 428,484</u>	<u>\$ 150,000</u>	<u>\$ 194,921</u>	<u>\$ 685,889</u>	<u>\$ 1,459,294</u>	<u>\$ 1,757,037</u>

See accompanying notes to the financial statements

NOVA SCOTIA LEGAL AID COMMISSION

Statement of Cash Flows  
Year Ended March 31, 2003

	2003	2002
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
(Deficiency) excess of revenue over expenses . . . . .	\$ (297,743)	\$ 77,083
Amortization. . . . .	221,681	138,902
Amortization of deferred contributions - capital. . . . .	<u>(172,371)</u>	<u>(113,622)</u>
	(248,433)	102,363
Change in non-cash operating working capital (Note 13). . . . .	<u>(76,046)</u>	<u>446,020</u>
	<u>(324,479)</u>	<u>548,383</u>
<b>Financing</b>		
Principal repayments of capital lease . . . . .	---	(13,065)
Decrease in early retirement incentive program. . . . .	---	(178,372)
Advances for special cases, net. . . . .	260,233	56,466
Advances for capital asset purchases. . . . .	<u>320,400</u>	<u>---</u>
	<u>580,633</u>	<u>(134,971)</u>
<b>Investing</b>		
Decrease (increase) in investments. . . . .	1,838,130	(1,302,662)
Purchase of capital assets. . . . .	<u>(98,059)</u>	<u>(518,751)</u>
	<u>1,740,071</u>	<u>(1,821,413)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	1,996,225	(1,408,001)
Cash and cash equivalents,		
<b>Beginning of year</b> . . . . .	<u>(321,939)</u>	<u>1,086,062</u>
<b>End of year</b> . . . . .	\$ <u><u>1,674,286</u></u>	\$ <u><u>(321,939)</u></u>

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

Notes to the Financial Statements  
March 31, 2003

**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. Summary of significant accounting policies**

**Revenue**

Operating grants are recorded on the accrual basis.

Contributions from the Province of Nova Scotia for the acquisition of capital assets are recorded as deferred contributions and are amortized to revenue in accordance with the amortization schedule for each capital asset acquired.

**Capital assets**

Capital assets are stated at cost and are amortized on a straight-line basis over their estimated useful lives:

Computer equipment	33.33% per year
Furniture and equipment	20% per year
Leasehold improvements	Over term of lease
Equipment under capital lease	33.33% per year

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks.

**Special cases**

Periodically, the Commission provides legal services to clients upon special request from the Department of Justice where the clients would not otherwise be eligible under the Commission's guidelines. Contributions and expenses related to these special cases are presented separately on the statement of revenue and expenses.

**Investments**

Investments consist of banker acceptance notes and are valued at cost, which approximates market value. These banker acceptance notes bear interest in a range of 2.40% to 2.65% and mature between 30 and 42 days after year-end.

**Financial instruments**

The Commission's financial instruments consist of cash and cash equivalents, investments, receivables and payables. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Commission estimates that the fair value of its cash and cash equivalents, investments, receivables and payables approximate their carrying values due to the relatively short period to maturity of these financial instruments.

**3. 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 fifteen 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. To date, six employees have received advances. Advances plus accrued interest at March 31, 2003 totalled \$148,947 (2002 - \$147,237).

	<b>2003</b>	<b>2002</b>
<b>Balance, beginning of year</b> .....	\$ <u>1,425,108</u>	\$ <u>1,163,900</u>
Add: Contribution from operating funds .....	74,815	68,842
Outstanding year end contribution .....	26,007	149,742
Interest on long service award advances .....	7,190	7,450
Interest on investments .....	<u>30,518</u>	<u>35,174</u>
	<u>138,530</u>	<u>261,208</u>
Less: Long service awards paid to retiring employees .....	---	---
<b>Balance, end of year</b> .....	\$ <u><u>1,563,638</u></u>	\$ <u><u>1,425,108</u></u>
Consisting of:		
Cash .....	\$ (2,166)	\$ 79,335
Investments and accrued interest on investments .....	1,390,850	1,048,794
Receivable - long service award advances and accrued interest on advances .....	148,947	147,237
Contribution due from operating funds .....	<u>26,007</u>	<u>149,742</u>
	\$ <u><u>1,563,638</u></u>	\$ <u><u>1,425,108</u></u>

**4. Capital assets**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2003 Net Book Value</b>	<b>2002 Net Book Value</b>
Computer equipment .....	\$ 615,932	\$ 354,152	\$ 261,780	\$ 412,661
Furniture and equipment .....	134,795	24,003	110,792	76,379
Leasehold improvements .....	<u>140,387</u>	<u>74,782</u>	<u>65,605</u>	<u>72,759</u>
	\$ <u><u>891,114</u></u>	\$ <u><u>452,937</u></u>	\$ <u><u>438,177</u></u>	\$ <u><u>561,799</u></u>

**5. Accounts payable and accruals**

	<b>2003</b>	<b>2002</b>
Supplies and services .....	\$ 119,943	\$ 247,825
Accrued private solicitors' fees (Note 6) .....	1,228,530	1,136,623
Employee salaries and benefits .....	<u>93,775</u>	<u>384,202</u>
	\$ <u><u>1,442,248</u></u>	\$ <u><u>1,768,650</u></u>

**6. 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 reasonable 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, 2003, a liability of \$1,228,530 (2002 - \$1,136,623) was recorded, of which \$1,050,157 (2002 - \$886,436) 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.

**7. Deferred contribution - special cases**

Special case funding is received from the Province of Nova Scotia and is restricted solely for expenditures incurred in the process of defending clients. Amounts not used for current expenditures are deferred to be applied against future cases. Any funding not committed at the conclusion of the cases must be returned to the Province of Nova Scotia.

**8. 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 twenty-six weeks.

In 2003, the Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligation respecting long service awards at March 31, 2003, the long service award trust funds of \$1,563,638 (2002-\$1,425,108) are sufficient to fund the liability.

**9. Deferred contributions - capital assets**

In the 1999 fiscal year the Province of Nova Scotia contributed \$353,000 to the Commission to offset anticipated costs of upgrading the Commission's computer systems. A further \$400,000 was contributed in 2001 and \$320,400 in the 2003 fiscal year. The changes in the deferred contributions balance for the period are as follows:

	<b>2003</b>	<b>2002</b>
<b>Balance, beginning of year.</b> . . . . .	\$ 549,180	\$ 662,802
Less: amounts amortized to revenue. . . . .	(172,371)	(113,622)
Plus: contributions received. . . . .	<u>320,400</u>	<u>---</u>
<b>Balance, end of year.</b> . . . . .	<u>\$ 697,209</u>	<u>\$ 549,180</u>

**10. Reserves**

**Reserve for future case completion**

The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the remaining cost to complete the cases that are in progress as at March 31, 2003.

**Reserve for capital expenditures**

The Commission has appropriated an amount from unrestricted net assets that approximates management's best estimate of the future capital expenditures that will be required to upgrade its management information systems.

**11. Commitments and contingencies**

a. The Commission has entered into lease agreements for ten of its offices. The remaining three 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 the next five years, not including operating costs and taxes, are as follows:

2004	545,976
2005	545,976
2006	435,315
2007	247,098
2008	209,357

b. The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide a grant of \$69,000 to Dalhousie Legal Aid Services for the year ending March 31, 2004.

c. The Commission has been named a defendant in an action. As of the audit report date, the outcome of this claims is not determinable, and accordingly, no provision has been made for it in the financial statements.

**12. Client Trust Funds**

On March 31, 2003, \$2,354 (2002 - \$12,902) was held in trust for clients. These trust funds are accounted for separately and are not reflected in the financial statements.

**13. Supplemental cash flow information**

	2003	2002
Change in non cash operating working capital:		
Receivables . . . . .	\$ 257,421	\$ (41,845)
Prepays . . . . .	(7,065)	7,443
Payables and accruals . . . . .	(326,402)	480,422
	<u>\$ (76,046)</u>	<u>\$ 446,020</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks . . . . .	\$ <u>1,674,286</u>	\$ <u>(321,939)</u>
Interest paid . . . . .	\$ <u>---</u>	\$ <u>697</u>

**14. 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.

**15. Unusual items**

	2003	2002
Recovery of HST . . . . .	\$ ---	\$ 35,850
Elimination of Early Retirement Incentive		
Plan liability . . . . .	<u>---</u>	<u>191,279</u>
	<u>\$ ---</u>	<u>\$ 227,129</u>

**NOVA SCOTIA LEGAL AID COMMISSION**

**Schedule of Expenses  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
Amortization . . . . .	\$ ---	\$ 221,681	\$ 138,902
Capital lease interest . . . . .	---	---	697
Directors' fees . . . . .	45,000	8,400	21,378
Equipment and maintenance			
Leasehold improvements . . . . .	26,400	10,678	5,168
Office furniture and equipment . . . . .	41,000	17,278	21,254
Office machine leasing . . . . .	48,000	34,808	34,057
Office machine maintenance . . . . .	36,700	27,473	20,228
	<u>152,100</u>	<u>90,237</u>	<u>80,707</u>
Library . . . . .	160,000	166,193	160,907
Membership, meetings and conferences			
Membership and dues . . . . .	130,000	108,240	124,223
Meetings and conferences . . . . .	60,000	71,049	77,868
	<u>190,000</u>	<u>179,289</u>	<u>202,091</u>
Office disbursements			
Civil and family . . . . .	150,000	117,407	91,798
Criminal . . . . .	150,000	129,717	155,595
Young Offender . . . . .	22,000	10,823	6,364
	<u>322,000</u>	<u>257,947</u>	<u>253,757</u>
Private solicitors' fees			
Civil and family - conflicts . . . . .	1,003,400	1,059,339	1,052,746
Criminal - choice of counsel . . . . .	170,000	201,744	86,082
Criminal - conflicts . . . . .	586,800	679,653	780,412
Young offender - choice of counsel . . . . .	---	4,149	8,995
Young offender - conflicts . . . . .	150,000	189,100	168,209
	<u>1,910,200</u>	<u>2,133,985</u>	<u>2,096,444</u>
Professional and other fees			
Professional fees . . . . .	129,700	137,778	166,121
Consultant fees . . . . .	---	6,870	21,701
	<u>129,700</u>	<u>144,648</u>	<u>187,822</u>
Salaries and benefits . . . . .	8,872,700	8,874,465	8,758,048
Supplies and services			
General cleaning and office expense . . . . .	69,500	56,319	65,915
Heat, light and water . . . . .	27,000	20,992	22,569
Miscellaneous . . . . .	1,000	1,511	2,594
Printing and stationery . . . . .	90,000	90,663	97,239
Rent, insurance and taxes . . . . .	628,600	580,326	584,184
Telephone and postage . . . . .	215,000	198,680	191,954
	<u>1,031,100</u>	<u>948,491</u>	<u>964,455</u>
Travel . . . . .	156,400	152,833	128,103
	<u>\$ 12,969,200</u>	<u>\$ 13,178,169</u>	<u>\$ 12,993,311</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 Corporation as at March 31, 2003 and the statements of earnings and retained earnings 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 Canadian 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 Corporation as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP  
Chartered Accountants

Halifax, Canada  
June 13, 2003

**THE NOVA SCOTIA LIQUOR CORPORATION**

**Balance Sheet  
March 31, 2003, with comparative figures for 2002**

<b>ASSETS</b>		
	<b>2003</b>	<b>2002</b>
	(in thousands)	
Current assets:		
Cash .....	\$ 6,756	\$ 10,733
Accounts receivable .....	2,287	2,457
Inventories of stock in warehouse and stores .....	26,815	19,516
Prepaid expenses .....	2,150	53
	<u>38,008</u>	<u>32,759</u>
Property and equipment:		
Furniture, fixtures and portable equipment .....	6,125	6,259
Other equipment .....	7,288	7,139
Computers .....	7,191	6,295
Land and buildings .....	12,809	12,330
Capital and leasehold improvements .....	25,562	24,719
	<u>58,975</u>	<u>56,742</u>
Less accumulated depreciation .....	47,488	44,239
	<u>11,487</u>	<u>12,503</u>
Assets under capital lease .....	10,831	10,831
Less accumulated amortization .....	9,420	8,888
	<u>1,411</u>	<u>1,943</u>
	<u>\$ 50,906</u>	<u>\$ 47,205</u>

**LIABILITIES AND RETAINED EARNINGS**

Current liabilities:		
Accounts payable and accrued liabilities .....	\$ 19,276	\$ 19,332
Current portion of obligations under capital leases (note 3) .....	486	423
	<u>19,762</u>	<u>19,755</u>
Due to Minister of Finance .....	9,874	6,408
Obligation under capital lease (note 3) .....	7,250	7,737
Employee future benefit obligations (note 4) .....	14,020	13,305
	<u>                    </u>	<u>                    </u>
	<u>\$ 50,906</u>	<u>\$ 47,205</u>

Operating leases (Note 5)

See accompanying notes to financial statements.

**THE NOVA SCOTIA LIQUOR CORPORATION**

**Statement of Earnings and Retained Earnings  
Year ended March 31, 2003, with comparative figures for 2002**

	<b>2003</b>	<b>% of</b>		<b>2002</b>	<b>% of</b>
	(in thousands)	<b>Sales</b>		(in thousands)	<b>Sales</b>
Net sales . . . . .	\$ 412,380	100.0	\$	391,427	100.0
Cost of goods sold . . . . .	<u>202,806</u>	<u>49.2</u>		<u>197,563</u>	<u>50.5</u>
	209,574	50.8		193,864	49.5
Stores' operating expenses . . . . .	<u>36,001</u>	<u>8.7</u>		<u>34,737</u>	<u>8.9</u>
Income, store operations . . . . .	173,573	42.1		159,127	40.6
Depreciation and amortization . . . . .	3,787	0.9		3,432	0.9
Warehousing and distribution expenses . . . . .	4,090	1.0		4,217	1.1
Administrative expenses (note 6) . . . . .	9,195	2.2		8,609	2.2
Other revenue . . . . .	(4,243)	(1.0)		(3,695)	(1.0)
Other expenses . . . . .	<u>2,878</u>	<u>0.7</u>		<u>2,650</u>	<u>0.7</u>
	15,707	3.8		15,213	3.9
Earnings before unusual item . . . . .	<u>157,866</u>	<u>38.3</u>		<u>143,914</u>	<u>36.7</u>
Early retirement program . . . . .	---	0.0		56	0.0
Earnings from operations . . . . .	157,866	38.3		143,858	36.7
Retained earnings, beginning of year:					
As previously reported . . . . .	---			---	
Change in accounting policy (note 2) . . . . .	---			<u>(12,702)</u>	
As restated . . . . .	---			(12,702)	
Distributions made or to be made . . . . .	<u>(157,866)</u>			<u>(131,156)</u>	
Retained earnings, end of year . . . . .	\$ <u>---</u>		\$	<u>---</u>	

See accompanying notes to financial statements.

THE NOVA SCOTIA LIQUOR CORPORATION

Statement of Cash Flows  
Year ended March 31, 2003, with comparative figures for 2002

	2003	2002
	(in thousands)	
Cash provided by (used in):		
Operations:		
Earnings from operations . . . . .	\$ 157,866	\$ 143,858
Items not involving cash:		
Depreciation and amortization . . . . .	3,787	3,432
Loss on sale of property and equipment . . . . .	---	3
Increase in employee future benefit obligations . . . . .	715	603
Change in non-cash operating working capital . . . . .	<u>(9,282)</u>	<u>(1,061)</u>
	153,086	146,835
Financing:		
Principal payments on obligations under capital lease . . . . .	(424)	(368)
Investments:		
Additions to property and equipment . . . . .	(2,239)	(2,719)
Proceeds on disposal of property and equipment . . . . .	<u>---</u>	<u>9</u>
	(2,239)	(2,710)
Other:		
Remittances to Minister of Finance . . . . .	<u>(154,400)</u>	<u>(141,600)</u>
Increase (decrease) in cash . . . . .	(3,977)	2,157
Cash, beginning of year . . . . .	<u>10,733</u>	<u>8,576</u>
Cash, end of year . . . . .	<u>\$ 6,756</u>	<u>\$ 10,733</u>

See accompanying notes to financial statements.

**THE NOVA SCOTIA LIQUOR CORPORATION**

**Notes to Financial Statements  
Year ended March 31, 2003**

The Nova Scotia Liquor Corporation administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989, and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate.

**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:

<b>Asset</b>	<b>Rate</b>
Furniture, fixtures, portable equipment, other equipment and capital and leasehold improvements . . . . .	10%
Computers - stand-alone. . . . .	33%
Computers - integrated systems . . . . .	20%
Land and buildings . . . . .	4%

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.

(d) Employee future benefits:

The Corporation has a defined benefit retirement award plan covering substantially all of its permanent employees. The benefits are based on years of service and the employee's compensation during the final year of employment. The cost of this program is being funded currently.

The Corporation also pays a portion of the cost of health care plans for substantially all retirees or surviving spouses of retirees. The Corporation measures the costs of its obligation based on its best estimate. The cost of this program is being funded currently.

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the employee future benefits. The Corporation has adopted the following policies:

- \* The cost of pension benefits is the responsibility of the Province of Nova Scotia. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia. Accordingly no provision is included in the Corporation's financial statements for pension related amounts;
- \* The cost of other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected salary escalation, retirement ages and expected health care costs; and
- \* The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 15 years (2002 - 14 years).

## 2. Change in accounting policy:

Effective for fiscal years beginning on or after January 1, 2000, the CICA revised its existing standard for pensions and developed new accounting standards for employee benefits other than pensions. During 2003 the Corporation has adopted the revised standards for its two defined benefit plans. The changes have been applied retroactively and have increased the deficiency at March 31, 2001 as previously reported by \$12,702.

## 3. Obligation under capital lease:

The Nova Scotia Liquor Corporation has an obligation under a capital lease, which matures in 2012. 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, 2003:

2004 .....	\$	1,537
2005 .....		1,536
2006 .....		1,537
2007 .....		1,536
2008 .....		1,537
2009-2012 .....		5,761
Total minimum lease payments .....		13,444
Less amount representing interest .....		5,708
Balance of obligation .....		7,736
Less current portion of obligation under capital lease .....		486
	\$	<u>7,250</u>

**4. Employee future benefits:**

The Corporation has two defined benefit plans as described in note 1 (d).

Information about the Corporation's defined benefit plans, in aggregate, is as follows:

	<b>2003</b>	<b>2002</b>
Accrued benefit obligation:		
Balance, beginning of year .....	\$ 12,455	\$ 11,852
Current service cost .....	592	492
Interest cost .....	895	838
Benefits paid .....	(795)	(727)
Actuarial Losses .....	<u>1,856</u>	<u>---</u>
Balance, end of year, and funded status - deficit .....	15,003	12,455
Unamortized net actuarial gain (loss) .....	<u>(983)</u>	<u>850</u>
Accrued benefit liability .....	<u>\$ 14,020</u>	<u>\$ 13,305</u>

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	<b>2003</b>	<b>2002</b>
Discount rate .....	6.17%	7.05%
Rate of compensation increase .....	2.50%	4.50%

The assumed health care cost trend rate at April 1, 2003 was 11%, decreasing at 1% per annum to an ultimate rate of 5.0% per annum.

The Corporation's net benefit plan expense was \$1,510 (2002 - \$1,487).

**5. Operating leases:**

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2003 and 2012. 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, 2003:

2004 .....	\$ 2,953
2005 .....	2,427
2006 .....	1,771
2007 .....	1,340
2008 .....	693
2009-2012 .....	953
Total minimum payments required .....	<u>\$ 10,137</u>

**6. Administrative expenses:**

Administrative expenses also include the following:

	<b>2003</b>	<b>2001</b>
	(in thousands)	
Interest on obligation under capital lease .....	<u>\$ 1,113</u>	<u>\$ 1,168</u>

## AUDITORS' REPORT

**To the Directors of  
Nova Scotia Municipal Finance Corporation**

We have audited the balance sheet of Nova Scotia Municipal Finance Corporation as at March 31, 2003 and the statements of revenue, expenditure and reserve fund 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 Canadian 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP  
Chartered Accountants

Halifax, Nova Scotia  
April 25, 2003



**NOVA SCOTIA MUNICIPAL FINANCE CORPORATION**

**Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 129,883	\$ 59,386
Short-term investments, at amortized cost (market - \$5,461,055; 2002 - \$4,485,000) .....	5,461,055	4,485,000
Accrued interest receivable .....	10,371,094	11,193,335
Other receivables .....	1,904	2,271
Principal due within one year on loans to units .....	63,054,835	94,534,811
	<u>79,018,771</u>	<u>110,274,803</u>
<b>LONG-TERM ASSETS:</b>		
Loans to units (note 3) .....	482,888,121	481,799,110
Less principal included in current assets .....	63,054,835	94,534,811
	<u>419,833,286</u>	<u>387,264,299</u>
Investments, at amortized cost (market - 2002 - \$540,096). .....	---	586,711
	<u>419,833,286</u>	<u>387,851,010</u>
<b>DEFERRED CHARGES:</b>		
Discount on debenture debt .....	2,562,324	2,600,982
Less accumulated amortization .....	1,592,606	1,643,729
	<u>969,718</u>	<u>957,253</u>
	\$ <u>499,821,775</u>	\$ <u>499,083,066</u>
<b>TRUST FUND ASSETS (note 4) .....</b>	\$ <u>---</u>	\$ <u>23,715,763</u>

**LIABILITIES AND EQUITY**

<b>CURRENT LIABILITIES:</b>		
Accounts payable .....	\$ 47,199	\$ 66,105
Due to municipal units .....	1,175,055	
Accrued interest payable .....	10,344,853	11,180,577
Principal due within one year on debenture debt .....	62,965,496	95,335,750
	<u>74,532,603</u>	<u>106,582,432</u>
Accrued public service awards (note 10) .....	42,573	24,773
<b>LONG-TERM DEBT</b>		
Debentures payable (note 5) .....	482,460,750	482,172,500
Less principal included in current liabilities .....	62,965,496	95,335,750
	<u>419,495,254</u>	<u>386,836,750</u>
<b>DEFERRED CREDITS</b>		
Discount on loans to units .....	2,557,525	2,591,283
Less accumulated amortization .....	1,593,637	1,635,701
	<u>963,888</u>	<u>955,582</u>
<b>EQUITY</b>		
Reserve fund .....	4,787,457	4,683,529
	\$ <u>499,821,775</u>	\$ <u>499,083,066</u>
Trust funds under administration (note 4) .....	\$ <u>---</u>	\$ <u>23,715,763</u>

See accompanying notes to financial statements.

**NOVA SCOTIA MUNICIPAL FINANCE CORPORATION**

**Statement of Revenue, Expenditure and Reserve Fund  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>REVENUE</b>		
Interest on loans to units . . . . .	\$ 30,454,163	\$ 33,320,142
Amortization of discount on loans to units . . . . .	250,185	237,849
Interest on short-term investments . . . . .	147,069	247,408
Current discount on loans to units . . . . .	609,014	315,032
	<u>31,460,431</u>	<u>34,120,431</u>
<b>EXPENDITURE</b>		
Interest on debenture debt and short term loans . . . . .	30,442,061	33,372,259
Amortization of discount on debenture debt . . . . .	252,257	251,604
Debenture issue expenses . . . . .	373,221	198,942
Administrative expenses (Note 6) . . . . .	288,964	272,392
	<u>31,356,503</u>	<u>34,095,197</u>
<b>NET REVENUE . . . . .</b>	103,928	25,234
<b>RESERVE FUND, BEGINNING OF YEAR . . . . .</b>	<u>4,683,529</u>	<u>4,658,295</u>
<b>RESERVE FUND, END OF YEAR . . . . .</b>	<u>\$ 4,787,457</u>	<u>\$ 4,683,529</u>

See accompanying notes to financial statements.

**NOVA SCOTIA MUNICIPAL FINANCE CORPORATION**

**Statement of Cash Flows  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Cash provided by (used for)		
Operations		
Net revenue. . . . .	\$ 103,928	\$ 25,234
Add (deduct) items not involving cash		
Amortization of discount on loans to units . . . . .	(250,185)	(237,849)
Amortization of discount on debenture debt . . . . .	252,257	251,604
Amortization of premiums on investments . . . . .	(22,140)	(45,124)
Change in non-cash working capital (Note 9) . . . . .	(32,022)	26,325
Increase in accrued public service awards. . . . .	17,800	24,773
	<u>69,638</u>	<u>44,963</u>
Investments		
Issued loans of \$95,623,822 to units on security of debentures, net of discounts of \$258,491 (2002 - \$49,921,802 net of discounts of \$183,938) . . . . .	(95,365,331)	(49,737,864)
Principal received on loans to units. . . . .	94,534,811	68,328,704
Principal due to municipal units. . . . .	1,175,055	---
Principal received on maturing investments. . . . .	608,851	231,963
	<u>953,386</u>	<u>18,822,803</u>
Financing		
Issue of debentures of \$95,624,000, net of Discounts of \$264,722 (2002 - 49,924,000 net of discounts of \$183,938) . . . . .	95,359,278	49,740,062
Principal payment on debenture debt . . . . .	95,335,750	(69,064,750)
	<u>23,528</u>	<u>(19,324,688)</u>
<b>INCREASE (DECREASE) IN CASH. . . . .</b>	<b>1,046,552</b>	<b>(456,922)</b>
<b>CASH POSITION, BEGINNING OF YEAR. . . . .</b>	<b>4,544,386</b>	<b>5,001,308</b>
<b>CASH POSITION, END OF YEAR . . . . .</b>	<b><u>\$ 5,590,938</u></b>	<b><u>\$ 4,544,386</u></b>

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 the Financial Statements Year ended March 31, 2002

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.

### 2. Fair values of financial instruments

#### Financial assets and financial liabilities:

The fair values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and principal due within one year on loans to units and debenture debt 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 the Corporation's loans to units and debentures payable fluctuate with changes 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 the Corporation normally holds the debentures to maturity, book values of the investments and debentures have not been adjusted to reflect differences.

### 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 1.0% to 12.5%. 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:

2004 .....	\$	63,054,835
2005 .....		63,426,011
2006 .....		63,060,693
2007 .....		60,558,087
2008 .....		57,145,462

**4. Trust funds under administration**

Trust fund assets totalling \$25,859,653 (2002 - \$23,715,763 ) were paid out on May 13, 2002 that were held on behalf of certain provincial debt issued for school and hospital construction within debenture Series "AC". These funds represented sinking funds which were held by the Corporation to be applied to the repayment of outstanding debenture debt Series "AC" at maturity.

5. **Debentures payable:**

- a) The debenture debt outstanding at March 31, 2003 totalling \$482,460,750 (2002 -\$482,172,500) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia, with the exception of Series "AT" which is a private placement.

Series	Date Issued	Maturity Date	Interest Rate	Debt Outstanding
N	Apr. 2/85	2002 to 2005	12.375-12.500	\$ 2,110,000
AE	May 5/93	2003	8.500	3,900,000
AF	Nov. 18/93	2003	7.625	2,990,000
AG	July 13/94	2003 to 2004	9.250	5,450,000
AH	Dec. 8/94	2003 to 2004	9.625-9.750	9,280,000
AI *	May 2/95	2003 to 2005	9.000-9.125	8,035,000
AJ	Nov. 14/95	2003 to 2005	8.000-8.125	12,770,000
AK *	May 14/96	2003 to 2006	7.500-8.000	22,116,000
AL	Oct. 28/96	2003 to 2006	7.250-7.500	10,773,000
AM *	May 12/97	2003 to 2007	6.750-7.000	32,378,000
AN *	Oct. 17/97	2003 to 2007	5.750-6.250	25,986,000
AP *	Jan. 30/98	2004 to 2019	5.500-6.125	38,863,000
AQ	May 15/98	2003 to 2008	5.250-5.500	25,212,000
AR *	Dec. 1/98	2003 to 2008	5.250-5.625	35,966,000
AS *	May 17/99	2003 to 2009	5.000-5.375	29,968,000
AT	May 28/99	2003 to 2015	1.000	2,193,750
AU *	Dec 22/99	2003 to 2009	6.500-6.750	31,060,000
AV *	June 1/00	2003 to 2010	6.625-6.875	21,160,000
AW *	Nov. 9/00	2003 to 2010	6.000-6.375	21,125,000
AX *	May 29/01	2003 to 2011	5.000-6.250	27,899,000
AY *	Nov. 7/01	2003 to 2011	3.625-6.000	17,602,000
AZ *	May 15/02	2003 to 2012	3.375-6.125	52,957,000
BA *	Nov. 7/02	2003 to 2017	3.250-6.000	31,667,000
BB *	Jan. 9/03	2004 to 2023	5.913	11,000,000
				<u>\$ 482,460,750</u>

\* Placed directly with the Province of Nova Scotia

Interest is payable semi-annually, except Series "AT", which is payable annually.

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

2004 .....	\$ 62,965,496
2005 .....	63,381,012
2006 .....	63,024,289
2007 .....	60,285,723
2008 .....	57,123,383

**6. Administrative expenses**

	<b>2002/03 Budget</b>	<b>2002/03 Actual</b>	<b>2001/02 Actual</b>
Salaries and benefits . . . . .	\$ 209,015	\$ 215,124	\$ 208,148
Travel . . . . .	4,500	4,698	3,447
Equipment and maintenance . . . . .	4,500	655	5,153
Printing . . . . .	2,500	2,678	1,120
Postage . . . . .	1,400	1,413	1,161
Telecommunications . . . . .	4,700	3,966	2,932
Stationery and supplies . . . . .	5,000	3,311	2,742
Professional services . . . . .	23,000	23,005	21,255
Bank charges . . . . .	3,900	3,197	2,703
Directors' fees and expenses . . . . .	5,600	5,731	4,673
Professional development . . . . .	7,300	7,010	5,525
Dues and subscriptions . . . . .	1,765	1,835	1,425
Insurance . . . . .	745	617	604
Other . . . . .	500	724	504
Office rent . . . . .	13,000	13,000	11,000
Client education . . . . .	2,000	2,000	---
	<u>\$ 289,425</u>	<u>\$ 288,964</u>	<u>\$ 272,392</u>

**7. Payment of Provincial portion of surplus to Province of Nova Scotia**

In fiscal 1998-1999 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 this 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**

	<b>2003</b>	<b>2002</b>
Accrued interest receivable . . . . .	\$ 822,241	\$ 831,273
Other receivables . . . . .	367	(616)
Accounts payable . . . . .	(18,906)	29,261
Accrued interest payable . . . . .	(835,724)	(833,593)
	<u>\$ (32,022)</u>	<u>\$ 26,325</u>

**10. Public service awards**

As at March 31, 2003, the Corporation has recorded a liability in the amount of \$42,573 in respect of a provincial public service award for the three employees of the Corporation. The Corporation will fund the public service awards of its employees through future budgets. At December 6, 2002 Board of Directors' meeting, the Board passed a motion that future budgeted Public Service Award allocations would be sufficient enough to cover eligible employees in the year in which they retire.

## 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, 2003 and the statements of operations and surplus, capital assets 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 Canadian 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, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP  
Chartered Accountants

Halifax, Nova Scotia  
May 21, 2003



**NOVA SCOTIA POLICE COMMISSION**

**Statements of Operations and Surplus  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Grant from the Province of Nova Scotia . . . . .	\$ 292,889	\$ 293,000
Recovery of inquiry expenses (Note 6) . . . . .	47,948	39,045
Interest and other revenue . . . . .	2,515	1,820
	<u>343,352</u>	<u>333,865</u>
<b>Expenses</b>		
Commission		
Salaries, wages and benefits . . . . .	158,832	156,893
Investigation services . . . . .	47,934	46,203
Rent . . . . .	28,190	30,685
Travel . . . . .	11,398	17,786
Office supplies and services . . . . .	7,752	7,701
Audit and legal . . . . .	7,148	2,811
Printing and copying . . . . .	4,366	2,237
Transcription . . . . .	2,547	422
Telephone . . . . .	2,366	2,398
Depreciation . . . . .	2,094	1,410
Dues and fees . . . . .	1,292	1,901
Equipment . . . . .	1,023	881
Other expenses . . . . .	555	1,300
Repairs and maintenance . . . . .	314	584
	<u>275,811</u>	<u>273,212</u>
Review Board		
Salaries, wages and benefits . . . . .	58,755	42,900
Travel . . . . .	10,880	16,087
	<u>69,635</u>	<u>58,987</u>
	<u>345,446</u>	<u>332,199</u>
Operating (deficit) surplus . . . . .	\$ (2,094)	\$ 1,666
Surplus, beginning of year . . . . .	---	---
Operating (deficit) surplus . . . . .	<u>(2,094)</u>	<u>1,666</u>
Transfer from (to) investment in capital assets for		
Depreciation . . . . .	2,094	1,410
Capital asset acquisitions . . . . .	---	(3,076)
	<u>2,094</u>	<u>(1,666)</u>
Surplus, end of year . . . . .	\$ ---	\$ ---

See accompanying notes to the financial statements

**NOVA SCOTIA POLICE COMMISSION**

**Balance Sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash .....	\$ 8,803	\$ 2,729
Prepaid .....	2,439	---
Accounts receivable .....	---	5,163
Due from the Province of Nova Scotia (Note 7) .....	<u>9,579</u>	<u>8,708</u>
	20,821	16,600
Capital assets .....	<u>1,025</u>	<u>3,119</u>
	<u>\$ 21,846</u>	<u>\$ 19,719</u>

**LIABILITIES**

<b>Current</b>		
Payables and accruals .....	\$ <u>20,821</u>	\$ <u>16,600</u>
	20,821	16,600

**SURPLUS**

Investment in capital assets (Note 3) .....	<u>1,025</u>	<u>3,119</u>
	<u>\$ 21,846</u>	<u>\$ 19,719</u>

Commitment (Note 5)

See accompanying notes to the financial statements.

**NOVA SCOTIA POLICE COMMISSION**

**Statement of Capital Assets  
Year Ended March 31, 2003**

	<u>Cost</u>			<u>Accumulated Depreciation</u>			<u>2003</u>	<u>2002</u>
	<u>Opening</u>	<u>Additons</u>	<u>Closing</u>	<u>Opening</u>	<u>Expense</u>	<u>Closing</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment .....	\$ 18,312	\$ ---	\$ 18,312	\$ 15,503	\$ 1,784	\$ 17,287	\$ 1,025	\$ 2,809
Equipment .....	<u>5,917</u>	<u>---</u>	<u>5,917</u>	<u>5,607</u>	<u>310</u>	<u>5,917</u>	<u>---</u>	<u>310</u>
	<u>\$ 24,229</u>	<u>\$ ---</u>	<u>\$ 24,229</u>	<u>\$ 21,110</u>	<u>\$ 2,094</u>	<u>\$ 23,204</u>	<u>\$ 1,025</u>	<u>\$ 3,119</u>

See accompanying notes to the financial statements.

**NOVA SCOTIA POLICE COMMISSION**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Operating (deficit) surplus . . . . . \$	(2,094)	1,666
Depreciation . . . . .	2,094	1,410
	---	3,076
 Change in non-cash operating working capital (Note 5) . . . . .	6,074	(14,018)
	6,074	(10,942)
 <b>Investing</b>		
Purchase of capital assets . . . . .	---	(3,076)
Increase (decrease) in cash and cash equivalents. . . . .	6,074	(14,018)
 Cash and cash equivalents		
Beginning of year . . . . .	2,729	16,747
End of year . . . . . \$	8,803	2,729

See accompanying notes to the financial statements.

**NOVA SCOTIA POLICE COMMISSION**

**Notes to the Financial Statements  
March 31, 2003**

**1. Incorporation**

The Nova Scotia Police Commission (the 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**

**General**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

**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

**Use of estimates**

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fair value of financial instruments**

The Commission's estimate of the fair value of cash, receivables, payables and accruals approximate their carrying value due to their short-term nature.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks.

**3. Investment in capital assets**

	<b>2003</b>	<b>2002</b>
Balance, beginning of year . . . . . \$	3,119 \$	1,453
Capital asset acquisitions . . . . .	---	3,076
Depreciation . . . . .	(2,094)	(1,410)
Balance, end of year . . . . . \$	<u>1,025</u> \$	<u>3,119</u>

**4. Pensions**

The full time employees of the Commission are civil servants and as such 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. Commitment

The Department of Transportation and Public Works of the Province of Nova Scotia sublets approximately 1,000 square feet of office space from the Nova Scotia Utility and Review Board on behalf of the Nova Scotia Police Commission. The sublet agreement expires October 31, 2005. The annual rental consists of a minimum base rent plus the Nova Scotia Police Commission share of common costs such as maintenance, power, water, and property taxes. The minimum rent payable covering the agreement period is as follows:

2004	\$14,000
2005	8167

## 6. Supplementary cash flow information

Change in non-cash operating working capital

	2003	2002
Accounts receivable.....\$	5,163	(4,215)
Prepaid.....	(2,439)	---
Payables and accruals.....	4,221	5,161
Due to Province of Nova Scotia.....	(871)	(14,964)
	<u>\$ 6,074</u>	<u>\$ (14,018)</u>

## 7. Related party transactions

The Nova Scotia Police Commission is an independent agency of the Province of Nova Scotia. Funding for the Commission is provided from the Consolidated Fund of the Province through a public service vote. Any retained surplus of the commission is refundable to the Province.

Transactions with the Province by financial statement category are as follows:

	2003	2002
Grant from the Province of Nova Scotia.....\$	292,889	293,000
Accounts receivable.....	---	5,087
Due (to) from the Province of Nova Scotia.....	9,579	8,708
Surplus - Investment in capital assets.....	1,025	3,119

To minimize cost to government while preserving the independence of the Commission, some administrative support is provided by another agency, the Nova Scotia Utility and Review Board (NSUARB). The NSUARB recovers all direct costs paid on behalf of the Commission. Effective April 1, 2003, administrative support services will no longer be provided by the Nova Scotia Utility and Review Board. These support functions will be assumed by the Department of Justice of the Province of Nova Scotia. In future, financial results of the Commission will be included in the Public Accounts of the Department of Justice of the Province of Nova Scotia.

Transactions with the NSUARB by financial statement category are as follows:

	2003	2002
Payables and accruals.....\$	847	551
Rent expense.....	24,570	26,895

## 8. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year presentation.

## AUDITORS' REPORT

To the Board of Directors  
Nova Scotia Power Finance Corporation

We have audited the statement of outstanding debt and defeasance assets of Nova Scotia Power Finance Corporation as at March 31, 2003 and the statement of debt cash flows and funding for the year then ended. This financial information is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial information based on our audit.

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

In our opinion, these statements present fairly, in all material respects, the outstanding debt and defeasance assets of the Corporation as at March 31, 2003 and the debt cash flows and funding for the year then ended in accordance with the basis of accounting disclosed in Note 2.

May 21, 2003

Deloitte & Touche LLP  
Chartered Accountants

**NOVA SCOTIA POWER FINANCE CORPORATION**

**Statement of Outstanding Debt and Defeasance Assets  
as at March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>DEBT (Schedule 1)</b>		
Par Value .....	\$ 1,140,790	\$ 1,178,050
Adjustments to market value .....	<u>534,358</u>	<u>440,826</u>
	1,675,148	1,618,876
Principal and coupon payments reacquired .....	<u>(1,124,007)</u>	<u>(1,065,840)</u>
Outstanding debt at market value .....	<u><u>551,141</u></u>	<u><u>553,036</u></u>
<b>Defeasance Assets (Note 3)</b>		
Cash .....	\$ 10,467	\$ 13,969
Government and government guaranteed securities .....	<u>592,253</u>	<u>592,458</u>
Defeasance assets at market value .....	<u><u>602,720</u></u>	<u><u>606,427</u></u>

**Statement of Debt Cash Flows and Funding  
year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Debt payments		
Interest .....	\$ (58,870)	\$ (64,489)
Principal retirements (net of amounts reacquired) .....	<u>---</u>	<u>(24,611)</u>
	(58,870)	(89,100)
Funding from investment revenues and maturities .....	<u>55,368</u>	<u>93,521</u>
Change in cash balance for the year .....	(3,502)	4,421
Cash, beginning of year .....	<u>13,969</u>	<u>9,548</u>
Cash, end of year .....	<u><u>10,467</u></u>	<u><u>13,969</u></u>



**NOVA SCOTIA POWER FINANCE CORPORATION**  
**Notes to the Financial Statements**  
**March 31, 2003**

**1. REORGANIZATION AND PRIVATIZATION**

In 1992, the Province of Nova Scotia (the "Province") passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation ("NSPC"). In effecting this, pursuant to an Asset Transfer Agreement and a Debt Restructuring Agreement effective August 10, 1992, NSPC transferred all of its existing assets, liabilities and equity, except for long-term debt and related sinking funds to Nova Scotia Power Inc. (NSPI) 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 NSPI, issued to the Province, which were subsequently sold on August 12, 1992 by the Province as a secondary offering.

Subsequent to the reorganization and privatization, the former business activities of NSPC continued under NSPI. NSPC changed its name to Nova Scotia Power Finance Corporation ("NSPFC") which continued to hold the long-term debt and sinking fund assets and the matching notes receivables and notes payables.

On reorganization, NSPI and NSPFC committed, subject to certain conditions, to effect defeasance of NSPFC debt by December 31, 1998. Defeasance required qualifying assets to be set aside to be used solely for satisfying scheduled future payments of principal and interest of the outstanding debt. Defeasance of NSPFC's debt was achieved by December 31, 1998 and the matching notes receivable and notes payable of NSPI were exchanged for the portfolio of defeasance assets. The matching notes continue to be pledged by NSPI as collateral security for a Defeasance Indemnity. NSPI is responsible for managing the portfolio of defeasance assets and is obligated to match its cash inflows with the principal and interest streams of the related defeased debt. NSPI is obligated to indemnify NSPFC against all expense, cost, damage, etc. which NSPFC may suffer or incur as a consequence of a Defeasance Portfolio Deficiency as defined in the Debt Restructuring Agreement.

**2. BASIS OF PRESENTATION**

Debt and defeasance assets are reported at estimated market values.

**3. DEFEASANCE ASSETS**

The portfolio of assets held for the payment of principal and interest amounts on the NSPFC debt are held by The Royal Trust Company. All assets are held in securities issued or guaranteed by the Federal or Provincial Governments.

Included in defeasance assets is \$41 million denominated in U.S. dollars (\$60 million Canadian).

The estimated cash inflows generated from investment income on and maturities of the assets held exceed the estimated cash outflows on debt interest and principal repayments by approximately \$6 million.

**4. GENERAL AND ADMINISTRATIVE EXPENSES**

Under the terms of the privatization agreement, NSPI is responsible for the payment of all reasonable operating costs of NSPFC. During the year, \$161,025 (2002-\$145,115) of such costs were paid by NSPI.

SCHEDULE 1

NOVA SCOTIA POWER FINANCE CORPORATION

Outstanding Debt  
as at March 31, 2003

Series	Date of Maturity	Maturity Date	Rate	Par Value	Market Value	Principal And Coupon Payments Reacquired	Outstanding Balance at Market Value
<b>Debentures</b>							
(in thousands)							
AH	November 15, 2012	November 15, 2012	10.875%	\$ 150,000	\$ 208,402		
AJ	April 27, 2014	April 27, 2014	11.25%	200,000	291,446		
AK	January 10, 2020	January 10, 2020	10.25%	150,000	216,893		
AM	February 26, 2031	February 26, 2031	11.00%	200,000	328,910		
AN	April 1, 2021 (US) <sup>(1)</sup>	April 1, 2021	9.4%	<u>440,790</u>	<u>629,497</u>		
<b>Total</b>				\$ <u>1,140,790</u>	\$ <u>1,675,148</u>	\$ <u>(1,124,007)</u>	\$ <u>551,141</u>

(1) Amounts payable in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements (\$300,000,000 US\$ converted @ 1.4693 as of March 31, 2003).

## 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 statement of financial position of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 2003 and the statements of revenues, expenses and fund balance, and changes in financial position 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
May 27, 2003

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**

**Statement of Financial Position  
as at March 31, 2003**

**ASSETS**

	2003	2002
<b>Current</b>		
Cash .....	\$ 200	\$ 200
Due from processors .....	49,641	32,913
Due from Province of Nova Scotia .....	<u>608,299</u>	<u>626,699</u>
	\$ <u><u>658,140</u></u>	\$ <u><u>659,812</u></u>

**LIABILITIES AND FUND BALANCE**

<b>Current</b>		
Accounts payable .....	\$ 1,875	\$ 1,500
Due to bargaining agents .....	<u>29,990</u>	<u>17,980</u>
	<u>31,865</u>	<u>19,480</u>
<b>Fund Balance</b> .....	<u>626,275</u>	<u>640,332</u>
	\$ <u><u>658,140</u></u>	\$ <u><u>659,812</u></u>

**Commitment (Note 4)**

The accompanying notes are an integral part of these statements

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**

**Statement of Revenues, Expenses and Fund Balance  
for the year ended March 31, 2003**

	2003		2002
	Budget	Actual	Actual
<b>Revenues</b>			
Charges against suppliers (Note 1) . . . . .		\$ 434,022	\$ 521,684
Less: Bargaining agents funding . . . . .		234,079	336,291
Charges for funding of Board			
operations . . . . . \$	192,000	199,943	185,393
Interest on fund balance . . . . .	31,000	25,231	30,347
Miscellaneous . . . . .	---	2,026	4,600
	223,000	227,200	220,340
<b>Expenses</b>			
Board member per diems . . . . .	27,000	26,225	31,700
Equipment and maintenance(Note 2). . . . .	1,000	---	7,407
Grants . . . . .	50,000	73,013	12,803
Lease payments - equipment . . . . .	1,600	1,533	1,779
Lease payments - office space . . . . .	22,300	22,636	14,424
Legal fees . . . . .	3,750	880	2,023
Other expenses . . . . .	8,600	2,339	7,955
Salaries . . . . .	83,000	86,484	79,713
Supplies and services . . . . .	6,900	5,472	7,996
Travel . . . . .	27,500	22,675	34,655
	231,650	241,257	200,455
<b>(Deficiency) Excess of revenues over expenses . . . . . \$</b>	<b>(8,650)</b>	<b>(14,057)</b>	<b>19,885</b>
<b>Fund balance, beginning of year . . . . .</b>		<b>640,332</b>	<b>620,447</b>
<b>Fund balance, end of year . . . . . \$</b>		<b>626,275</b>	<b>640,332</b>

The accompanying notes are an integral part of these statements

**NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**

**Statement of Changes in Financial Position  
for the year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Cash derived from operations		
(Deficiency) excess of revenues over expenses . . . . . \$	<u>(14,057)</u>	<u>19,885</u>
 Changes in non-cash operating working capital items		
Due from processors. . . . .	(16,728)	14,903
Due from Province of Nova Scotia. . . . .	18,400	(23,680)
Accounts payable. . . . .	375	1,500
Due to bargaining agents. . . . .	<u>12,010</u>	<u>(12,608)</u>
	<u>14,057</u>	<u>(19,885)</u>
 Increase (decrease) in cash . . . . .	---	---
 <b>Cash, beginning of year. . . . .</b>	<u>200</u>	<u>200</u>
 <b>Cash, end of year. . . . .</b> \$	<u><u>200</u></u>	<u><u>200</u></u>

The accompanying notes are an integral part of these statements

# NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

## Notes to Financial Statements March 31, 2003

### 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 Canadian generally accepted accounting principles. In common with many small, not-for-profit organizations, the Board charges furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

### 3. Loan Receivable

In August 2002 a \$25,000 loan made to a wood lot owner's organization, which was deemed uncollectible in the year ended March 31, 2000, was formally approved for write-off by the Executive Council of the Government of Nova Scotia. Subsequently, the Board recovered \$1,030 from the final distribution of the organization's assets, which is included under miscellaneous revenue.

### 4. Office Lease Commitment

The Board remits monthly payments of \$1,837 to the Department of Transportation and Public Works for the rental of office space procured by the Department on the Board's behalf. The current lease expires November 30, 2004.

### 5. Pensions

All full-time employees of the Board 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 Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.



## AUDITORS' REPORT

To the Board of Trustees of the Nova Scotia Public Service Long Term Disability Plan Trust Fund

We have audited the balance sheet of the Nova Scotia Public Service Long Term Disability Plan Trust Fund as at December 31, 2002 and the statement of continuity of fund equity for the year then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 fund as at December 31, 2002 and the continuity of the fund for the year then ended in accordance with Canadian generally accepted accounting principles.

LYLE TILLEY DAVIDSON  
Chartered Accountants

Halifax, Nova Scotia  
March 27, 2003

**NOVA SCOTIA PUBLIC SERVICE  
LONG TERM DISABILITY PLAN TRUST FUND**

**Balance Sheet  
as at December 31, 2002**

	<b>2002</b>	<b>2001</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash .....	\$ 2,179,872	\$ 145,872
Accounts receivable - premiums .....	1,810,025	1,168,860
- EI premium rebates .....	44,829	349,293
- C.P.P. rebates .....	156,993	92,053
- WCB repayments .....	15,072	129,984
- Subrogation recoveries .....	19,000	---
Investments (note 4) .....	<u>23,354,764</u>	<u>26,358,332</u>
	27,580,555	28,244,394
<b>CAPITAL ASSETS (note 5) .....</b>	<u>20,997</u>	<u>26,693</u>
	<u>\$ 27,601,552</u>	<u>\$ 28,271,087</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable - Province of Nova Scotia .....	\$ 1,346,057	\$ 1,464,826
- other .....	<u>262,474</u>	<u>132,656</u>
	1,608,531	1,597,482
<b>FUND EQUITY</b>		
<b>FUND EQUITY .....</b>	<u>25,993,021</u>	<u>26,673,605</u>
	<u>\$ 27,601,552</u>	<u>\$ 28,271,087</u>

**NOVA SCOTIA PUBLIC SERVICE  
LONG TERM DISABILITY PLAN TRUST FUND**

**Statement of Continuity of Fund Equity  
for the year ended December 31, 2002**

	<b>2002</b>	<b>2001</b>
<b>FUND INCREASES</b>		
Premiums (note 6) . . . . .	\$ 15,094,927	\$ 10,320,876
EI premium rebates . . . . .	925,995	1,121,549
	<u>16,020,922</u>	<u>11,442,425</u>
<b>FUND DECREASES</b>		
Actuarial . . . . .	51,533	97,429
Audit and accounting . . . . .	21,108	22,928
Disability claims . . . . .	13,465,181	12,814,660
- CPP recoveries . . . . .	(463,717)	(318,874)
- Subrogation recoveries . . . . .	(119,005)	(185,143)
- WCB recoveries . . . . .	(205,994)	(162,236)
Investment custodian . . . . .	28,404	32,516
Investment manager . . . . .	58,414	61,276
Legal - subrogation . . . . .	43,485	29,489
- other . . . . .	24,661	21,376
Office and sundry (note 7) . . . . .	444,103	363,015
Plan administration services . . . . .	545,871	438,067
Rehabilitation program . . . . .	371,499	261,651
	<u>14,265,543</u>	<u>13,476,154</u>
<b>INCREASE (DECREASE) IN FUND EQUITY BEFORE INVESTMENT LOSS DURING THE YEAR . . . . .</b>	<b>1,755,379</b>	<b>(2,033,729)</b>
<b>INVESTMENT LOSS . . . . .</b>	<b>(2,435,963)</b>	<b>(1,203,254)</b>
<b>DECREASE IN FUND EQUITY DURING THE YEAR . . . . .</b>	<b>(680,584)</b>	<b>(3,236,983)</b>
<b>FUND EQUITY - BEGINNING OF YEAR . . . . .</b>	<b>26,673,605</b>	<b>29,910,588</b>
<b>FUND EQUITY - END OF YEAR . . . . .</b>	<b>\$ 25,993,021</b>	<b>\$ 26,673,605</b>

**NOVA SCOTIA PUBLIC SERVICE  
LONG TERM DISABILITY PLAN TRUST FUND**

**Statement of Cash Flow  
for the year ended December 31, 2002**

	<b>2002</b>	<b>2001</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Decrease in fund equity for the year . . . . .	\$ (680,584)	\$ (3,236,983)
Adjustments for:		
Amortization . . . . .	8,416	6,415
Loss on sale of investments . . . . .	<u>3,298,076</u>	<u>2,024,609</u>
	2,625,908	(1,205,959)
 Changes in non-cash working capital		
Accounts receivable		
- premiums . . . . .	(641,165)	(28,876)
- EI premium rebates . . . . .	304,464	(279,647)
- CPP rebates . . . . .	(64,940)	(22,528)
- WCB repayments . . . . .	114,912	(101,561)
- Subrogation recoveries . . . . .	(19,000)	91,397
Accounts payable		
- Province of Nova Scotia . . . . .	(118,770)	44,941
- Other . . . . .	129,818	(51,557)
Deferred revenue . . . . .	---	(30,411)
	<u>2,331,227</u>	<u>(1,584,201)</u>
 <b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Purchase of capital assets . . . . .	(2,720)	(24,667)
Purchase of investments . . . . .	(16,107,236)	(29,830,752)
Proceeds from sale of investments . . . . .	<u>15,812,729</u>	<u>31,338,572</u>
	<u>(297,227)</u>	<u>1,483,153</u>
 <b>INCREASE (DECREASE) IN CASH DURING THE YEAR . . . . .</b>	 2,034,000	 (101,048)
<b>CASH - BEGINNING OF YEAR . . . . .</b>	145,872	246,920
<b>CASH - END OF YEAR . . . . .</b>	<u>\$ 2,179,872</u>	<u>\$ 145,872</u>

**NOVA SCOTIA PUBLIC SERVICE  
LONG TERM DISABILITY PLAN TRUST FUND**

**Notes to Financial Statements  
for the year ended December 31, 2002**

**1. AUTHORITY AND ACTIVITIES**

The fund was established to provide a long term disability plan for the employees of the Province of Nova Scotia and such other employee groups as approved by the trustees.

**2. EFFECTIVE DATES**

The plan was established by Order in Council dated September 26, 1985.

The trust was established by Agreement and Declaration of Trust dated December 23, 1985.

Claimants' benefits became effective May 1, 1985 for employees who, at that time, met prescribed eligibility requirements.

**3. ACCOUNTING POLICIES**

**Financial instruments**

The fund's financial instruments consist of cash, accounts receivable, investments and accounts payable. Unless otherwise noted, it is management's opinion that the fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**Disability claims**

Disability claims are recorded only for the qualifying disability periods to the date of the financial statements and no liabilities are recorded for future claim periods.

**Marketable securities**

Marketable securities are stated at market value.

**Amortization of capital assets**

The fund records amortization of the capital assets at the annual rate of 30% using the declining balance method. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the fund's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

**4. INVESTMENTS**

Investments include marketable securities, accrued interest thereon and the custodian's account balance. The investments as at December 31, 2002 are recorded at market value of \$23,354,764 (cost - \$23,927,041) and at December 31, 2001 were recorded at market value of \$26,358,332 (cost - \$24,225,974).

**5. CAPITAL ASSETS**

	<u>2002</u>		<u>2001</u>	
	Cost	Accumulated amortization	Net	Net
Computer and office equipment . . . . .	\$ 46,558	\$ 28,804	\$ 17,754	\$ 22,786
Software . . . . .	5,194	1,951	3,243	3,907
	<u>\$ 51,752</u>	<u>\$ 30,755</u>	<u>\$ 20,997</u>	<u>\$ 26,693</u>

**6. PREMIUMS**

	<u>2002</u>	<u>2001</u>
Atlantic Provinces Special Education Authority Centres . . . . .	\$ 59,611	\$ 40,088
Capital District Health Authority . . . . .	3,435,895	2,156,999
Correctional officers . . . . .	246,532	190,992
Department of Transportation . . . . .	748,551	562,887
District Health Authority 3 . . . . .	86,142	64,083
District Health Authorities 4, 5 and 6 . . . . .	18,433	67,813
District Health Authorities 7 and 8 . . . . .	17,227	108,479
Nova Scotia Community College . . . . .	697,830	443,897
Nova Scotia Government Employees Union . . . . .	66,204	45,559
Nova Scotia Legal Aid . . . . .	200,015	126,621
Nova Scotia Utility and Review Board . . . . .	34,094	23,599
Other . . . . .	34,605	24,617
Province of Nova Scotia Employees . . . . .	9,449,788	6,465,242
	<u>\$ 15,094,927</u>	<u>\$ 10,320,876</u>

**7. OFFICE AND SUNDRY**

	<u>2002</u>	<u>2001</u>
Amortization . . . . .	\$ 8,416	6,415
Equipment rentals . . . . .	1,184	2,202
Miscellaneous . . . . .	74,463	38,913
Rent and taxes . . . . .	64,096	47,483
Salaries and benefits . . . . .	231,373	201,753
Supplies and postage . . . . .	26,904	30,470
Telephone . . . . .	6,325	6,087
Professional development . . . . .	29,364	28,117
Vehicle allowance and travel . . . . .	1,978	1,575
	<u>\$ 444,103</u>	<u>\$ 363,015</u>

**8. ACTUARIAL VALUATION**

The last actuarial valuation was completed as at March 31, 2001, which projected the present value of the fund liabilities for reported and estimated incurred but unreported claims to be \$74,140,000. The actuarial value of the fund assets as at March 31, 2001 was \$27,838,000, leaving an unfunded actuarial liability of \$46,302,000.

## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and  
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Public Service Superannuation Fund as at March 31, 2003 and the statement of changes of 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 net of deficiency of the fund as at March 31, 2003 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

E. Roy Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
May 23, 2003

**NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND**

**Statement of Net Assets Available for Benefits  
and Accrued Pension Benefits Net of Deficiency  
as at March 31, 2003**

**2003                  2002**  
(in thousands)

**NET ASSETS AVAILABLE FOR BENEFITS**

**Assets**

Investments (Note 3) . . . . .	\$	2,518,904	\$	2,923,397
Contributions receivable				
Employees' . . . . .		2,221		1,862
Employers' . . . . .		2,772		2,039
Accrued income . . . . .		24,075		23,923
Net investment transactions outstanding . . . . .		23,475		11,800
Cash . . . . .		598		560
<b>Total Assets . . . . .</b>		<u>2,572,045</u>		<u>2,963,581</u>

**Liabilities**

Accounts payable . . . . .		16,515		16,540
<b>Total liabilities . . . . .</b>		<u>16,515</u>		<u>16,540</u>

**Net assets available for benefits . . . . .**                  2,555,530                  2,947,041

Actuarial asset value adjustment (Note 4) . . . . .		749		955
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**Actuarial value of net assets available for benefits . . . . .** \$ 2,556,279 \$ 2,947,996

**ACCRUED PENSION BENEFITS NET OF DEFICIENCY**

Accrued pension benefits . . . . .	\$	3,318,275	\$	3,128,720
Deficiency (Note 5) . . . . .		(761,996)		(180,724)
<b>Accrued pension benefits net of deficiency . . . . .</b>		<u>2,556,279</u>		<u>2,947,996</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, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>Increase (Decrease) in Assets</b>		
Investment activities (Note 3) . . . . .	\$ ---	\$ 127,078
Contributions		
Employers' - matched . . . . .	36,938	34,070
Employees' - matched . . . . .	36,938	34,070
Employees' - unmatched . . . . .	2,045	301
Interest on the purchase of prior years' service . . . . .	1,003	1,391
Transfers from other pension plans . . . . .	4,068	4,788
	<u>80,992</u>	<u>74,620</u>
Total increase in assets . . . . .	<u>80,992</u>	<u>201,698</u>
<b>Decrease In Assets</b>		
Investment activities (Note 3) . . . . .	304,838	---
Benefits paid . . . . .	149,127	143,061
Operating expenses (Note 6) . . . . .	7,101	7,486
Refund of contributions and interest and transfers to other pension plans . . . . .	11,437	17,861
Total decrease in assets . . . . .	<u>472,503</u>	<u>168,408</u>
<b>Decrease (Increase) in Net Assets . . . . .</b>	<b>(391,511)</b>	<b>33,290</b>
<b>Net Assets Available for Benefits</b>		
<b>at Beginning of Year . . . . .</b>	<u>2,947,041</u>	<u>2,913,751</u>
<b>Net Assets Available for Benefits</b>		
<b>at End of Year . . . . .</b>	<u>\$ 2,555,530</u>	<u>\$ 2,947,041</u>

See accompanying notes to financial statements.

**Notes to the Financial Statements**  
**March 31, 2003**

**1. Authority and Description of Plan**

The Public Service Superannuation Fund (the "Fund") was established by the Public Service Superannuation Act (the "Act"). It is the funding vehicle for the Public Service Superannuation Plan (the "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.

The following description is a summary only. For more complete information, reference should be made to the Plan Agreements.

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" ;
- age 55 with two years of service (reduced pension);
- 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 \$15.9 million for the year ended March 31, 2003 (2002 - \$15.8 million).

**2. Summary of Significant Accounting Policies****(a) Basis of Presentation**

These financial statements are prepared on the going-concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the benefits in pay. These financial statements are prepared in accordance with Canadian 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 trade 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 current period change in market value of investments.

**(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 at year end are recorded at market value with the resulting gains or losses being recognized in current period change in market value of investments.
- (iii) Investments include debentures of the Province of Nova Scotia with total market value of \$41.8 million (1.6% of total assets) as at March 31, 2003 (\$44.2 million (1.5% of total assets) as at March 31, 2002).

**(d) Actuarial Value of Net Assets Available for Benefits**

The Fund values assets using a technique known as "Actuarial Smoothing", whereby the actuarial asset values are adjusted to reflect the portion of investment gains or losses (relative to actuarial assumptions) not yet recognized for purposes of determining the net assets available for benefits. The adjustment is based on the difference between the market value of assets and what the market value would have been if the Fund had earned the assumed rate of return, and is amortized over the current year and the following two years. This adjustment is subject to the condition that the actuarial asset value will not be greater than the fair market value of investments.

**3. 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 employers. 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 effect of derivative contracts**

	As at <u>March 31, 2003</u>		For the <u>Year</u>	As at <u>March 31, 2002</u>		For the <u>Year</u>
	Asset	%	Income (Loss) *	Asset	%	Income (Loss) *
	(in thousands)					
Money market . .	\$ 230,207	9.2%	\$ 5,396	\$ 234,636	8.0%	\$ 8,374
Real Estate						
- Canadian . . .	36,001	1.4%	1,140	---	---	---
Fixed income . .	964,767	38.3%	102,928	1,057,207	36.2%	57,721
Equities						
- Canadian . . .	713,236	28.3%	(127,643)	832,435	28.5%	73,045
- US . . . . .	402,586	16.0%	(161,358)	544,789	18.6%	3,686
- Other foreign . . . . .	176,080	7.0%	(88,362)	252,246	8.6%	(14,321)
Derivatives . . . .	(3,973)	(0.2%)	(36,959)	2,084	0.1%	(1,489)
Other . . . . .	---	---	20	---	---	62
	<u>\$ 2,518,904</u>	<u>100.0%</u>	<u>\$ (304,838)</u>	<u>\$ 2,923,397</u>	<u>100.0%</u>	<u>\$ 127,078</u>

\* Includes realized losses of \$42.1 million (\$25.4 million - 2002) and unrealized losses of \$321.5 million (gains of \$69.6 million - 2002).

**(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.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at March 31, 2003. Notional amounts of derivative contracts represent the volume of outstanding transactions and 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)		
\$ 53,727	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	\$ 412
13,977	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	(417)
35,908	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	(2,428)
53,918	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	(1,540)
<u>\$ 157,530</u>					<u>\$ (3,973)</u>

**(c) Market value of investments and related income after allocating the effects of derivative contracts:**

	As at <u>March 31, 2003</u>		For the <u>Year</u>	As at <u>March 31, 2002</u>		For the <u>Year</u>
	Asset	%	Income (Loss) *	Asset	%	Income (Loss) *
			(in thousands)			
Money market.. \$	72,278	2.9%	\$ 1,558	\$ 43,656	1.5%	\$ 3,225
Real Estate						
- Canadian ...	36,001	1.4%	1,140	---	---	---
Fixed income... \$	964,767	38.3%	102,928	1,057,207	36.2%	57,721
Equities						
- Canadian ...	867,192	34.4%	(160,764)	1,025,499	35.1%	76,705
- US .....	402,586	16.0%	(161,358)	544,789	18.6%	3,686
- Other foreign .....	176,080	7.0%	(88,362)	252,246	8.6%	(14,321)
Other .....	---	---	20	---	---	62
	<u>\$ 2,518,904</u>	100.0%	<u>\$ (304,838)</u>	<u>\$ 2,923,397</u>	100.0%	<u>\$ 127,078</u>

\* Includes realized losses of \$42.1 million (\$25.4 million - 2002) and unrealized losses of \$321.5 million (gains of \$69.6 million - 2002).

**(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.

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 an asset mix policy 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, 2003 the \$964.8 million fixed income securities had a modified duration of 6.0 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 6.00 %.

**(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.

<b>Currency</b>	<b>March 31, 2003</b>	<b>March 31, 2002</b>
	(in thousands)	
Canada . . . . .	\$ 1,958,473	\$ 2,143,363
Eurozone . . . . .	42,447	63,021
Japan . . . . .	26,432	26,894
United Kingdom . . . . .	37,000	40,101
United States . . . . .	430,791	581,011
Other . . . . .	48,434	93,490
Total . . . . .	<u>\$ 2,543,577</u>	<u>\$ 2,947,880</u>

**4. Actuarial Asset Value Adjustment**

The actuarial asset value adjustment is comprised of the following:

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Service Buy-back Receivable . . . . .	<u>\$ 749</u>	<u>\$ 955</u>

**(a) Unamortized Investment Gains and Losses**

The net assets available for benefits is subject to an actuarial asset value adjustment which moderates the effects of market volatility on investment value. The adjustment is based on the difference between the market value of assets and what the market value would have been if the Fund had earned the assumed rate of return, and is amortized over the current year and the following two years. The actuarial asset value adjustment reflects the portion of investment gains or losses (relative to actuarial assumptions) not yet recognized for purposes of determining the net assets available for benefits. This adjustment is subject to the condition that the actuarial asset value will not be greater than the fair market value of investments.

**(b) Service Buy-back Receivable**

This receivable 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 Fund are carried out annually 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. The Plan's consulting actuaries, Morneau Sobeco performed a valuation as at December 31, 2002 and issued their report in May 2003. The report indicated that the Plan had an unfunded liability of \$587.0 million (December 31, 2001 - \$130.5 million). A projection to March 31, 2003, applying the same assumptions, indicated an unfunded liability of \$762.0 million (March 31, 2002 - \$180.7 million).

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 actuaries have used the unit credit method of determining the current cost and actuarial liability. The major economic and demographic assumptions used in the last valuation are as follows:

	<b>Valuation December 31, 2002</b>	<b>Valuation December 31, 2001</b>
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.5% based on 5 year age bands	0.5% per annum real plus merit ranging from 0.0% to 2.5% based on 5 year age bands
Real Rate of Return on Investment	4.25% per annum	4.25% per annum
Average Retirement Age	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA	1994 Group Annuity Mortality Table projected to 2000 using scale AA

The impact of the change in major actuarial assumptions and methodology used for December 31, 2002 as compared to December 31, 2001:

The assumed retirement age for members on Long Term Disability ("LTD") whose date of disability was after May 1, 2002 was changed to the earlier of age 60 or the age at which they attained 35 years of service. At the last valuation, all members on LTD were assumed to retire at the earlier of age 65 or the age at which they attained 35 years of service. This change increased Plan liabilities by \$1.1 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:

	2003	2002
	(in thousands)	
<b>Plan Administration</b>		
Professional services .....	171	178
Salaries .....	720	657
Supplies and services .....	416	538
Travel .....	7	7
Other .....	84	77
	<u>\$ 1,398</u>	<u>\$ 1,457</u>
 <b>Investment Expenses</b>		
Investment management fees .....	5,185	5,556
Professional services .....	29	31
Salaries .....	356	311
Supplies and services .....	72	70
Travel .....	22	18
Other .....	39	43
	<u>5,703</u>	<u>6,029</u>
Total Operating Expenses .....	<u>\$ 7,101</u>	<u>\$ 7,486</u>

## AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Nova Scotia Resources Limited as at December 31, 2002, and the consolidated statements of operations and deficit 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 Canadian 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, 2002, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP  
Chartered Accountants

Halifax, Canada  
April 25, 2003



**NOVA SCOTIA RESOURCES LIMITED**

**Consolidated Balance Sheet  
December 31, 2002, with comparative figures for 2001**

**ASSETS**

	<b>2002</b>	<b>2001</b>
		(in thousands)
Oil and gas properties (note 2) . . . . .	\$ 1,595	\$ 5,332
Cash and short-term investments . . . . .	2	13,626
Receivables and other assets (note 3) . . . . .	12,318	118
Income taxes receivable . . . . .	954	882
	<u>\$ 14,869</u>	<u>\$ 19,958</u>

**LIABILITIES and SHAREHOLDER'S EQUITY**

Provision for site restoration (note 4) . . . . .	\$ 11,832	\$ 11,832
Payables and accruals . . . . .	824	1,908
Due to Province of Nova Scotia . . . . .	422	4,855
	<u>13,078</u>	<u>18,595</u>
 Shareholder's equity:		
Capital stock:		
Authorized: 40,000 common shares without par value		
Issued and outstanding: 3 common shares . . . . .	1	1
Contributed surplus (note 5). . . . .	401,442	401,442
Deficit . . . . .	(399,652)	(400,080)
	<u>1,791</u>	<u>1,363</u>
	<u>\$ 14,869</u>	<u>\$ 19,958</u>

See accompanying notes to financial statements.

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Operations and Deficit  
Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
	(in thousands)	
<b>Revenue:</b>		
Oil and gas revenue . . . . .	\$ 1,729	\$ 68,057
Royalties . . . . .	163	171
	<u>1,566</u>	<u>67,886</u>
Government funding and sundry income . . . . .	337	1,955
	<u>1,903</u>	<u>69,841</u>
<b>Expenses:</b>		
Transportation . . . . .	---	11,491
Production . . . . .	748	6,065
General and administrative . . . . .	424	1,007
Depreciation and depletion . . . . .	448	10,118
	<u>1,620</u>	<u>28,681</u>
Earnings before financing cost, income taxes and other . . . . .	283	41,160
Interest income . . . . .	(259)	(811)
Foreign exchange loss (gain) . . . . .	8	(890)
Earnings before the undernoted . . . . .	<u>534</u>	<u>42,861</u>
Gain (loss) on sale of oil and gas and other properties (note 2) . . . . .	(106)	160,650
Net earnings . . . . .	<u>428</u>	<u>203,511</u>
Deficit, beginning of year . . . . .	<u>(400,080)</u>	<u>(603,591)</u>
<b>Deficit, end of year . . . . .</b>	<b><u><u>\$ (399,652)</u></u></b>	<b><u><u>\$ (400,080)</u></u></b>

See accompanying notes to financial statements

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Cash Flows  
year ended December 31, 2002 with comparative figures for 2001

	2002	2001
	(in thousands)	
Cash derived from (applied to):		
<b>Operating:</b>		
Net earnings . . . . .	\$ 428	\$ 203,511
Items not involving cash:		
Depreciation and depletion . . . . .	448	10,118
Loss (gain) on sale of oil and gas and other properties . . . . .	106	(160,650)
	<u>982</u>	<u>52,979</u>
Changes in non-cash operating working capital items:		
Receivables and other assets . . . . .	(12,200)	14,373
Payables and accruals . . . . .	(1,084)	(9,403)
Due to Province of Nova Scotia . . . . .	(4,433)	1,445
Income tax credits receivable . . . . .	---	71
Income tax receivable . . . . .	(72)	(882)
	<u>(16,807)</u>	<u>58,583</u>
<b>Financing:</b>		
Contributed surplus repaid to shareholder . . . . .	---	(394,958)
<b>Investing:</b>		
Expenditures on oil and gas properties . . . . .	(154)	(7,463)
Decrease in provision for site restoration . . . . .	---	(1,071)
Recovery of expenditures for site restoration . . . . .	---	39
Proceeds from disposal of oil and gas and other properties . . . . .	3,337	340,550
	<u>3,183</u>	<u>332,055</u>
Decrease in cash . . . . .	(13,624)	(4,320)
Cash and short-term investments, beginning of year . . . . .	13,626	17,946
Cash and short-term investments, end of year . . . . .	<u>\$ 2</u>	<u>\$ 13,626</u>

Supplemental cash flow information (note 6)

See accompanying notes to financial statements.

**NOVA SCOTIA RESOURCES LIMITED**

**Notes to Consolidated Financial Statements  
year ended December 31, 2002**

**1. Significant accounting policies:**

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Substantially all of the Company's activities were 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 accounting guideline on full cost accounting.

Under this method, all costs associated with the acquisition, exploration and development of 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) Provision for site restoration:

The provision for future removal and site restoration costs for the Cohasset/Panuke project is based on current estimates and has been fully charged against income as part of depletion expense.

(d) Measurement uncertainty:

The amounts recorded for depletion and site restoration are based on estimates of reserves and future costs. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

(e) Revenue recognition:

Revenue from the oil and gas production is recorded at current sales prices once the product is delivered.

**2. Oil and gas properties:**

The Company has the following interest in gas fields and other interests:

	<b>Cost</b>	<b>Accumulated depletion</b>	<b>2002 Net Book value</b>	<b>2001 Net Book value</b>
		(in thousands)		
SDL evaluations				
-Scotian Shelf . . . . .	\$ 1,595	\$ ---	\$ 1,595	\$ 1,561
British Columbia property . . . . .	---	---	---	3,771
	<u>\$ 1,595</u>	<u>\$ ---</u>	<u>\$ 1,595</u>	<u>\$ 5,332</u>

In applying the ceiling test to its oil and gas reserves, the Company used forecasted commodity prices at December 31, 2002 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.

During 2002, the Company sold its interest in the British Columbia property resulting in a loss disposition of \$100,724. The Company realized approximately \$4,142,984 related to the sale of these assets, comprised of closing proceeds of \$3,341,963 plus an operating income stream of \$801,021, which was retained by the Company from the effective sale date January 1, 2002 to the closing date October 29, 2002.

In addition to the above noted income stream, the company also realized a profit of \$1,000,000 on this investment in 2001.

**3. Receivables and other assets:**

	<b>2002</b>	<b>2001</b>
		(in thousands)
Accounts receivable, trade .....	\$ 276	\$ ---
Prepaid expenses .....	131	93
Receivable - 3052155 NS Limited, wholly-owned Crown Corporation of the Province of Nova Scotia .....	11,901	---
Other assets .....	10	25
	<u>\$ 12,318</u>	<u>\$ 118</u>

**4. Provision for site restoration - measurement uncertainty:**

The provision for site restoration as at December 31, is comprised as follows:

	<b>2002</b>	<b>2001</b>
		(in thousands)
Cohasset/Panuke Project .....	<u>\$ 11,832</u>	<u>\$ 11,832</u>

The Cohasset/Panuke Project ceased producing oil in 1999. The joint venture partner in the project has been evaluating deeper hydrocarbon potential in the area and site restoration has thus been delayed.

The carrying value of the provision for remaining site restoration costs for the Cohasset/Panuke Project is based on abandonment studies conducted by independent third parties. The actual abandonment 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 remediation option currently being considered has been estimated to range between \$9 million and \$13 million. The joint venture partner continues to evaluate abandonment options for use of the off-shore facilities, which may reduce or defer the restoration liability.

As evidence of financial responsibility regarding the abandonment of the Cohasset/Panuke Project, the Company has issued a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board in the amount of \$17.5 million. This note is guaranteed by the Province of Nova Scotia.

**5. Contributed surplus:**

On November 17, 2000, the Province of Nova Scotia (the shareholder), by Order in Council, forgave all of the Company's outstanding debt owed to the Province of Nova Scotia. This amount, less return of surplus funds, was recorded as contributed surplus.

During 2001, contributed surplus of \$394,958,000 was returned to the shareholder.

**6. Supplemental cash flow information:**

	2002	2001
	(in thousands of dollars)	
Cash paid for:		
Interest . . . . .	3	263
Income taxes . . . . .	---	882
Cash received:		
Interest . . . . .	262	1,074
Income taxes . . . . .	---	71

**7. Financial instruments - fair values:**

The fair value of the Company's receivables and other assets, cash and short-term investments, and payables and accruals approximate their carrying amounts due to the relatively short periods to maturity of these instruments.

**8. 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 \$135 million (2001 - \$133 million ) of deductions available to reduce future taxable income. The Company also has approximately \$9 million (2001 - \$21 million) of federal tax credits available to reduce future income taxes payable. The tax benefit related to the deductions and credits have not been recognized in these financial statements.

## AUDITOR'S REPORT

To the Chairperson and Members of the  
Nova Scotia Talent Trust

I have examined the statements of financial position of the Nova Scotia Talent Trust Operating Fund and Investment Fund as at March 31, 2003 and the statements of revenue, 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 in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many similar organizations, the Trust derives revenue from fund raising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue 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 revenue, (deficiency) excess of revenue 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 revenue 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, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R.Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
May 23, 2003

**NOVA SCOTIA TALENT TRUST**

**Operating Fund Balance Sheet  
as at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash .....	\$ 3,964	\$ 5,346
Prepaid expenses (Note 2) .....	3,877	---
Due from Investment Fund .....	<u>302</u>	<u>302</u>
<b>Total Assets</b> .....	<u>\$ 8,143</u>	<u>\$ 5,648</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable .....	\$ 430	---
Deferred revenue (Note 3) .....	<u>450</u>	<u>---</u>
<b>Total Liabilities</b> .....	<u>\$ 880</u>	<u>---</u>
<b>FUND BALANCE</b>		
Fund Balance - unappropriated .....	<u>7,263</u>	<u>5,648</u>
<b>Total Liabilities and Fund Balances</b> .....	<u><u>\$ 8,143</u></u>	<u><u>\$ 5,648</u></u>

**Investment Fund Balance Sheet  
as at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Short-term investments (Note 4) .....	\$ 49,856	\$ 49,008
<b>Total Assets</b> .....	<u><u>\$ 49,856</u></u>	<u><u>\$ 49,008</u></u>
<b>LIABILITIES</b>		
Due to Operating Fund .....	\$ 302	\$ 302
<b>FUND BALANCE</b>		
Fund Balance - appropriated .....	<u>49,554</u>	<u>48,706</u>
<b>Total Liabilities and Fund Balances</b> .....	<u><u>\$ 49,856</u></u>	<u><u>\$ 49,008</u></u>



**NOVA SCOTIA TALENT TRUST**

**Operating Fund  
Statement of Revenues, Expenses and Fund Balance  
for the Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Grant - Province of Nova Scotia . . . . .	\$ 50,000	\$ 45,000
Fund raising activities (donations) . . . . .	7,760	14,538
Interest income . . . . .	28	16
	<u>57,788</u>	<u>59,554</u>
<b>Expenses</b>		
Talent Trust grants . . . . .	52,750	52,535
Administration expenses (Note 5) . . . . .	3,423	3,354
	<u>56,173</u>	<u>55,889</u>
<b>(Deficiency) Excess of revenue over expenses . . . . .</b>	1,615	3,665
<b>Fund Balance, beginning of period . . . . .</b>	5,648	1,983
<b>Fund Balance, end of period . . . . .</b>	<u>\$ 7,263</u>	<u>\$ 5,648</u>

**Investment Fund  
Statement of Revenues, Expenses and Fund Balance  
for the Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Interest earned - investment fund . . . . .	\$ 848	\$ 1,315
<b>Expenses . . . . .</b>	<u>---</u>	<u>---</u>
<b>Excess of revenue over expenses . . . . .</b>	848	1,315
<b>Fund Balance, beginning of period . . . . .</b>	<u>48,706</u>	<u>47,391</u>
<b>Fund Balance, end of period . . . . .</b>	<u>\$ 49,554</u>	<u>\$ 48,706</u>

# NOVA SCOTIA TALENT TRUST

## Notes to Financial Statements March 31, 2003

### 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. Prepaid Expenses

Prepaid expenses in the operating fund of \$3,877 represent expenses incurred for an event occurring in 2003-04.

### 3. Deferred Revenue

Deferred revenue in the operating fund of \$450 represents the unearned portion of amounts received for an event occurring in 2003-04.

### 4. Investments

Short-term investments are recorded at the lower of cost and market value. Investments consist of three Royal Bank Mutual Funds - Royal Canadian Money Market, Royal Balanced Fund and Royal Canadian T-Bill Fund. The market value of these investments as at March 31, 2003 was \$49,988.

### 5. Administrative Expenses

These financial statements do not reflect administrative expenses incurred by the Provincial Department of Tourism and Culture on behalf of the Trust.

### 6. Statement of Cash Flow

A Statement of Cash Flow is not provided as disclosure in the balance sheets and statements of revenues, expenses and fund balance is considered adequate.

### 7. Economic Dependence

Nova Scotia Talent Trust is economically dependent upon the Province of Nova Scotia through the Department of Tourism and Culture. The Department provides the Trust with grants which account for 85% of the Trust's revenues. These grants are needed to cover the Trust's annual scholarship disbursements.

## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and  
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits net of deficiency of the Nova Scotia Teachers' Pension Fund as at December 31, 2002 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 net of deficiency of the Fund as at December 31, 2002 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia  
May 23, 2003

E. Roy Salmon, FCA  
Auditor General

**NOVA SCOTIA TEACHERS' PENSION FUND**

**Statement of Net Assets Available for Benefits  
and Accrued Pension Benefits Net of Deficiency  
as at December 31, 2002**

	<b>2002</b>	<b>2001</b>
	(in thousands)	
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		
<b>Assets</b>		
Investments (Note 4) . . . . .	\$ 3,230,736	\$ 3,437,725
Receivable from the Province of Nova Scotia (Note 1) . . . . .	84,376	171,430
Contributions receivable		
Employees' . . . . .	1,564	1,378
Employers' . . . . .	4,137	3,907
Net investment transactions outstanding . . . . .	30,095	
Accrued income . . . . .	20,956	19,977
Cash . . . . .	<u>1,092</u>	<u>1,301</u>
Total assets . . . . .	<u>3,372,956</u>	<u>3,635,718</u>
<b>Liabilities</b>		
Net investment transactions outstanding . . . . .	---	16,090
Accounts payable . . . . .	<u>22,244</u>	<u>20,910</u>
Total liabilities . . . . .	<u>22,244</u>	<u>37,000</u>
<b>Net assets available for benefits . . . . .</b>	<b>3,350,712</b>	<b>3,598,718</b>
Actuarial asset value adjustment (Note 5) . . . . .	<u>14,043</u>	<u>30,657</u>
<b>Actuarial value of net assets available for benefits . . . . .</b>	<b>\$ <u>3,364,755</u></b>	<b>\$ <u>3,629,375</u></b>
<b>ACCRUED PENSION BENEFITS AND DEFICIENCY</b>		
Accrued pension benefits (Note 6) . . . . .	\$ 4,380,224	\$ 4,197,692
Deficiency (Note 6) . . . . .	<u>(1,015,469)</u>	<u>(568,317)</u>
<b>Accrued pension benefits and deficiency . . . . .</b>	<b>\$ <u>3,364,755</u></b>	<b>\$ <u>3,629,375</u></b>

See accompanying notes to financial statements.

**NOVA SCOTIA TEACHERS' PENSION FUND**

**Statement of Changes in Net Assets Available for Benefits  
for year ended December 31, 2002**

	<b>2002</b>	<b>2001</b>
	(in thousands)	
<b>Increase In Assets</b>		
Interest on receivable from Province of Nova Scotia . . . . .	\$ 8,787	\$ 12,555
<b>Contributions</b>		
Employers' - matched . . . . .	50,437	50,601
Employees' - matched . . . . .	50,437	50,601
Employers' - unmatched - Province . . . . .	18,058	16,798
Employees' - unmatched . . . . .	1,934	2,617
Transfers from other pension plans . . . . .	1,723	983
	<u>122,589</u>	<u>121,600</u>
Total increase in assets . . . . .	<u>131,376</u>	<u>134,155</u>
<b>Decrease In Assets</b>		
Investment activities (Note 4) . . . . .	162,120	73,008
Benefits paid . . . . .	207,158	193,934
Operating expenses (Note 7) . . . . .	7,877	7,806
Refund of contributions and interest and transfers to other pension plans . . . . .	2,227	2,536
Total decrease in assets . . . . .	<u>379,382</u>	<u>277,284</u>
<b>Decrease in Net Assets</b> . . . . .	(248,006)	(143,129)
<b>Net Assets Available for Benefits at</b>		
<b>Beginning of Year</b> . . . . .	<u>3,598,718</u>	<u>3,741,847</u>
<b>Net Assets Available for Benefits at</b>		
<b>End of Year</b> . . . . .	<u>\$ 3,350,712</u>	<u>\$ 3,598,718</u>

See accompanying notes to financial statements.

# NOVA SCOTIA TEACHERS' PENSION FUND

## Notes to the Financial Statements December 31, 2002

### 1. Authority and Description of Plan

The Teachers' Pension Fund (the "Fund") was established by the Teachers' Pension Act (the "Act"). It is the funding vehicle for the Teachers' Pension Plan (the "Plan"), a pension plan which covers public school and community college teachers. The detailed provisions of the Plan, including pension eligibility criteria and benefit formula are also contained in the Act and in the Regulations made under the Act.

The following description is a summary only. For more complete information, reference should be made to the Plan Agreements.

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 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 Consumer 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 50 with 30 years of service (reduced pension);
- 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. Each employing school board was required to pay into the Plan an amount in respect of each eligible teacher in the employ of the school board who retired in accordance with these regulations. This receivable is repayable over 8 years and bears interest at 8%. At December 31, 2002 the balance outstanding was \$84.4 million (December 31, 2001 - \$171.4 million). Order-in-Council 2002-181 dated April 26, 2002 transferred responsibility for making these payments from the school boards to the Province.

### 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. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance with respect to the pension benefits in pay. These financial statements are prepared in accordance with Canadian 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 transaction. 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 current period change in market value of investments.

**(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 current period change in market value of investments.
- (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 \$65.3 million (1.9% of total assets) as at December 31, 2002 (\$65.6 million (1.8% of total assets) as at December 31, 2001).

**3. Agreement to Address Unfunded Liability**

On November 25, 1993, the 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 Plan.

As part of this agreement the Province agreed to pay \$300 million into the Fund. By July 18, 1997 the Province had paid the amount in full.

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 (note 5).

**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.

	As at December 31, 2002		For the Year Income *	As at December 31, 2001		For the Year Income *
	Assets	%		Assets	%	
			(Loss)			(Loss)
			(in thousands)			
Money market. \$	276,780	8.6%	\$ 5,079	\$ 287,494	8.4%	\$ 12,125
Fixed income. .	1,229,884	38.1%	124,021	1,292,418	37.6%	97,686
Real Estate						
- Canadian . .	35,409	1.1%	465	---	---	---
Equities						
- Canadian . .	898,299	27.8%	(75,239)	922,947	26.8%	(67,482)
- US . . . . .	530,382	16.4%	(120,005)	617,513	18.0%	(23,168)
- Other foreign . . . . .	253,346	7.8%	(63,321)	302,413	8.8%	(64,696)
Derivatives . . .	6,636	0.2%	(33,146)	14,940	0.4%	(27,533)
Other . . . . .	---	---	26	---	---	60
	<u>\$ 3,230,736</u>	<u>100.0%</u>	<u>\$ (162,120)</u>	<u>\$ 3,437,725</u>	<u>100.0%</u>	<u>\$ (73,008)</u>

\* Includes realized losses of \$14.1 million (\$25.2 million - 2001) and unrealized losses of \$231.8 million (\$122.4 million - 2001).

**(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.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at December 31, 2002. Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined. These contracts are dominated in Canadian dollars and are reset quarterly.

Notional Principal	Original Term	Credit Rating of Counter- party	Equity Index	BA Index	Market Value
\$ 14,349	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	\$ 393
55,355	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	(567)
45,058	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	2,532
63,943	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	4,278
<u>\$ 178,705</u>					<u>\$ 6,636</u>



**(c) Market value of investments and related income after allocating the effect of derivative contracts.**

	As at December 31, 2002		For the Year Income * (Loss) (in thousands)	As at December 31, 2001		For the Year Income * (Loss)
	Assets	%		Assets	%	
Money market.	\$ 97,419	3.0%	\$ 1,015	\$ 73,913	2.1%	\$ 5,319
Fixed income. .	1,229,884	38.1%	124,021	1,292,418	37.6%	97,686
Real Estate						
- Canadian . .	35,409	1.1%	465	---	---	---
Equities						
- Canadian . .	1,084,296	33.6%	(104,321)	1,151,468	33.5%	(88,209)
- US . . . . .	530,382	16.4%	(120,005)	617,513	18.0%	(23,168)
- Other foreign . . . . .	253,346	7.8%	(63,321)	302,413	8.8%	(64,696)
Other . . . . .	---	---	26	---	---	60
	<u>\$ 3,230,736</u>	<u>100.0%</u>	<u>\$ (162,120)</u>	<u>\$ 3,437,725</u>	<u>100.0%</u>	<u>\$ (73,008)</u>

\* Includes realized losses of \$14.1 million (\$25.2 million - 2001) and unrealized losses of \$231.8 million (\$122.4 million - 2001).

**(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.

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 an asset mix policy 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 December 31, 2002 the \$1,229.9 million fixed income securities had a modified duration of 5.8 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 5.8%.

**(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 as at December 31, 2002 is summarized in the following table.

<b>Currency</b>	<b>2002</b>	<b>2001</b>
	<b>(in thousands)</b>	
Canada	\$ 2,461,461	\$ 2,517,303
Eurozone	66,539	85,310
Japan	27,510	36,204
United Kingdom	58,155	54,293
United States	566,599	672,110
Other	72,520	93,783
Total	<u>\$ 3,252,784</u>	<u>\$ 3,459,003</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 Act. As at December 31, 2002, the present value of these future payments was \$14.0 million (2001 - \$30.7 million).

**6. Actuarial Valuation**

Actuarial valuations of the Fund are required every year by the Act, 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. The Plan's consulting actuaries, William M. Mercer Limited performed a valuation as at December 31, 2002 and issued their report in May 2003. The report indicated that the Plan had an unfunded liability of \$1,015.5 million (2001 - \$568.3 million).

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 projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation were as follows:

	<b>Valuation <u>December 31, 2002</u></b>	<b>Valuation <u>December 31, 2001</u></b>
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.75% based on 5 year age bands	0.5% per annum real plus merit ranging from 0.0% to 2.75% based on 5 year age bands
Real Rate of Return on Investments	4.25% per annum	4.25% per annum

Average Retirement Age	60% - Retire at earliest date first eligible for an unreduced pension	60% - Retire at earliest date first eligible for an unreduced pension
	40% - Retire at earliest of: - age 65; - 35 years of service; or - age 60 with 10 years of service	40% - Retire at the earliest of: - age 65; or - 35 years of service; or - age 60 with 10 years of service
Mortality	1994 Group Annuitant Mortality Table projected to 2000 using scale AA	1994 Group Annuitant Mortality Table projected to 2000 using scale AA

There were no changes in major actuarial assumptions and methodology used for the 2002 valuation as compared to the 2001 valuation.

## 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.

	<u>2002</u>	<u>2001</u>
<b>Plan Administration</b>		
	(in thousands)	
Professional services . . . . .	\$ 150	\$ 136
Salaries . . . . .	681	562
Supplies and services . . . . .	658	378
Travel . . . . .	6	7
Other . . . . .	47	88
	<u>\$ 1,542</u>	<u>\$ 1,171</u>
<b>Investment Expenses</b>		
Investment management fees . . . . .	\$ 5,827	\$ 6,219
Professional services . . . . .	27	83
Salaries . . . . .	344	265
Supplies and services . . . . .	52	24
Travel . . . . .	22	21
Other . . . . .	63	23
	<u>\$ 6,335</u>	<u>\$ 6,635</u>
Total Operating Expenses . . . . .	<u>\$ 7,877</u>	<u>\$ 7,806</u>

## AUDITORS' REPORT

To the Chair and Members of the  
Nova Scotia Utility and Review Board

We have audited the balance sheet of the Nova Scotia Utility and Review Board as at March 31, 2003, and the statements of operations, accumulated surplus, capital 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 Canadian 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, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP  
Chartered Accountants

Halifax, Nova Scotia  
May 23, 2003

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**Statement of Operations  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Grant from the Province of Nova Scotia (Note 2) . . . . .	\$ 2,392,325	\$ 2,030,000
Recoveries (Notes 2 and 10) . . . . .	1,368,427	771,329
Assessments to utilities (Note 2) . . . . .	788,635	657,231
Interest . . . . .	20,923	44,029
	<u>4,570,310</u>	<u>3,502,589</u>
<b>Expenses</b>		
Salaries, wages and benefits . . . . .	2,584,358	2,313,968
Consulting and legal fees . . . . .	971,610	318,746
Rent and business taxes (Note 11) . . . . .	421,621	410,733
Travel . . . . .	208,033	174,168
Transcribing and printing . . . . .	96,497	37,379
Advertising. . . . .	64,567	43,958
Office supplies and services. . . . .	52,229	40,640
Dues and fees . . . . .	44,908	38,780
Equipment (Note 3) . . . . .	39,332	19,490
Depreciation . . . . .	38,713	20,973
Maintenance . . . . .	30,804	18,008
Telecommunications . . . . .	28,361	22,683
Postage and couriers . . . . .	14,920	9,392
Books and reports. . . . .	13,196	14,346
Sundry expenses . . . . .	8,426	3,998
Staff training and development . . . . .	7,754	3,615
	<u>4,625,329</u>	<u>3,490,877</u>
Operating (deficit) surplus for the year . . . . .	\$ <u>(55,019)</u>	\$ <u>11,712</u>

See accompanying notes to the financial statements.

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**Statement of Accumulated Surplus  
Year Ended March 31, 2003**

	<b>2003</b>		
	<b>Province of Nova Scotia</b>	<b>Public Utilities</b>	<b>Total</b>
<b>Restricted (Note 13)</b>			
Balance, beginning of year .....	\$ 268,281	\$ 105,012	\$ 373,293
Transferred from general .....	<u>171,512</u>	<u>56,539</u>	<u>228,051</u>
Balance, end of year .....	<u>439,793</u>	<u>161,551</u>	<u>601,344</u>
<b>General</b>			
Balance, beginning of year .....	278,091	158,290	436,381
Operating deficit .....	(41,378)	(13,641)	(55,019)
Transferred to restricted .....	<u>(171,512)</u>	<u>(56,539)</u>	<u>(228,051)</u>
Balance, end of year .....	<u>65,201</u>	<u>88,110</u>	<u>153,311</u>
<b>Total accumulated surplus .....</b>	<b><u>\$ 504,994</u></b>	<b><u>\$ 249,661</u></b>	<b><u>\$ 754,655</u></b>

	<b>2002</b>		
	<b>Province of Nova Scotia</b>	<b>Public Utilities</b>	<b>Total</b>
<b>Restricted (Note 13)</b>			
Balance, beginning of year .....	\$ 248,625	\$ 103,505	\$ 352,130
Transferred from general .....	<u>19,656</u>	<u>1,507</u>	<u>21,163</u>
Balance, end of year .....	<u>268,281</u>	<u>105,012</u>	<u>373,293</u>
<b>General</b>			
Balance, beginning of year .....	288,899	156,933	445,832
Operating surplus .....	8,848	2,864	11,712
Transferred to restricted .....	<u>(19,656)</u>	<u>(1,507)</u>	<u>(21,163)</u>
Balance, end of year .....	<u>278,091</u>	<u>158,290</u>	<u>436,381</u>
<b>Total accumulated surplus .....</b>	<b><u>\$ 546,372</u></b>	<b><u>\$ 263,302</u></b>	<b><u>\$ 809,674</u></b>

See accompanying notes to financial statements.

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Current		
Cash and cash equivalents (Notes 3 and 6)		
Board operations .....	\$ 636,777	\$ 1,188,033
Public service award .....	331,417	353,505
Accounts receivable (Note 4) .....	617,477	375,013
Inventory (Note 5) .....	<u>2,215</u>	<u>3,279</u>
	1,587,886	1,919,830
Service award advances .....	6,804	8,729
Capital assets .....	<u>81,344</u>	<u>53,293</u>
	<u>\$ 1,676,034</u>	<u>\$ 1,981,852</u>

**LIABILITIES**

Current		
Payables and accruals .....	\$ 225,662	\$ 252,609
Due to related parties .....	<u>239,300</u>	<u>456,109</u>
	464,962	708,718
Long term		
Public service award liability (Note 8) .....	331,417	338,460
Advances for working capital (Note 9) .....	<u>125,000</u>	<u>125,000</u>
	456,417	463,460
	<u>921,379</u>	<u>1,172,178</u>

**SURPLUS (Note 2)**

Restricted (Note 13) .....	601,344	373,293
General .....	<u>153,311</u>	<u>436,381</u>
	754,655	809,674
	<u>\$ 1,676,034</u>	<u>\$ 1,981,852</u>

Commitment (Note 11)

See accompanying notes to the financial statements.

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**Statement of Capital Assets  
Year Ended March 31, 2003**

	<u>Cost</u>				<u>Accummulated Depreciation</u>				<u>2003 Net Book Value</u>	<u>2002 Net Book Value</u>
	<u>Opening</u>	<u>Additions</u>	<u>Deletions</u>	<u>Closing</u>	<u>Opening</u>	<u>Expense</u>	<u>Deletions</u>	<u>Closing</u>		
Furniture .....	\$ 151,035	\$ 7,935	\$ ---	\$ 158,970	\$ 125,602	\$ 5,519	\$ ---	\$ 131,121	\$ 27,849	\$ 25,433
Computer Equipment .....	149,232	55,901	---	205,133	146,238	20,131	---	166,369	38,764	2,994
Computer software .....	12,007	---	---	12,007	9,029	2,444	---	11,473	534	2,978
Equipment .....	<u>63,284</u>	<u>2,928</u>	<u>---</u>	<u>66,212</u>	<u>41,396</u>	<u>10,619</u>	<u>---</u>	<u>52,015</u>	<u>14,197</u>	<u>21,888</u>
Total .....	<u>\$ 375,558</u>	<u>\$ 66,764</u>	<u>\$ ---</u>	<u>\$ 442,322</u>	<u>\$ 322,265</u>	<u>\$ 38,713</u>	<u>\$ ---</u>	<u>\$ 360,978</u>	<u>\$ 81,344</u>	<u>\$ 53,293</u>

See accompanying notes to the financial statements.



**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Operating (deficit) surplus . . . . .	\$ (55,019)	\$ 11,712
Depreciation . . . . .	38,713	20,973
	(16,306)	32,685
Change in non-cash operating working capital (Note 12) . . . . .	(483,231)	327,523
	(499,537)	360,208
<b>Financing</b>		
Decrease in War Service pension liability . . . . .	---	(167,756)
Increase in Public service award liability . . . . .	(7,043)	37,748
	(7,043)	(130,008)
<b>Investing</b>		
Purchase of capital assets . . . . .	(66,764)	(7,136)
	(66,764)	(7,136)
Net (decrease) increase in cash and cash equivalents . . . . .	(573,344)	223,064
Cash and cash equivalents		
Beginning of year . . . . .	1,541,538	1,318,474
	1,541,538	1,318,474
End of year . . . . .	\$ 968,194	\$ 1,541,538
	968,194	1,541,538

See accompanying notes to the financial statements.

# NOVA SCOTIA UTILITY AND REVIEW BOARD

## Notes to the Financial Statements

March 31, 2003

### 1. Incorporation

The Nova Scotia Utility and Review Board (the 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 Act 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 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. Section 157 of the Insurance Act and Regulations made pursuant to Section 41 and 42 of the Gas Distribution Act, and Section 44 of the Pipeline Act allow the Board to recover certain expenses for activities relating to those Acts. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating 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

#### General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

#### Short term investments

Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

#### Capital assets

Capital assets purchased by the Board 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:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years

#### Use of estimates

In preparing the Board's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Fair value of financial instruments

The Board's estimate of the fair value of cash, receivables, payables and accruals approximate their carrying value due to their short-term nature.

**Cash and cash equivalents**

Cash and cash equivalents include balances with banks and short term investments. Bank borrowings are considered to be financing activities.

**4. Accounts receivable**

	<b>2003</b>	<b>2002</b>
Due from related parties . . . . . \$	65,848	\$ 132,760
Trade . . . . .	<u>551,629</u>	<u>242,253</u>
	<u>\$ 617,477</u>	<u>\$ 375,013</u>

**5. Inventory**

Inventory consists of specialty books held for resale. Cost is determined using the first-in, first-out method of valuation.

**6. Pledged assets**

The Board has an operating line of credit of \$150,000 of which none has been used at March 31, 2003. As security, the Board has pledged short term investments.

**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.

**8. Public service award liability**

The Board follows provisions similar to those found in 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.

**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:

	<b>2003</b>	<b>2002</b>
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 to provide advice related to matters such as insurance, utility and natural gas administration and operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

**11. Commitments**

The Nova Scotia Utility and Review Board has entered into an agreement to lease its premises until October 31, 2009. The annual rent of premises consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, not including common costs, in aggregate and for each of the next five years is as follows:

2004.....	202,342
2005.....	205,353
2006.....	209,569
2007.....	209,569
2008.....	209,569
Subsequently.....	<u>331,816</u>
	<u>\$ 1,368,218</u>

Approximately 1,000 square feet of the Board's premises has been sublet to the Department of Transportation and Public Works for space occupied by the Nova Scotia Police Commission.

**12. Supplemental cash flow information**

Change in non-cash operating working capital

	<b>2003</b>	<b>2002</b>
Accounts receivable..... \$	(242,464)\$	4,476
Inventory.....	1,064	158
Service award advances.....	1,925	1,875
Payables, accruals and due to related parties.....	<u>(243,756)</u>	<u>321,014</u>
	<u>\$ (483,231)\$</u>	<u>327,523</u>

**13. Restricted surplus**

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

	Province of Nova Scotia	Public Utilities	2003 Total	2002 Total
Working capital..... \$	251,458 \$	98,542 \$	350,000 \$	150,000
Tangible capital assets.....	55,865	25,479	81,344	53,293
Deferred capital expenditures.....	<u>132,470</u>	<u>37,530</u>	<u>170,000</u>	<u>170,000</u>
	<u>\$ 439,793 \$</u>	<u>161,551 \$</u>	<u>601,344 \$</u>	<u>373,293</u>

**14. Related party transactions**

The Nova Scotia Utility and Review Board is a quasi-judicial tribunal operating at arms length from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

The Department of Transportation and Public Works for the Province of Nova Scotia sublets approximately 1,000 square feet of the Board's premises on behalf of the Nova Scotia Police Commission. The Board recovers the cost of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its adjudicative duties pursuant to the Liquor Control Act, Gaming Control Act and Theatre and Amusements Act are recovered from the Province through the Alcohol and Gaming Authority of the Department of Environment and Labour.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

Transactions with the Province by financial statement category are as follows:

	<b>2003</b>	<b>2002</b>
Statement of Operations:		
Grant from the Province of Nova Scotia . . . . . \$	2,392,325	2,030,000
Recoveries:		
Premises sublet to Province . . . . .	24,570	24,570
Alcohol, gaming and amusement adjudicative costs . . . . .	127,035	118,935
Office supplies expense . . . . .	10,566	7,151
Balance sheet:		
Accounts receivable (Note 4) . . . . .	64,545	114,893
Payables and accruals . . . . .	239,300	452,809
Advances for working capital (Note 9) . . . . .	125,000	125,000
Surplus . . . . .	504,994	546,372

To minimize cost to government, some administrative support is provided by the Board to other agencies, in particular the Nova Scotia Police Commission and the Freedom of Information and Protection of Privacy Review Office (FOIPOP Review Office). The Board recovers some shared support costs and any direct expenses incurred on behalf of these agencies.

Transactions with the Nova Scotia Police Commission by financial statement category are as follows:

	<b>2003</b>	<b>2002</b>
Balance sheet:		
Accounts receivable . . . . . \$	847	391

Transactions with the FOIPOP Review Office by financial statement category are as follows:

	<b>2003</b>	<b>2002</b>
Statement of Operations:		
Recoveries . . . . . \$	12,000	12,000
Balance Sheet:		
Accounts receivable . . . . .	456	17,476
Accounts payable . . . . .	---	3,300

Effective April 1, 2003, administrative support services to the FOIPOP Review Office and Nova Scotia Police Commission will no longer be provided by the Nova Scotia Utility and Review Board. These support functions will be assumed by the Department of Justice of the Province of Nova Scotia.

## AUDITORS' REPORT

To the Board of Directors of  
Pictou County Health Authority

We have audited the statement of financial position of Pictou County Health Authority as at March 31, 2003 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 Canadian 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 Pictou County Health Authority as at March 31, 2003, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP  
Chartered Accountants

Truro, Nova Scotia  
June 5, 2003

**PICTOU COUNTY HEALTH AUTHORITY**

**Statement of Financial Position  
March 31, 2003**

**ASSETS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
<b>Current</b>					
Cash and cash equivalents . . . . . \$	2,546,887	\$ 50,656	\$ 632,115	\$ 3,229,658	\$ 3,733,575
Investments (at cost, market value \$955,709) . . . . .	965,379	---	---	965,379	---
Receivables (Note 4) . . . . .	2,895,651	944,256	20,000	3,859,907	3,485,528
Due from other funds . . . . .	---	732,386	35,544	767,930	458,439
Inventories . . . . .	285,134	---	---	285,134	264,755
Prepays . . . . .	<u>136,579</u>	<u>---</u>	<u>---</u>	<u>136,579</u>	<u>79,751</u>
	6,829,630	1,727,298	687,659	9,244,587	8,022,048
Other receivables (Note 5) . . . . .	3,950,193	---	---	3,950,193	3,766,900
Capital assets (Note 6) . . . . .	---	*****	---	41,652,508	41,541,622
	<u>\$ 10,779,823</u>	<u>\$ *****</u>	<u>\$ 687,659</u>	<u>\$ 54,847,288</u>	<u>\$ 53,330,570</u>

**LIABILITIES**

<b>Current</b>					
Payables and accruals (Note 7) . . . . . \$	5,569,708	\$ 1,443,497	---	\$ 7,013,205	\$ 6,136,700
Due to other funds . . . . .	767,930	---	---	767,930	458,439
Deferred revenue . . . . .	2,084,878	523,973	---	2,608,851	2,300,014
Current portion of obligations under capital lease . . . . .	---	19,226	---	19,226	17,842
Current portion of long term debt . . . . .	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>23,889</u>
	8,422,516	1,986,696	---	10,409,212	8,936,884
Employee benefits (Note 8) . . . . .	2,357,307	---	---	2,357,307	2,174,014
Obligation under capital lease (Note 9) . . . . .	---	11,897	---	11,897	31,123
Long term debt . . . . .	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>95,557</u>
	<u>10,779,823</u>	<u>1,998,593</u>	<u>---</u>	<u>12,778,416</u>	<u>11,237,578</u>

**FUND BALANCES (Page 418)**

Restricted (Note 10) . . . . .	---	31,123	541,633	572,756	515,027
Unrestricted . . . . .	---	---	146,026	146,026	143,172
Investment in capital assets . . . . .	<u>---</u>	<u>*****</u>	<u>---</u>	<u>41,350,090</u>	<u>41,434,793</u>
	<u>10,779,823</u>	<u>*****</u>	<u>687,659</u>	<u>42,068,872</u>	<u>42,092,992</u>
	<u>\$ 10,779,823</u>	<u>\$ *****</u>	<u>\$ 687,659</u>	<u>\$ 54,847,288</u>	<u>\$ 53,330,570</u>

Commitments (Note 12)

See accompanying notes to the financial statements



**PICTOU COUNTY HEALTH AUTHORITY**

**Statement of Operations - Operating Fund  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Nova Scotia Department of Health . . . . .	\$ 37,091,527	\$ 34,566,713
Charges to M.S.I. . . . .	2,195,541	1,462,696
Department of Veterans Affairs . . . . .	1,807,752	1,553,449
In-patients . . . . .	792,169	895,378
Out-patients. . . . .	246,153	213,649
Rental Income. . . . .	295,694	277,653
Community Health Board initiatives. . . . .	48,969	14,893
Early Identification and Intervention program . . . . .	69,546	38,283
Investment income. . . . .	53,605	77,218
Food services. . . . .	10,596	41,424
Laboratory. . . . .	58,927	57,457
Other income . . . . .	34,824	43,599
	<u>42,705,303</u>	<u>39,242,412</u>
<b>Expenses</b>		
In-patient services. . . . .	16,692,587	15,158,663
Ambulatory services. . . . .	9,557,550	7,133,871
Diagnostic and therapeutic services. . . . .	6,735,942	6,508,764
Support services. . . . .	9,517,956	8,769,677
Community services . . . . .	1,219,602	1,182,706
Employee transitional support . . . . .	---	256,257
Rental expenses. . . . .	253,873	268,086
Education and library . . . . .	115,064	84,475
Increase in vacation pay accrual. . . . .	188,836	173,146
Retirement allowance benefits . . . . .	298,893	272,712
	<u>44,580,303</u>	<u>39,808,357</u>
Operating deficit before deficit funding. . . . .	(1,875,000)	(565,945)
Operating deficit funding receivables from the Nova Scotia Department of Health . . . . .	<u>1,875,000</u>	<u>565,945</u>
Excess of revenues over expenses. . . . .	\$ <u>---</u>	\$ <u>---</u>

See accompanying notes to the financial statements

**PICTOU COUNTY HEALTH AUTHORITY**

**Statement of Changes in Fund Balances  
Year Ended March 31, 2003**

	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
<b>Restricted</b>				
Balance, beginning of year. . . . . \$	48,965 \$	466,062 \$	515,027 \$	419,847
Excess of revenues over expenses . . . . .	---	12,195	12,195	10,489
Transfer to capital fund. . . . .	---	(92,456)	(92,456)	---
Transfer to unrestricted . . . . .	(17,842)	---	(17,842)	(64,865)
Contributions. . . . .	---	155,832	155,832	149,556
Balance, end of year. . . . . \$	<u>31,123 \$</u>	<u>541,633 \$</u>	<u>572,756 \$</u>	<u>515,027</u>
<b>Unrestricted</b>				
Balance, beginning of year. . . . . \$	41,434,793 \$	143,172 \$	41,577,965 \$	42,456,934
Transfer from restricted . . . . .	17,842	---	17,842	64,865
Excess of revenues over expenses . . . . .	1,691	2,854	4,545	9,274
Capital asset funding				
Department of Health . . . . .	1,419,407	---	1,419,407	904,555
Foundations. . . . .	620,507	---	620,507	386,525
Auxiliary. . . . .	93,538	---	93,538	67,360
Endowment . . . . .	92,456	---	92,456	---
Other. . . . .	55,648	---	55,648	5,122
Amortization. . . . .	(2,380,470)	---	(2,380,470)	(2,293,382)
Capital debt charges. . . . .	(5,322)	---	(5,322)	(23,288)
Balance, end of year . . . . . \$	<u>41,350,090 \$</u>	<u>146,026 \$</u>	<u>41,496,116 \$</u>	<u>41,577,965</u>

See accompanying notes to the financial statements

**PICTOU COUNTY HEALTH AUTHORITY**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operations</b>		
Excess of revenues over expenses - Capital Fund. . . . . \$	1,691	\$ 5,382
Excess of revenues over expenses - Endowment Fund. . . . .	15,049	14,381
Contributions - Endowment Fund. . . . .	<u>155,832</u>	<u>149,556</u>
	172,572	169,319
Change in non-cash working capital		
Receivables. . . . .	(557,672)	431,089
Inventories. . . . .	(20,379)	28,444
Prepays. . . . .	(56,828)	36,318
Payables and accruals . . . . .	1,059,798	491,719
Deferred revenue . . . . .	<u>308,837</u>	<u>258,753</u>
	<u>906,328</u>	<u>1,415,642</u>
<b>Financing and investing</b>		
Capital asset funding . . . . .	2,281,556	1,363,562
Capital debt charges. . . . .	(5,322)	(23,288)
Interfund transfer - capital asset funding . . . . .	17,842	64,865
Purchase of capital assets . . . . .	(2,491,356)	(1,328,586)
Repayment long term debt and obligation under capital lease. . . . .	<u>(137,288)</u>	<u>(88,755)</u>
	(334,568)	(12,202)
Decrease in restricted funds . . . . .	<u>(110,298)</u>	<u>(64,865)</u>
	<u>(444,866)</u>	<u>(77,067)</u>
Net increase in cash and cash equivalents . . . . .	461,462	1,338,575
Cash and cash equivalents, beginning of year . . . . .	<u>3,733,575</u>	<u>2,395,000</u>
Cash and cash equivalents, end of year. . . . . \$	<u><u>4,195,037</u></u>	\$ <u><u>3,733,575</u></u>

See accompanying notes to the financial statements

**PICTOU COUNTY HEALTH AUTHORITY**

**Notes to the Financial Statements  
March 31, 2003**

**1. Nature of operations**

Pictou County Health Authority operates several health care facilities including Aberdeen Regional Hospital, Sutherland Harris Memorial Hospital and related community health services.

**2. Health Authorities Act**

Pictou County Health Authority was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Pictou County Health Authority acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and community health services referred to above.

**3. Summary of significant accounting policies**

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

**Use of estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts recorded in the financial statements. Actual results could differ from these estimates.

**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 authority's capital assets. Endowment contributions are reported in the Endowment Fund.

**Revenue recognition**

Pictou County Health Authority 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.

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.

**Inventories**

Inventories are recorded at the lower of cost or replacement value.

**Capital assets**

Assets purchased during the period were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis as follows:

Buildings	50 years
Land improvements	20 years
Equipment	5-20 years
Equipment under capital lease	5-20 years

Amortization on construction in progress is not recorded until the projects are completed.

**Compensation accruals**

Pictou County Health Authority follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

**Employee benefit plans**

The authority accrues its employee benefit plan obligations and the related costs, net of plan assets. The authority has adopted the following policies:

- The cost of retirement benefits (allowances) earned by employees is actuarially determined using the projected benefit method prorated on service.
- Defined contribution plan accounting is applied to a multi-employer defined benefit pension plan because the authority does not have sufficient information to apply defined benefit plan accounting.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and short term investments..

**PICTOU COUNTY HEALTH AUTHORITY**

**Statement of Financial Position  
March 31, 2003**

**4. Receivables**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Endowment Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
Charges to M.S.I. . . . .	\$ 161,840	\$ ---	\$ ---	\$ 161,840	\$ 184,278
Foundation and Auxiliary . . . . .	10,902	649,745	---	660,647	668,662
Harmonized sales tax. . . . .	218,399	177,916	---	396,315	343,184
Patients . . . . .	151,699	---	---	151,699	181,156
Veterans Affairs Canada . . . . .	37,885	---	20,000	57,885	129,858
Other . . . . .	232,198	71,881	---	304,079	217,027
	<u>812,923</u>	<u>899,542</u>	<u>20,000</u>	<u>1,732,465</u>	<u>1,724,165</u>
Nova Scotia Department of Health					
Construction and equipment. . . . .	---	44,714	---	44,714	10,188
Operating deficit funding and other. . . . .	2,082,728	---	---	2,082,728	1,751,175
	<u>2,082,728</u>	<u>44,714</u>	<u>---</u>	<u>2,127,442</u>	<u>1,761,363</u>
	<u>\$ 2,895,651</u>	<u>\$ 944,256</u>	<u>\$ 20,000</u>	<u>\$ 3,859,907</u>	<u>\$ 3,485,528</u>

**5. Other receivables**

	<b>Operating Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
Nova Scotia Department of Health			
Vacation pay. . . . .	\$ 1,592,886	\$ 1,592,886	\$ 1,592,886
Employee benefits. . . . .	2,357,307	2,357,307	2,174,014
	<u>\$ 3,950,193</u>	<u>\$ 3,950,193</u>	<u>\$ 3,766,900</u>

**6. Capital Assets**

	<b>2003</b>		<b>2002</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Land . . . . .	\$ 32,378	\$ ---	\$ 32,378	\$ 32,378
Land improvements . . . . .	393,549	96,712	296,837	316,514
Buildings . . . . .	49,840,149	13,482,920	36,357,229	36,877,624
Equipment . . . . .	10,224,125	6,013,254	4,210,871	3,998,887
Equipment under capital lease . . . . .	557,676	434,254	123,422	179,190
Construction in progress. . . . .	631,771	---	631,771	137,029
	<u>\$ 61,679,648</u>	<u>\$ 20,027,140</u>	<u>\$ 41,652,508</u>	<u>\$ 41,541,622</u>

The Aberdeen Hospital Foundation and Aberdeen Hospital Trust have provided funding for the purchase of equipment for medical use by the Aberdeen Hospital which is operated by the Pictou County Health Authority. The agreements specify that equipment purchased with funds provided by the foundation or the trust shall not be sold or disposed of by the health authority without their express written permission and the net proceeds from the sale of such equipment shall only be used to purchase equipment as approved in the normal course by the foundation or trust.

**7. Payables and accruals**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
Trade . . . . .	\$ 3,355,857	\$ 1,443,497	\$ 4,799,354	\$ 4,111,685
Vacation pay. . . . .	2,213,851	---	2,213,851	2,025,015
	<u>\$ 5,569,708</u>	<u>\$ 1,443,497</u>	<u>\$ 7,013,205</u>	<u>\$ 6,136,700</u>

**8. Employee benefits**

The authority has the following benefit plans:

- (i) a multi-employer defined benefit plan, as administered by the Nova Scotia Association of Health Organizations, providing pension benefits to most of its employees, and
- (ii) a retirement benefit plan providing retiring allowances to its employees.

The defined benefit plan is accounted for as a defined contribution plan.

The most recent projected actuarial valuation of the multi-employer pension plan, with approximately 20,000 members throughout the province, shows an unfunded liability at December 31, 2002.

The net expense for the authority's benefit plans is as follows:

	<b>Pension Benefit Plan March 31, 2003</b>
Contributions to a multi-employer plan accounted for as a defined contribution plan, included in program expenses. . . . .	\$ <u>1,241,184</u>

Information about the authority's retirement benefit plan as at March 31, 2003 is as follows:

	<b>Retirement Benefit Plan March 31, 2003</b>
Fair value of plan assets . . . . .	\$ <u>2,357,307</u>
Accrued benefit liability recognized. . . . .	\$ <u>2,357,307</u>

The retirement allowances for the health authority paid out during the year are as follows:

	<b>Retirement Benefit Plan March 31, 2003</b>
Retirement allowances . . . . .	\$ <u>131,564</u>

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2003:

Discount rate	6.17%
Rate of compensation increase	3.65-6.15%
Termination rates	1.2-20%

It was also assumed that 50% of employees will retire on the date they are first eligible for an unreduced retirement allowance, and the remainder will retire on their normal retirement date, which is their 65th birthday.



**9. Obligation under capital lease** **2003** **2002**

The authority leases equipment under a capital lease from Toshiba of Canada Limited.

Future minimum lease payments are as follows:

2003 .....	\$	---	\$	20,908
2004.....		20,908		20,908
2005.....		<u>12,197</u>		<u>12,197</u>
		33,105		54,013
Less: amount representing interest on				
capital leases at 7.25% .....		<u>1,982</u>		<u>5,048</u>
		31,123		48,965
Less: current portion .....		<u>19,226</u>		<u>17,842</u>
	\$	<u><u>11,897</u></u>	\$	<u><u>31,123</u></u>

As security, the authority has pledged specific equipment.

**10. Restricted fund balance**

The Nova Scotia Department of Health provided funding to establish a reserve for repayment of the capital lease obligations. This reserve is restricted and will be used solely for the repayment of capital lease obligations as referred to in Note 9. The balance of the reserve was \$31,123 as of March 31, 2003.

**11. Credit facilities**

The health authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling \$1,000,000, all of which is unused at March 31, 2003.

**12. Commitments**

Pictou County Health Authority has entered into an agreement to lease computer equipment. Minimum annual lease payments are as follows:

2004 .....	\$	38,349
2005.....	\$	38,349
2006.....	\$	38,349

**13. Related entities**

The health authority has responsibility for the operation of certain hospitals and health care facilities as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care facilities. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2003 are available from the individual financial statements of the related entities.

**14. Comparative figures**

Certain of the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

## AUDITORS' REPORT

To the Board of Directors of  
Provincial Drug Distribution Program

We have audited the statement of financial position of the Provincial Drug Distribution Program (the "PDDP") as at March 31, 2003 and the statements of fund balances, revenues and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the PDDP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian 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 PDDP as at March 31, 2003 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP  
Chartered Accountants

Halifax, Canada  
May 16, 2003

**PROVINCIAL DRUG DISTRIBUTION PROGRAM**

**Statement of Financial Position  
as at March 31, 2003**

**ASSETS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
			(in thousands)	
<b>Current</b>				
Cash .....	\$ 2,368	\$ ---	\$ 2,368	\$ 1,265
Accounts receivable (note 3) .....	5,648	---	5,648	7,618
Due from Capital District Health Authority .....	---	---	---	---
Inventories .....	2,457	---	2,457	2,206
	<u>10,473</u>	<u>---</u>	<u>10,473</u>	<u>11,089</u>
Deferred charges (note 4) .....	---	19	19	28
Capital Assets .....	<u>---</u>	<u>29</u>	<u>29</u>	<u>43</u>
	<u>\$ 10,473</u>	<u>\$ 48</u>	<u>\$ 10,521</u>	<u>\$ 11,160</u>

**LIABILITIES**

<b>Current</b>				
Due to Capital District Health Authority .....	\$ 404	\$ ---	\$ 404	\$ 265
Accounts payable and accrued liabilities .....	2,254	---	2,254	3,164
Customer rebates .....	437	---	437	206
	<u>3,095</u>	<u>---</u>	<u>3,095</u>	<u>3,635</u>
Due to Department of Finance (note 5) .....	7,341	---	7,341	7,341
	<u>10,436</u>	<u>---</u>	<u>10,436</u>	<u>10,976</u>

**FUND BALANCE**

Operating fund .....	37	---	37	113
Net assets .....	<u>---</u>	<u>48</u>	<u>48</u>	<u>71</u>
	<u>\$ 10,473</u>	<u>\$ 48</u>	<u>\$ 10,521</u>	<u>\$ 11,160</u>

**PROVINCIAL DRUG DISTRIBUTION PROGRAM**

**Statement of Fund Balances  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>OPERATING FUND</b>		
<b>Balance, beginning of year</b> .....	\$ 113	\$ 61
Net revenues over expenditures.....	<u>37</u>	<u>52</u>
	150	113
Approved equity transfer.....	<u>(113)</u>	<u>---</u>
<b>Balance, end of year</b> .....	\$ <u><u>37</u></u>	\$ <u><u>113</u></u>

**INVESTMENT IN CAPITAL ASSETS**

<b>Capital funding, beginning of year</b> .....	\$ 71	\$ 95
Amortization.....	<u>(23)</u>	<u>(24)</u>
	48	71
<b>Balance, end of year</b> .....	\$ <u><u>48</u></u>	\$ <u><u>71</u></u>

**Statement of Revenues and Expenditures  
year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
<b>Operating</b>		
Revenues ( Schedule A).....	\$ 56,886	\$ 51,951
Expenditures (Schedule B).....	<u>56,849</u>	<u>51,899</u>
<b>Net revenues over expenditures</b> .....	\$ <u><u>37</u></u>	\$ <u><u>52</u></u>

**PROVINCIAL DRUG DISTRIBUTION PROGRAM**

**Statement of Cash Flow  
year ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
	(in thousands)		
<b>Operating Activities</b>			
Net revenues over expenditures . . . . .	\$ 37	\$	52
Items not requiring cash			
Amortization . . . . .	23		24
Amortization of capital fund . . . . .	(23)		(24)
Approved equity transfer . . . . .	(113)		---
Changes in non-cash working capital items . . . . .	1,179		4,197
<b>Cash provided by operating activities . . . . .</b>	<b>1,103</b>		<b>4,249</b>
Net increase during the year . . . . .	1,103		4,249
Cash (bank indebtedness), beginning of year . . . . .	1,265		(2,984)
Cash, end of year . . . . .	\$ 2,368	\$	1,265

See accompanying notes

**PROVINCIAL DRUG DEPENDENCY PROGRAM**

**Notes to Financial Statements  
March 31, 2003**

**1. Nature of Organization**

The Provincial Drug Distribution Program (PDDP) is the responsibility of the Minister of Health and a board of managers. Effective April 1, 1998, the District Health Authorities (DHAs) and non-designated organizations (NDOs) agreed to purchase all of their drug requirements through the PDDP. Sales are made to hospitals at cost and to nursing homes at cost plus a mark up of 10%. The Capital District Health Authority administers the program.

**2. Significant Accounting Policies**

The PDDP follows the deferral method of accounting for contributions. 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 Capital District Health Authority.

**Capital Assets**

Capital assets are valued at cost and are amortized on a straight-line basis over the useful life of each asset.

**Deferred Charges**

Deferred charges are valued at cost and are amortized on a straight-line basis over five years.

**Inventory**

Inventory is valued at the lower of cost and replacement cost, with cost determined on a first-in first-out basis.

**3. Accounts Receivable**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Customer receivables . . . . .	\$ 5,508	\$ 7,551
Out-dated drugs receivable. . . . .	<u>140</u>	<u>67</u>
	<u>\$ 5,648</u>	<u>\$ 7,618</u>

**4. Deferred Charges**

The Department of Health entered into an agreement dated January 1, 2000 with a national buying group. As a result, the PDDP will be entitled to receive all negotiated vendor contract prices for pharmaceutical supplies. The PDDP paid a one-time non-refundable joining fee. This investment is recorded at cost and is amortized on a straight-line basis over five years.

**5. Due to Department of Finance**

In prior years, the Province of Nova Scotia processed and recorded the receipts and disbursements of the Nova Scotia Hospital and PDDP. As at April 1, 1997, the cumulative difference between receipts and disbursements was recognized as a liability to the Province at year-end. Repayment terms for this liability are not specified.

**6. Comparative Figures**

Certain of the March 31, 2002 comparative figures have been reclassified to conform with the presentation adopted in the current year.

**PROVINCIAL DRUG DISTRIBUTION PROGRAM**

**Schedule A**

**Schedule of Revenues  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Drug Sales .....	\$ 56,416	\$ 51,475
Department of Health .....	329	323
Other .....	141	153
Amortization .....	<u>23</u>	<u>24</u>
	56,909	51,975
Less: Amortization .....	<u>23</u>	<u>24</u>
	<u>\$ 56,886</u>	<u>\$ 51,951</u>

**Schedule B**

**Schedule of Expenditures  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	(in thousands)	
Drugs .....	\$ 56,122	\$ 51,126
Compensation .....	515	474
Fees .....	141	164
Plant maintenance supplies .....	37	54
Other .....	32	77
Amortization .....	23	24
Travel .....	<u>2</u>	<u>4</u>
	56,872	51,923
Less: Amortization .....	<u>23</u>	<u>24</u>
	<u>\$ 56,849</u>	<u>\$ 51,899</u>



## Review Engagement Report

To the Board of Trustees of  
The Public Archives of Nova Scotia-Archival Ancillary and Trust Funds

We have reviewed the balance sheet of The Public Archives of Nova Scotia-Archival Ancillary and Trust Funds (Archives) as at March 31, 2003 and the statements of changes in net assets and revenue and expenditures for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Archives.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

PRICE,WATERHOUSE,COOPERS LLP  
Chartered Accountants

June 20, 2003

**PUBLIC ARCHIVES OF NOVA SCOTIA -  
ARCHIVAL ANCILLARY AND TRUST FUNDS**

**Balance Sheet  
As at March 31, 2003**

	<b>Endowment Fund, Collections</b>	<b>Archival Ancillary Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash .....	---	\$ 53,613	\$ 53,613	\$ 68,328
Marketable securities .....	35,699	9,792	45,491	87,678
Amount held in trust by Province of Nova Scotia .....	<u>51,860</u>	<u>---</u>	<u>51,860</u>	<u>58,452</u>
	87,559	63,405	150,964	214,458
<b>Equipment (note 3) .....</b>	<u>---</u>	<u>50,352</u>	<u>50,352</u>	<u>48,890</u>
	<u>\$ 87,559</u>	<u>\$ 113,757</u>	<u>\$ 201,316</u>	<u>\$ 263,348</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Amounts payable and accrued liabilities .....	---	\$ 8,101	\$ 8,101	\$ 4,140
Deferred revenue .....	<u>---</u>	<u>34,098</u>	<u>34,098</u>	<u>38,785</u>
	<u>---</u>	<u>42,199</u>	<u>42,199</u>	<u>42,925</u>
<b>Net assets</b>				
Endowments .....	66,100	---	66,100	66,100
Earnings on endowments .....	21,459	---	21,459	31,657
Invested in equipment .....	---	50,352	50,352	48,890
Unrestricted .....	<u>---</u>	<u>21,206</u>	<u>21,206</u>	<u>73,776</u>
	87,559	71,558	159,117	220,423
	<u>\$ 87,559</u>	<u>\$ 113,757</u>	<u>\$ 201,316</u>	<u>\$ 263,348</u>

**Statement of Changes in Net Assets  
For the year ended March 31, 2003**

	<b>Endowment Fund, Collections</b>	<b>Archival Ancillary Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
<b>Net assets - Beginning of year .....</b>	\$ 97,757	\$ 122,666	\$ 220,423	\$ 236,202
Excess of expenditures over revenue for the year .....	(10,198)	(51,108)	(61,306)	(15,779)
<b>Net assets - End of Year .....</b>	<u>\$ 87,559</u>	<u>\$ 71,558</u>	<u>\$ 159,117</u>	<u>\$ 220,423</u>

**PUBLIC ARCHIVES OF NOVA SCOTIA -  
ARCHIVAL ANCILLARY AND TRUST FUNDS**

**Statement of Revenue and Expenditures  
For the year ended March 31, 2003**

	<b>Endowment Fund, Collections</b>	<b>Archival Ancillary Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
<b>Revenue</b>				
Reprographic and other recoveries. . . . .	\$ ---	\$ 50,327	\$ 50,327	\$ 53,212
Funding for special collections maintenance. . . . .	---	69,093	69,093	117,545
Interest . . . . .	<u>2,076</u>	<u>670</u>	<u>2,746</u>	<u>6,575</u>
	<u>2,076</u>	<u>120,090</u>	<u>122,166</u>	<u>177,332</u>
<b>Expenditures</b>				
Amortization . . . . .	---	11,868	11,868	9,255
Color film cold storage vault . . . . .	---	---	---	6,000
Conferences and seminars. . . . .	---	2,712	2,712	4,040
Equipment repair and maintenance . . . . .	---	49,264	49,264	708
Freight and express. . . . .	---	4,148	4,148	82
General operating. . . . .	---	10,156	10,156	7,203
Membership dues . . . . .	---	309	309	35
Miscellaneous . . . . .	---	1,916	1,916	2,241
Other services . . . . .	---	4,493	4,493	2,106
Printing and stationery . . . . .	---	1,500	1,500	113
Professional services . . . . .	---	2,096	2,096	10,467
Reception renovations . . . . .	---	---	---	19,742
Special collections maintenance . . . . .	4,500	69,093	73,593	127,545
Staff training . . . . .	---	1,143	1,143	100
Subscriptions and periodicals . . . . .	7,774	485	8,259	739
Transfer to N.S. Archives and Records Management . . . . .	---	9,737	9,737	---
Travel . . . . .	<u>---</u>	<u>2,278</u>	<u>2,278</u>	<u>2,735</u>
	<u>12,274</u>	<u>171,198</u>	<u>183,472</u>	<u>193,111</u>
<b>Excess of expenditures over revenue for the year. . . . .</b>	<u>\$ (10,198)</u>	<u>\$ (51,108)</u>	<u>\$ (61,306)</u>	<u>\$ (15,779)</u>

**PUBLIC ARCHIVES OF NOVA SCOTIA -  
ARCHIVAL ANCILLARY AND TRUST FUNDS**

**Notes to Financial Statements  
For the year ended March 31, 2003**

**1. Status and nature of activities**

The Archives, a provincially-owned entity, 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 a historical research facility.

Three trust funds, the Blakely, Fergusson, and Shand, have been endowed to, and are controlled by, the Archives.

**2. Significant accounting policies**

The accounting policies of the Archives for the Archival Ancillary and Trust funds are established and maintained in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

**Management estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

**Fund accounting**

The Archives uses fund accounting to prepare its financial statements. Fund balances include balances invested in endowments, equipment and unrestricted balances.

The Archival Ancillary Fund accounts for reprographic and other revenue, recoveries, interest on trust funds and other special items and equipment.

The Endowment Fund, Collections accounts for endowment contributions, assets, liabilities, revenues and expenditures related to the acquisition of collections.

**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 approximates their carrying values, due to the short-term nature of these instruments.

**Revenue recognition**

The Archives follows the restricted fund 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 amounts to be received can be estimated and collection is reasonably assured.

Restricted and endowment contributions are recognized as revenue, in the related fund, when received or receivable to the extent that amounts to be received can be estimated and collection is reasonably assured.

Contributions received for projects not completed at year-end are shown as deferred revenue to the extent that contributions exceed expenditures to date on these projects.

**Equipment**

Purchased equipment is recorded at cost. When an asset no longer contributes to the Archives' ability to provide services, its carrying amount is written down to its residual value.

Equipment is amortized using the following methods at the following rates:

Computer software	straight-line 10 years
Microfilm and computer equipment	straight-line 5 years
Furniture and other office equipment	straight-line 10 years

**3. Equipment**

	<u>2003</u>			<u>2002</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>		<u>Net</u>
Computer software . . . . .	\$ 18,496	\$ 6,500	\$ 11,996	\$	12,083
Computer equipment . . . . .	27,426	7,194	20,232		14,469
Microfilm equipment . . . . .	23,978	14,777	9,201		13,997
Furniture . . . . .	7,721	1,192	6,529		7,301
Other office equipment . . . . .	2,795	401	2,394		1,040
	<u>\$ 80,416</u>	<u>\$ 30,064</u>	<u>\$ 50,352</u>	<u>\$</u>	<u>48,890</u>

## 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, 2003 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 or income earned on trust assets came under the administration of or were recorded by 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 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, 2003 and the continuity of assets for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
May 16, 2003

**PUBLIC TRUSTEE TRUST FUNDS**

**Balance Sheet  
as at March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
<b>Estates and Trusts</b>		
Cash .....	\$ 330,791	\$ 667,901
Securities, real estate and other assets (Note 3) .....	20,211,648	19,860,851
Common Fund securities (Note 4) .....	<u>2,311,515</u>	<u>1,414,794</u>
	22,853,954	21,943,546
<b>Special Reserve Fund (Note 5)</b>		
Cash and securities .....	<u>1,429,592</u>	<u>1,358,378</u>
	<u>\$ 24,283,546</u>	<u>\$ 23,301,924</u>

**LIABILITIES**

<b>Estates and Trusts</b>		
Estates and trusts balances .....	<u>\$ 22,853,954</u>	<u>\$ 21,943,546</u>
<b>Special Reserve Fund (Note 5)</b>		
Restricted funds .....	1,363,236	1,299,008
Funds transferable to Province of Nova Scotia .....	<u>66,356</u>	<u>59,370</u>
	<u>1,429,592</u>	<u>1,358,378</u>
	<u>\$ 24,283,546</u>	<u>\$ 23,301,924</u>

The accompanying notes are an integral part of these statements.

**PUBLIC TRUSTEE TRUST FUNDS**

**Statement of Continuity of Assets  
For The Year Ended March 31, 2003**

	<b>Estates and Trusts</b>	<b>Special Reserve Fund</b>	<b>Fees Earned</b>	<b>2003 Total</b>	<b>2002 Total</b>
Balance, beginning of year . . . . .	\$ 21,943,546	\$ 1,358,378	\$ ---	\$ 23,301,924	\$ 20,909,650
 Add:					
Assets acquired during the year . . . . .	12,475,998	---	---	12,475,998	11,777,603
Income earned . . . . .	627,943	---	---	627,943	794,516
Fees earned . . . . .	---	---	488,799	488,799	442,321
Interest earned on Special Reserve Fund investments . . . .	---	66,356	---	66,356	59,370
Excess interest transferred from Common Fund . . . . .	---	64,228	---	64,228	75,837
	<u>13,103,941</u>	<u>130,584</u>	<u>488,799</u>	<u>13,723,324</u>	<u>13,149,647</u>
 Less:					
Distributions of estates and trusts . . . . .	12,157,439	---	---	12,157,439	10,195,468
Transfers to the Province Fees . . . . .	---	---	488,799	488,799	442,321
Undistributable estates and trusts (per Section 28) . . . .	36,094	---	---	36,094	50,492
Investment income earned on Special Reserve Fund . . . . .	---	59,370	---	59,370	69,092
	<u>12,193,533</u>	<u>59,370</u>	<u>488,799</u>	<u>12,741,702</u>	<u>10,757,373</u>
Balance, end of year . . . . .	<u>\$ 22,853,954</u>	<u>\$ 1,429,592</u>	<u>\$ ---</u>	<u>\$ 24,283,546</u>	<u>\$ 23,301,924</u>

The accompanying notes are an integral part of these statements.



## PUBLIC TRUSTEE TRUST FUNDS

### Notes to Financial Statements

March 31, 2003

#### 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 Canadian generally accepted accounting principles, modified by the following policies.

- a) The Office of the Public Trustee uses a cash basis of accounting. These financial statements do not include accrued interest and other receivables, as well as accrued fees and other payables.
- b) The market value of stocks and bonds at year end is not disclosed in the financial statements.

#### 3. Securities, Real Estate and Other Assets

Securities consist of deposit certificates, bonds, debentures and stocks. Securities purchased by the Public Trustee are valued at cost. Securities taken over by the Public Trustee are valued at market value as at the date of death for estates of deceased persons or as at the date that control is assumed for all other estates.

The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels. Real estate is valued at estimated market value based on annual assessments for municipal tax purposes. Personal effects and chattels are valued at estimated market value as at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of \$1.

#### 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 to the Province. The remainder of the Fund is restricted to the purposes described above.

## 6. Operating Costs

Operating costs of the Office of the Public Trustee are absorbed by various government departments and are not reflected in the statement of continuity of assets. These costs are offset by fees charged for administering estates and by investment income.

	2003	2002
Department of Justice		
- Salaries and benefits .....	\$ 641,193	\$ 593,596
- Other operating costs .....	42,834	33,978
- Rent .....	45,163	41,519
	<u>729,190</u>	<u>669,093</u>
Less transfers to Province		
- Fees .....	488,799	442,321
- Special Reserve Fund income .....	59,370	69,092
	<u>548,169</u>	<u>511,413</u>
Net cost to the Province .....	\$ <u>181,021</u>	\$ <u>157,680</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, 2003 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 Canadian 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 Resource Recovery Fund Board as at March 31, 2003 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORTON LLP  
Chartered Accountants

Truro, Nova Scotia  
May 9, 2003

**RESOURCE RECOVERY FUND BOARD INC.**

**Statement of Operations  
Year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Deposits		
Gross revenues from deposits . . . . .	\$ 28,977,029	\$ 28,965,713
Less: Harmonized sales tax . . . . .	(356,777)	(3,823,437)
	28,620,252	25,142,276
Sales of recyclable materials . . . . .	3,121,194	3,493,840
Stewardship . . . . .	656,202	150,328
Tire program . . . . .	3,032,970	2,966,619
<b>Total revenues . . . . .</b>	<b>35,430,618</b>	<b>31,753,063</b>
 <b>Cost of sales</b>		
Inventory, beginning of year . . . . .	91,461	74,724
Deposit refunds . . . . .	11,722,871	10,703,163
Enviro-Depot handling fees . . . . .	6,980,209	6,447,877
Local cartage . . . . .	920,333	818,734
Regional processing . . . . .	856,606	808,456
Freight-in . . . . .	140,096	119,235
Central processing expenses (Page 451) . . . . .	515,678	422,377
Non-deposit materials . . . . .	35,825	29,889
Used tires . . . . .	2,036,944	2,240,283
Derelict vehicle program . . . . .	57,140	18,214
Paint/Household Hazardous Waste program . . . . .	746,918	144,404
	24,104,081	21,827,356
Less inventory, end of year . . . . .	79,351	91,461
	24,024,730	21,735,895
Gross margin . . . . .	11,405,888	10,017,168
Administrative expenses (Page 451) . . . . .	1,146,454	1,117,168
<b>Operating income . . . . .</b>	<b>10,259,434</b>	<b>8,900,000</b>
Interest and other income . . . . .	307,083	505,776
	10,566,517	9,405,776
Equity in net loss of an affiliated company . . . . .	(172,355)	---
<b>Excess of revenues over expenses . . . . .</b>	<b>\$ 10,394,162</b>	<b>\$ 9,405,776</b>

See accompanying notes to the financial statements.

**RESOURCE RECOVERY FUND BOARD INC.**

**Statement of Financial Position  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents.....	\$ 14,319,338	\$ 12,687,844
Receivables.....	3,244,495	3,089,938
Accrued interest receivable.....	32,306	18,143
Inventory.....	79,351	91,461
Prepays.....	<u>133,477</u>	<u>42,270</u>
	17,808,967	15,929,656
Investment in affiliated company (Note 3).....	203,845	7,000
Equipment (Note 4).....	861,035	748,069
Note receivable from an affiliated company (Note 6).....	150,000	---
Organizational costs, net of accumulated amortization.....	<u>113,222</u>	<u>31,749</u>
	<u>\$ 19,137,069</u>	<u>\$ 16,716,474</u>

**LIABILITIES**

<b>Current</b>		
Payables and accruals.....	\$ 4,214,494	\$ 3,161,057
Municipal solid waste diversion credits payable.....	5,560,000	5,319,008
Unearned revenue.....	<u>3,406,300</u>	<u>3,502,400</u>
	<u>13,180,794</u>	<u>11,982,465</u>

**NET ASSETS (Page 446)**

Invested in capital assets.....	974,257	779,818
Invested in value added manufacturing.....	203,845	7,000
Restricted for future projects.....	1,995,344	1,609,507
Restricted for approved programs.....	<u>2,782,829</u>	<u>2,337,684</u>
	<u>5,956,275</u>	<u>4,734,009</u>
	<u>\$ 19,137,069</u>	<u>\$ 16,716,474</u>

Commitments (Note 7)

See accompanying notes to the financial statements.

**RESOURCE RECOVERY FUND BOARD INC.**

**Statement of Changes in Net Assets  
Year Ended March 31, 2003**

Net Assets	Invested in Capital Assets	Invested in Value-added Manufacturing	Restricted for Future Projects	Restricted for Approved Programs	Net Revenues	Total 2003	Total 2002
Balance, beginning of year . . . . .	\$ 779,818	\$ 7,000	\$ 1,609,507	\$ 2,337,684	\$ ---	\$ 4,734,009	\$ 4,427,227
Excess of revenue over expenses . . . . .	(284,284)	(172,355)	---	---	10,850,801	10,394,162	9,405,776
Investment in capital assets . . . . .	<u>478,723</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(478,723)</u>	<u>---</u>	<u>---</u>
	974,257	(165,355)	1,609,507	2,337,684	10,372,078	15,128,171	13,833,003
Internally imposed restrictions . . .	---	---	---	5,186,039	(5,186,039)	---	---
Investment in value-added manufacturing . . . . .	---	369,200	(369,200)				
Payments during the year							
Education and awareness . . . . .	---	---	---	(1,164,460)	---	(1,164,460)	(1,176,237)
Regional co-ordinators . . . . .	---	---	---	(242,500)	---	(242,500)	(230,528)
Approved programs . . . . .	---	---	755,037	(2,333,934)	373,961	(1,204,936)	(1,439,109)
Nova Scotia Department of Environment & Labour . . . . .	---	---	---	(1,000,000)	---	(1,000,000)	(934,112)
Allocation to Municipal solid waste diversion payable . . . . .	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(5,560,000)</u>	<u>(5,560,000)</u>	<u>(5,319,008)</u>
<b>Balance, end of year . . . . .</b>	<u>\$ 974,257</u>	<u>\$ 203,845</u>	<u>\$ 1,995,344</u>	<u>\$ 2,782,829</u>	<u>\$ ---</u>	<u>\$ 5,956,275</u>	<u>\$ 4,734,009</u>

See accompanying notes to the financial statements

**RESOURCE RECOVERY FUND BOARD INC.**

**Statement of Cash Flows  
year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents:		
<b>Operating</b>		
Excess of revenues over expenses . . . . .	\$ 10,394,162	\$ 9,405,776
Equity in net loss of affiliated company . . . . .	172,355	---
Depreciation and amortization . . . . .	280,147	218,073
Loss (gain) on sale of equipment . . . . .	4,137	(29,788)
	10,850,801	9,594,061
Change in non-cash operating working capital		
Receivables . . . . .	(168,720)	(573,549)
Inventory . . . . .	12,110	(16,737)
Prepays . . . . .	(91,207)	(39,348)
Payables and accruals . . . . .	1,294,429	578,957
Unearned revenue . . . . .	(96,100)	347,300
	11,801,313	9,890,684
<b>Investing</b>		
Proceeds from sale of equipment . . . . .	1,279	63,676
Purchase of		
Equipment . . . . .	(379,249)	(291,530)
Organizational costs . . . . .	(100,753)	(25,085)
Investment - value added manufacturing . . . . .	(369,200)	---
Issuance of note receivable to an affiliated company . . . . .	(150,000)	---
	(997,923)	(252,939)
<b>Allocation of net assets to:</b>		
Municipal solid waste diversion . . . . .	(5,560,000)	(5,319,008)
Approved programs . . . . .	(3,611,896)	(3,779,986)
	(9,171,896)	(9,098,994)
Net increase in cash and cash equivalents . . . . .	1,631,494	538,751
Cash and cash equivalents, beginning of year . . . . .	12,687,844	12,149,093
Cash and cash equivalents, end of year . . . . .	\$ 14,319,338	\$ 12,687,844

See accompanying notes to the financial statements.

# RESOURCE RECOVERY FUND BOARD INC.

## Notes to the Financial Statements March 31, 2003

### 1. Nature of operations

The Resource Recovery Fund Board Inc. is a not-for-profit company established by the Nova Scotia government to develop and administer industry stewardship programs that increase diversion, enable the establishment of new industries based on the processing of materials diverted from the waste stream, and provide incentives to the people of Nova Scotia to reduce, reuse, recycle and compost.

### 2. Summary of signification accounting policies

#### Depreciation

Rates and bases of depreciation applied to write-off the cost of equipment over their estimated lives are as follows:

Field equipment	20%	straight-line
Office and warehouse equipment	20%	straight-line
Computer hardware and software	33 1/3%	straight-line
Containers		
- Bags	33 1/3%	straight-line
- Tubs	10%	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 an affiliated company using the equity method.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturity dates of 90 days or less. Bank borrowings are considered to be financing activities.



## Financial instruments

Financial instruments include cash and cash equivalents, receivables, investment in affiliated company, note receivable from an affiliated company, payables and accruals and municipal solid waste diversion credits payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments approximate their carrying values.

## Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from those estimates.

### 3. Investment in affiliated company

Resource Recovery Fund Board Inc. has a 60.8% ownership in Novapet Inc., a company that processes polyethylene terephthalate (PET) plastic beverage bottles into a flake for resale.

Novapoet Inc. has not been consolidated in the Resource Recovery Fund Board Inc.'s financial statements. Financial summaries of Novapet Inc. as at March 31, 2003 are as follows:

#### Financial Position

Total assets	\$	<u>1,467,090</u>
Total liabilities	\$	1,046,960
Shareholders' equity		<u>420,130</u>
	\$	<u>1,467,090</u>

#### Results of Operations

Total revenues	\$	3,833,594
Total cost of goods sold and expenses		<u>4,117,026</u>
Net loss	\$	<u>(283,432)</u>

#### Cash Flows

Cash from operations	\$	113,440
Cash used in financing activities		27,529
Cash used in investing activities		<u>(80,839)</u>
Increase in cash and cash equivalents	\$	<u>60,130</u>

### 4. Equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2003 Net Book Value</u>	<u>2002 Net Book Value</u>
Field Equipment . . . . .	\$ 233,052	\$ 130,796	\$ 102,256	\$ 149,755
Office and warehouse equipment . . . . .	94,730	79,878	14,852	21,068
Leasehold Improvements . . . . .	12,407	5,956	6,451	8,224
Containers . . . . .	1,178,868	587,769	591,099	444,022
Computer hardware and software . . . . .	446,608	381,968	64,640	66,864
Vehicles . . . . .	<u>139,226</u>	<u>57,489</u>	<u>81,737</u>	<u>58,136</u>
	\$ <u>2,104,891</u>	\$ <u>1,243,856</u>	\$ <u>861,035</u>	\$ <u>748,069</u>

**5. Banking facilities**

The company has an operating line of credit of \$2,500,000, all of which is unused at March 31, 2003.

**6. Note receivable from an affiliated company**

	<u>2003</u>	<u>2002</u>
Note receivable from an affiliated company, due March 31, 2005, bearing interest at the prime commercial lending rate.	\$ <u>150,000</u>	\$ <u>---</u>

**7. Commitments**

The company has entered into agreements to lease office space and a warehouse. Minimum rent payable for the next four years on these leases are as follows:

2004	\$	99,088
2005	\$	99,088
2006	\$	96,164
2007	\$	10,067

**8. 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 \$562,992 to Novapet Inc. Included in trade accounts receivable is \$104,491 owing from Novapet Inc. relating to these sales.
- b) During the year, the company issued an interest bearing \$150,000 note receivable to Novapet Inc. Interest receivable in the amount of \$5,000 relating to this note receivable is included in receivables. See Note 6.
- c) Included in payables is \$66,667 owing to Novapet Inc.
- d) Included processing fees of \$29,200 from Novapet Inc.

**RESOURCE RECOVERY FUND BOARD INC.**

**Schedule of Central Processing Expenses  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
Building expenses . . . . .	\$ 38,387	\$	38,403
Depreciation and amortization . . . . .	160,349		131,404
Insurance . . . . .	919		968
Meetings and travel . . . . .	11,436		18,345
Postage, delivery and office . . . . .	7,892		3,878
Propane - forklift . . . . .	2,511		1,919
Repairs and maintenance - bulk bags . . . . .	43,586		30,953
Repairs and maintenance - equipment . . . . .	4,768		5,397
Salaries and benefits . . . . .	201,788		128,359
Shipping supplies . . . . .	34,576		53,262
Telecommunications . . . . .	8,383		8,375
Vehicle expense . . . . .	1,083		1,114
	<u>515,678</u>	\$	<u>422,377</u>

**Schedule of Administrative Expenses  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
Bank charges and interest . . . . .	\$ 12,347	\$	6,041
Board fees and expenses . . . . .	59,281		62,328
Building expenses . . . . .	92,379		67,751
Depreciation and amortization . . . . .	81,032		45,342
Dues and fees . . . . .	5,310		6,863
Equipment lease or rent . . . . .	3,803		5,331
Insurance . . . . .	5,772		4,228
Meetings and travel . . . . .	61,154		43,589
Office expense . . . . .	14,445		11,254
Postage and delivery . . . . .	14,087		18,356
Printing and stationery . . . . .	7,752		6,628
Professional fees . . . . .	97,618		127,464
Public relations . . . . .	55,720		48,279
Salaries and benefits . . . . .	525,836		501,200
Software development and support . . . . .	69,721		124,602
Telecommunications . . . . .	31,900		31,181
Training . . . . .	5,568		3,791
Vehicle expense . . . . .	2,729		2,940
	<u>1,146,454</u>	\$	<u>1,117,168</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, 2003 and the statements of operations, fund balances, 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 Canadian 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, 2003, and the results of its operations and cash flows for the year then ended in accordance with the accounting principles adopted for museum boards in the Province of Nova Scotia.

DELOITTE & TOUCHE LLP  
Chartered Accountants

May 16, 2003

**SHERBROOKE RESTORATION COMMISSION**

**Balance Sheet  
as at March 31, 2003**

	<b>2003</b>		<b>2002</b>	
<b>ASSETS</b>				
<b>Current</b>				
Cash (Note 2) . . . . .	\$	56,988	\$	37,491
Guaranteed Investment Certificate - restricted (Note 3) . . . . .		63,196		98,577
Accounts receivable . . . . .		44,971		62,591
Inventory (Note 2) . . . . .		122,145		127,611
Prepaid expense . . . . .		1,915		1,677
		<u>289,215</u>		<u>327,947</u>
<b>Capital assets, at cost (Note 2)</b>				
Property, buildings and furnishings . . . . .		4,396,320		4,322,726
	\$	<u>4,685,535</u>	\$	<u>4,650,673</u>

**LIABILITIES AND EQUITY**

<b>Current</b>				
Accounts payable . . . . .	\$	<u>96,793</u>	\$	<u>61,304</u>
<b>Equity</b>				
Investment in capital assets . . . . .		4,396,320		4,322,726
Reserve for development (Note 3) . . . . .		63,196		98,577
Operating fund surplus . . . . .		129,226		168,066
		<u>4,588,742</u>		<u>4,589,369</u>
	\$	<u>4,685,535</u>	\$	<u>4,650,673</u>

**Statement of Operations  
Year Ended March 31, 2003**

	<b>2003 Budget</b>	<b>2003 Actual</b>	<b>2002 Actual</b>
<b>Revenue</b>			
Operating grants			
Board of Governors of the Nova Scotia Museum . . . . .	\$ 919,615	\$ 919,453	\$ 957,930
Program revenue (Schedule 2) . . . . .	<u>344,000</u>	<u>365,176</u>	<u>366,791</u>
Other			
Gate admissions . . . . .	140,000	128,856	130,602
Government grants . . . . .	---	26,547	---
Interest . . . . .	10,000	5,051	10,171
Miscellaneous . . . . .	7,480	9,330	11,380
	<u>157,480</u>	<u>169,784</u>	<u>152,153</u>
Total revenue . . . . .	<u>1,421,095</u>	<u>1,454,413</u>	<u>1,476,874</u>
<b>Expenditures</b>			
General operating (Schedule 1) . . . . .	567,540	584,453	553,957
Program (Schedule 2) . . . . .	813,675	872,135	865,683
Capital . . . . .	39,880	35,845	51,962
Total expenditures . . . . .	<u>1,421,095</u>	<u>1,492,433</u>	<u>1,471,602</u>
<b>Excess of (expenditures over revenue) revenue over expenditures . . . . .</b>	<u>---</u>	<u>(38,020)</u>	<u>5,272</u>

**SHERBROOKE RESTORATION COMMISSION**

**Statement of Fund Balances  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>INVESTMENT IN CAPITAL ASSETS</b>		
<b>Balance, beginning of year</b> .....	\$ <u>4,322,726</u>	\$ <u>4,268,852</u>
Additions		
Furnishings and equipment .....	1,548	1,912
Renovations funded out of operations, net .....	35,845	51,962
Transfer from reserve for development (Note 3) .....	<u>36,201</u>	<u>---</u>
	73,594	53,874
<b>Balance, end of year</b> .....	\$ <u><u>4,396,320</u></u>	\$ <u><u>4,322,726</u></u>

**OPERATING FUND SURPLUS**

<b>Balance, beginning of year</b> .....	\$ 168,066	\$ 164,727
Excess of (expenditures over revenue) revenue over expenditures .....	<u>(38,020)</u>	<u>5,272</u>
	130,046	169,999
Transfer to reserve for development .....	<u>820</u>	<u>1,933</u>
<b>Balance, end of year</b> .....	\$ <u><u>129,226</u></u>	\$ <u><u>168,066</u></u>

**RESERVE FOR DEVELOPMENT (Note 3)**

<b>Balance, beginning of year</b> .....	\$ 98,577	\$ 96,644
Transfer from operating fund surplus .....	<u>820</u>	<u>1,933</u>
	99,397	98,577
Transfer to investments in capital assets .....	<u>36,201</u>	<u>---</u>
<b>Balance, end of year</b> .....	\$ <u><u>63,196</u></u>	\$ <u><u>98,577</u></u>

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net (expenditure) revenue .....	\$ (38,020)	\$ 5,272
Add capital expenditures charged to operations .....	<u>37,393</u>	<u>53,874</u>
	(627)	59,146
Changes in non-cash working capital items (Note 5) .....	<u>58,337</u>	<u>1,130</u>
	57,710	60,276
<b>Investing</b>		
Additions to property, buildings and furnishings .....	(73,594)	(53,874)
Investment in guaranteed investment certificate .....	(820)	(1,933)
Net proceeds from guaranteed investment certificate .....	<u>36,201</u>	<u>---</u>
	<u>(38,213)</u>	<u>(55,807)</u>
<b>Net cash inflow</b> .....	19,497	4,469
<b>Cash position , beginning of year</b> .....	37,491	33,022
<b>Cash position , end of year</b> .....	\$ <u><u>56,988</u></u>	\$ <u><u>37,491</u></u>
Represented by:		
Cash .....	\$ <u><u>56,988</u></u>	\$ <u><u>37,491</u></u>

# SHERBROOKE RESTORATION COMMISSION

## Notes to the Financial Statements Year Ended March 31, 2003

### 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 in the Province 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 three funds - Operating and Investment in Property, Buildings and Furnishings and Reserve for Development. 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) Amortization

Amortization 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.

#### e) Cash

Cash consists of amounts held at financial institutions.

#### f) Financial Instruments

The carrying values of the Commission's financial instruments approximate fair value due to the short-term maturity and normal credit terms of those instruments.

#### g) Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**3. GUARANTEED INVESTMENT CERTIFICATE**

During the year, the Sherbrooke Restoration Commission had net redemptions of \$35,381 in the Sherbrooke Village Development Fund. This brings the total of internally restricted cash to \$63,196. This fund will be for capital items that will fulfil the long-term objectives of the Commission, such as enhancements. The cash from redemptions was used to purchase the Brigley property in the village.

**4. PENSION PLAN**

The Commission has a defined benefit pension plan which covers all permanent 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 2001, and covered the financial position of the plan as at December 31, 2000. At that time, the assets of the plan amounted to \$802,000 and the liabilities amounted to \$742,000, with the result that the plan had a surplus of \$60,000 at that date.

As at December 31, 2002 the plan has an estimated deficit of \$278,900.

The Commission has adopted the new requirements of Section 3461 of the CICA Handbook on a prospective basis. As a result, a transitional obligation of \$60,460 is being amortized over the average remaining service period of active employees, being 20 years.

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligations at January 1, 2001 are as follows:

Expected long-term rate of return on plan assets	7%
Rate of compensation increases	4.5%

Pension expense for the year ended March 31, 2003 is \$39,248. Included in account payable is an accrued benefit liability of \$6,397.

**5. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS**

	<b>2003</b>	<b>2002</b>
Accounts receivable . . . . .	\$ 17,620	\$ (22,280)
Inventory . . . . .	5,466	(2,221)
Prepaid expenses . . . . .	(238)	9,605
Accounts payable . . . . .	<u>35,489</u>	<u>16,026</u>
	<u>\$ 58,337</u>	<u>\$ 1,130</u>

**6. COMPARATIVE FIGURES**

Certain of the March 31, 2002 figures have been reclassified to conform with the current year financial statement presentation.



**SHERBROOKE RESTORATION COMMISSION**

Schedule 1

**Schedule of General Operating Expenditures  
Year Ended March 31, 2003**

	<b>2003 Budget</b>		<b>2003 Actual</b>		<b>2002 Actual</b>
Advertising and brochures . . . . .	\$ 23,000	\$	20,071	\$	22,452
Freight . . . . .	2,000		623		872
Heat, light and power . . . . .	64,000		70,605		54,701
Insurance and taxes . . . . .	4,800		4,980		4,299
Interest and bank charges . . . . .	2,600		2,207		2,659
Maintenance supplies . . . . .	17,000		21,395		24,729
Miscellaneous . . . . .	7,700		5,054		13,776
Motor vehicles . . . . .	4,875		5,899		6,585
Office supplies and postage . . . . .	17,000		13,823		13,792
Sewer and water . . . . .	40,000		36,100		34,775
Professional fees . . . . .	7,000		8,202		8,731
Property maintenance and security salaries . . . . .	101,505		109,760		105,190
Pension plan and other benefits . . . . .	78,000		81,918		73,006
Salaries and wages - Administration . . . . .	139,360		135,722		135,266
Staff and Commission training and travel . . . . .	18,700		22,221		16,214
Special projects wages . . . . .	---		15,216		384
Telephone . . . . .	16,000		12,365		15,269
Workers' compensation . . . . .	24,000		18,292		21,257
	<u>\$ 567,540</u>	\$	<u>584,453</u>	\$	<u>553,957</u>

**Schedule of Program Revenue and Expenditures  
Year Ended March 31, 2003**

Schedule 2

	<b>2003 Budget</b>		<b>2003 Net Expenditures</b>		<b>2002 Net Expenditures</b>
Blacksmith shop . . . . .	\$ 11,445	\$	11,317	\$	13,825
Boat shop . . . . .	800		---		---
Costume shop . . . . .	26,150		26,399		20,806
Craft shop . . . . .	27,710		32,017		22,522
Emporium (Schedule 3) . . . . .	(53,290)		(27,591)		(21,981)
Exhibit operations . . . . .	1,200		247		322
Jordan barn . . . . .	36,915		46,224		46,882
Pottery shop . . . . .	27,700		33,715		25,891
Program management . . . . .	80,675		77,362		81,118
Restaurant . . . . .	(2,000)		(2,458)		(751)
Print shop . . . . .	500		(460)		668
Sawmill operations . . . . .	27,900		28,568		19,197
Ambrotype Studio . . . . .	10,500		7,226		7,397
Turner shop . . . . .	23,190		15,532		18,025
Woodworking shop . . . . .	23,790		17,503		37,221
Education program . . . . .	(23,000)		(29,114)		(35,150)
Guides . . . . .	249,480		268,159		255,147
Riverfront project, St. Mary's Boat Club . . . . .	---		903		---
Theatre program . . . . .	10		1,410		7,753
	<u>\$ 469,675</u>	\$	<u>506,959</u>	\$	<u>498,892</u>
Program expenditures . . . . .	\$ 813,675	\$	872,135	\$	865,683
Less: Program revenue . . . . .	344,000		365,176		366,791
Net expenditures . . . . .	<u>\$ 469,675</u>	\$	<u>506,959</u>	\$	<u>498,892</u>

**SHERBROOKE RESTORATION COMMISSION**

**Schedule 3**

**Schedule of Retail Operations  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Sales .....	\$ <u>160,936</u>	\$ <u>168,085</u>
 Cost of goods sold		
Merchandise inventory, opening .....	30,824	33,926
Purchases .....	<u>108,105</u>	<u>104,399</u>
 Merchandise available for sale .....	138,929	138,325
Less: Merchandise inventory, ending .....	<u>36,381</u>	<u>30,824</u>
Cost of goods sold .....	<u>102,548</u>	<u>107,501</u>
 Gross profit on sales .....	<u>58,388</u>	<u>60,584</u>
 Expenses		
Salaries and wages .....	26,791	34,607
General expense .....	<u>4,006</u>	<u>3,996</u>
	<u>30,797</u>	<u>38,603</u>
<b>Net retail income .....</b>	<b>\$ <u><u>27,591</u></u></b>	<b>\$ <u><u>21,981</u></u></b>

## AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of  
South Shore District Health Authority

We have audited the statement of financial position of the South Shore District Health Authority as at March 31, 2003 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 District Health 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 Canadian 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 District Health Authority as at March 31, 2003 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP  
Chartered Accountants

June 20, 2003

**SOUTH SHORE DISTRICT HEALTH AUTHORITY**

**Statement of Operations  
For the Year Ended March 31, 2003**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 15) 2002 Total</b>
<b>Revenue</b>				
Department of Health funding . . . . .	\$ 39,261,134	\$ ---	\$ 39,261,134	\$ 38,104,916
Department of Veteran's Affairs . . . . .	1,748,464	---	1,748,464	1,640,313
Patient . . . . .	1,193,338	---	1,193,338	1,114,333
Physician funding . . . . .	2,194,661	---	2,194,661	1,287,513
Program recoveries and sales. . . . .	1,723,471	---	1,723,471	1,497,256
Amortization of deferred capital grants . . . . .	---	2,713,744	2,713,744	2,355,065
Other . . . . .	455,581	71,756	527,337	366,441
	<u>46,576,649</u>	<u>2,785,500</u>	<u>49,362,149</u>	<u>46,365,837</u>
<b>Expenses</b>				
Administration and support . . . . .	1,750,848	---	1,750,848	1,248,519
Addiction . . . . .	1,506,595	---	1,506,595	1,376,421
Diagnostic imaging . . . . .	2,392,053	---	2,392,053	2,187,849
Environmental . . . . .	1,692,453	---	1,692,453	1,552,550
Finance. . . . .	587,125	---	587,125	470,259
Food and nutritional . . . . .	2,245,999	---	2,245,999	2,176,354
Health information . . . . .	1,311,218	---	1,311,218	1,218,713
Human resources . . . . .	358,412	---	358,412	323,572
Information technology . . . . .	855,081	---	855,081	696,101
Laboratory . . . . .	3,002,258	---	3,002,258	2,756,003
Materials management. . . . .	1,073,989	---	1,073,989	1,021,414
Mental health . . . . .	3,326,064	---	3,326,064	2,753,941
Nursing. . . . .	19,703,007	---	19,703,007	18,790,537
Pharmacy . . . . .	622,420	---	622,420	541,346
Plant and support . . . . .	2,682,676	---	2,682,676	2,363,590
Public health . . . . .	1,022,490	---	1,022,490	909,723
Rehabilitation . . . . .	818,384	---	818,384	743,870
Other programs. . . . .	1,113,168	---	1,113,168	987,642
Employee future benefits. . . . .	291,794	---	291,794	274,409
Amortization of property, plant and equipment. . . . .	---	2,727,936	2,727,936	2,512,658
Interest . . . . .	---	---	---	71,589
Sundry . . . . .	220,615	10,753	231,368	1,620,670
	<u>46,576,649</u>	<u>2,738,689</u>	<u>49,315,338</u>	<u>46,597,730</u>
<b>Excess (deficiency) of revenues over expenses before payment of 2001 operating deficiency . . . . .</b>	---	46,811	46,811	(231,893)
Department of Health funding of 2001 operating deficiency . . . . .	---	---	---	24,708
<b>Excess (deficiency) of revenues over expenses . . . . .</b>	<u>---</u>	<u>46,811</u>	<u>46,811</u>	<u>(207,185)</u>

**SOUTH SHORE DISTRICT HEALTH AUTHORITY**

**Statement of Financial Position  
as at March 31, 2003**

**ASSETS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 15) 2002 Total</b>
<b>Current</b>				
Cash and cash equivalents . . . . . \$	3,066,897	\$(593,976)	\$ 2,472,921	\$ ---
Accounts receivable (Note 3) . . . . .	3,782,592	2,036,242	5,818,834	8,706,335
Inventory . . . . .	527,314	---	527,314	530,112
Prepaid expenses . . . . .	271,056	---	271,056	390,850
	<u>7,647,859</u>	<u>1,442,266</u>	<u>9,090,125</u>	<u>9,627,297</u>
Long-term assets (Note 4) . . . . .	2,771,412	---	2,771,412	2,622,371
Property, plant and equipment (Note 5) . . . . .	---	26,684,172	26,684,172	26,824,463
	<u>\$ 10,419,271</u>	<u>\$ 28,126,438</u>	<u>\$ 38,545,709</u>	<u>\$ 39,074,131</u>

**LIABILITIES**

<b>Current</b>				
Bank indebtedness (Note 6) . . . . . \$	--	--	\$ ---	\$ 893,267
Accounts payable and accrued liabilities (Note 7) . . . . .	6,224,464	822,561	7,047,025	6,873,638
Current portion of long-term debt (Note 8) . . . . .	---	---	---	194,262
Revenue received in advance . . . . .	1,694,226	---	1,694,226	1,683,722
	<u>7,918,690</u>	<u>822,561</u>	<u>8,741,251</u>	<u>9,644,889</u>
<b>Long-term debt (Note 8) . . . . .</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>357,335</b>
<b>Employee future benefits (Note 13) . . . . .</b>	<b>2,492,217</b>	<b>---</b>	<b>2,492,217</b>	<b>2,256,131</b>
<b>Deferred capital grants (Note 9) . . . . .</b>	<b>---</b>	<b>27,267,826</b>	<b>27,267,826</b>	<b>26,818,172</b>
	<u>10,410,907</u>	<u>28,090,387</u>	<u>38,501,294</u>	<u>39,076,527</u>

**FUND BALANCES**

<b>Restricted (Page 462) . . . . .</b>	<b>8,364</b>	<b>---</b>	<b>8,364</b>	<b>8,364</b>
<b>Unrestricted (Page 462) . . . . .</b>	<b>---</b>	<b>36,051</b>	<b>36,051</b>	<b>(10,760)</b>
	<u>8,364</u>	<u>36,051</u>	<u>44,415</u>	<u>(2,396)</u>
	<u>\$ 10,419,271</u>	<u>\$ 28,126,438</u>	<u>\$ 38,545,709</u>	<u>\$ 39,074,131</u>

Commitments (Note 10)

**SOUTH SHORE DISTRICT HEALTH AUTHORITY**

**Statement of Changes in Fund Balances  
For the Year Ended March 31, 2003**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 15) 2002 Total</b>
<b>Restricted Fund Balances</b>	\$ 8,364	\$ ---	\$ 8,364	\$ 8,364
<b>Unrestricted Fund Balances</b>				
Balance, beginning of period. . . . .	---	(10,760)	(10,760)	196,425
Excess (deficiency) revenues over expenses (Page 460). . . . .	---	46,811	46,811	(207,185)
Balance, end of period. . . . .	---	36,051	36,051	(10,760)
<b>Total Fund Balances. . . . .</b>	<b>\$ 8,364</b>	<b>\$ 36,051</b>	<b>\$ 44,415</b>	<b>\$ (2,396)</b>

**SOUTH SHORE DISTRICT HEALTH AUTHORITY**

**Statement of Cash Flows  
For the Year Ended March 31, 2003**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 15) 2002 Total</b>
<b>Net inflow (outflow) of cash related to the following activities:</b>				
<b>Operating</b>				
Excess (deficiency) of revenues over expenses . . . . .	---	\$ 46,811	\$ 46,811	\$ (207,185)
Adjusted for:				
Amortization of property, plant and equipment (Page 460) . . . . .	---	2,727,936	2,727,936	2,512,658
Amortization of deferred capital grants (Page 460) . . . . .	---	(2,713,744)	(2,713,744)	(2,355,065)
Employee future benefits (Note 13). . . . .	291,794	---	291,794	274,409
Changes in non-cash working capital items (Note 12) . . . . .	3,263,111	(69,127)	3,193,984	(1,469,212)
Payment of employee future benefits . . . . .	(55,708)	---	(55,708)	(41,489)
	<u>3,499,197</u>	<u>(8,124)</u>	<u>3,491,073</u>	<u>(1,285,884)</u>
<b>Financing</b>				
Proceeds from capital grants (Note 9). . . . .	---	3,163,398	3,163,398	1,995,299
Repayment of long-term debt. . . . .	---	(551,597)	(551,597)	(136,021)
	<u>---</u>	<u>2,611,801</u>	<u>2,611,801</u>	<u>1,859,278</u>
<b>Investing</b>				
Investment in long-term assets. . . . .	(149,041)	---	(149,041)	(172,784)
Acquisition of property, plant and equipment. . . . .	---	(2,587,645)	(2,587,645)	(2,470,689)
	<u>(149,041)</u>	<u>(2,587,645)</u>	<u>(2,736,686)</u>	<u>(2,643,473)</u>
<b>Net cash inflow. . . . .</b>	<b>3,350,156</b>	<b>16,032</b>	<b>3,366,188</b>	<b>(2,070,079)</b>
(Bank indebtedness) cash and cash equivalents, beginning of period . . . . .	(283,259)	(610,008)	(893,267)	1,176,812
Cash and cash equivalents (bank indebtedness), end of period. . . . .	<u>\$ 3,066,897</u>	<u>\$ (593,976)</u>	<u>\$ 2,472,921</u>	<u>\$ (893,267)</u>

**SOUTH SHORE DISTRICT HEALTH AUTHORITY**

**Notes to the Financial Statements  
Year Ended March 31, 2003**

**1. DESCRIPTION OF ORGANIZATION**

The South Shore District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The District Health Authority's vision: "The people of the South Shore are united for our collective good health and well-being, making our community the health leader in Nova Scotia."

The facilities owned and operated by the District Health Authority are the Fishermen's Memorial Hospital, South Shore Regional Hospital and Queen's General Hospital. In addition, the District Health Authority leases space in other locations to operate certain programs throughout Lunenburg and Queens counties and supports two (2) Community Health Boards.

**2. ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies 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 South Shore District Health Authority's capital assets and special purposes and endowment funds.

**b) Revenue Recognition**

The South Shore District Health Authority 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.

**c) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

**d) Inventory**

Inventories are recorded at the lower of average cost and replacement cost, and includes stores, pharmacy drugs, medical/surgical, and other general inventory.



**e) 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. Amortization 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%

**f) 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 amortization of the related assets.

**g) Employee Future Benefits**

Employee future benefits are determined based on assumptions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

**h) Use of Estimates**

The Preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses for the year then ended. Actual results may differ from those estimates.

**3. ACCOUNTS RECEIVABLE**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
Department of Health				
Operating funding. . . . .	\$ 2,768,648	\$ ---	\$ 2,768,648	\$ 5,748,987
Transition support program . . . .	171,250	---	171,250	384,600
Capital grants . . . . .	---	---	---	446,182
Patient care. . . . .	400,900	---	400,900	314,727
HST rebates. . . . .	125,677	117,846	243,523	359,621
Extended care facilities. . . . .	34,911	---	34,911	25,926
Homecare/VON. . . . .	37,493	---	37,493	47,692
Charitable foundations . . . . .	90,768	1,910,673	2,001,441	892,524
Psychiatric recoveries . . . . .	92,445	---	92,445	58,537
Federal grant funding. . . . .	---	---	---	13,062
Other . . . . .	60,500	7,723	68,223	414,477
	<u>\$ 3,782,592</u>	<u>\$ 2,036,242</u>	<u>\$ 5,818,834</u>	<u>\$ 8,706,335</u>

**4. LONG-TERM ASSETS**

Long-term assets are comprised of employee advances to accommodate the change in pay dates, as a result of payroll conversions, and accounts receivable from the Department of Health for employee future benefits.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	Net Book Value	
			2003	2002
Land and land improvements . . . . .	\$ 1,050,937	\$ 637,423	\$ 413,514	\$ 384,452
Building and building service equipment . . . . .	36,633,274	15,078,472	21,554,802	21,305,472
Equipment . . . . .	26,924,979	22,515,412	4,409,567	4,666,889
Equipment under capital lease . . . . .	1,313,835	1,007,546	306,289	467,650
	<u>\$ 65,923,025</u>	<u>\$ 39,238,853</u>	<u>\$ 26,684,172</u>	<u>\$ 26,824,463</u>

**6. BANK INDEBTEDNESS**

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling \$2.7 million. As well, the District Health Authority has available a capital line of credit in the amount of \$675,000 with a Canadian chartered bank. As of March 31, 2003, interest charges on any overdraft accounts are prime less 0.75%. There were no amounts owing on these lines at March 31, 2003 as the consolidated bank balance (South Shore District Health Authority, South West District Health Authority, and the Annapolis Valley District Health Authority) was positive. Subsequent to year-end, capital bank indebtedness was eliminated through the collection of a receivables.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	Operating Fund	Capital Fund	2003 Total	2002 Total
Trade payables . . . . .	\$ 778,208	\$ 73,607	\$ 851,815	\$ 896,922
Accrued liabilities . . . . .	530,734	748,954	1,279,688	773,040
Vacation pay . . . . .	2,726,643	---	2,726,643	2,431,683
Salary and benefits . . . . .	2,149,826	---	2,149,826	2,736,759
Other . . . . .	39,053	---	39,053	35,234
	<u>\$ 6,224,464</u>	<u>\$ 822,561</u>	<u>\$ 7,047,025</u>	<u>\$ 6,873,638</u>

**8. LONG-TERM DEBT**

	2003	2002
Obligations Under Capital Leases - repaid during the year . . . . .	\$ ---	\$ 551,597
Current portion . . . . .	---	(194,262)
	<u>\$ ---</u>	<u>\$ 357,335</u>

**9. DEFERRED CAPITAL GRANTS**

	<b>2003</b>	<b>2002</b>
Balance, beginning of period . . . . .	\$ 26,818,172	\$ 27,177,938
Grant received for:		
Capital assets purchased . . . . .	2,696,169	1,888,097
Future capital asset purchases . . . . .	<u>467,229</u>	<u>107,202</u>
	29,981,570	29,173,237
Amortization of deferred capital grants . . . . .	<u>(2,713,744)</u>	<u>(2,355,065)</u>
Balance, end of period . . . . .	<u>\$ 27,267,826</u>	<u>\$ 26,818,172</u>

**10. COMMITMENTS**

**Leases and Purchase Commitments**

The South Shore District Health Authority has committed funds from operations for the purchase of lab reagents, occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 722,648	\$ 659,734	\$ 358,745	\$ 314,745	\$ 266,182

**11. PENSION PLAN**

The South Shore District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The second plan is administered by the Province of Nova Scotia. The South Shore District Health Authority bears no direct financial responsibility for any unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2003 was \$1,451,460.

**12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS**

	<u>Operating</u>	<u>Capital</u>	<u>2003</u>	<u>2002</u>
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Total</u>
Accounts receivable . . . . .	\$ 3,422,447	\$ (534,946)	\$ 2,887,501	\$ (2,940,617)
Inventory . . . . .	2,798	---	2,798	35,661
Prepaid expenses . . . . .	108,741	11,053	119,794	(187,692)
Accounts payable and accrued liabilities . . . . .	(281,379)	454,766	173,387	1,577,072
Revenue received in advance . . . . .	10,504	---	10,504	46,364
	<u>\$ 3,263,111</u>	<u>\$ (69,127)</u>	<u>\$ 3,193,984</u>	<u>\$ (1,469,212)</u>

**13. EMPLOYEE FUTURE BENEFITS**

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South Shore District Health Authority, upon retirement. The most recent actuarial valuation was for the years ended December 31, 2000. Actuarial liabilities as at March 31, 2002 and 2003 were extrapolated from the results of the December 31, 2000 actuarial valuation.

Financial position of the program as follows:

<b>Continuity Schedule</b>	<b>2003</b>	<b>2002</b>
Liability, beginning of year. . . . .	\$ 2,256,131	\$ 2,023,211
Current service costs . . . . .	152,600	130,700
Interest on liability. . . . .	148,100	138,100
Benefits paid out to retirees . . . . .	(55,708)	(41,489)
Current year amortized loss (gain) . . . . .	(8,906)	5,609
Liability, end of year. . . . .	<u>\$ 2,492,217</u>	<u>\$ 2,256,131</u>

Significant actuarial assumptions adopted in measuring the financial position of the program as at March 31, 2003 using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2000. The discount rate used was 6.17% and the salary growth rate 3.65% per year, plus promotional scale. Amortization is calculated over the expected average remaining service life of the employee group covered by the plans, namely 13.2 years. The net expenditure related to these employee future benefits was \$291,794 (2002 - \$ 274,409) for the year.

All accumulated liabilities of the retiring allowance program of the South Shore District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2003.

**14. FINANCIAL INSTRUMENTS**

**Fair Value**

The reported values of financial instruments which consist of cash and cash equivalents, short - term investments, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to the near term maturity of these instruments.

**Credit Risk**

The South Shore District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2003.

**15. COMPARATIVE FIGURES**

Certain comparative figures shown in these financial statements have been reclassified to conform to the current year's presentation.

## AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of  
South West Nova District Health Authority

We have audited the statement of financial position of the South West Nova District Health Authority as at March 31, 2003 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 District Health 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 Canadian 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 District Health Authority as at March 31, 2003 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP  
Chartered Accountants

June 20, 2003

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY**

**Statement of Operations  
for the year ended March 31, 2003**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 16) 2002 Total</b>
<b>Revenue</b>				
Department of Health funding. . . \$	47,574,517	\$ ---	\$ 47,574,517	\$ 45,899,965
Department of Veteran's Affairs . . . . .	1,356,138	---	1,356,138	1,318,896
Patient . . . . .	1,190,503	---	1,190,503	996,660
Physician funding . . . . .	1,598,081	---	1,598,081	1,280,829
Program recoveries and sales. . .	3,546,094	---	3,546,094	3,361,234
Amortization of deferred capital grants . . . . .	---	3,317,295	3,317,295	2,726,949
Other . . . . .	288,879	47,568	336,447	439,442
	<u>55,554,212</u>	<u>3,364,863</u>	<u>58,919,075</u>	<u>56,023,975</u>
<b>Expenses</b>				
Administration and support . . . .	2,067,450	---	2,067,450	1,535,185
Addiction. . . . .	1,335,217	---	1,335,217	1,146,960
Diagnostic imaging . . . . .	2,535,132	---	2,535,132	2,431,763
Environmental . . . . .	2,579,410	---	2,579,410	2,431,610
Finance. . . . .	693,138	---	693,138	540,833
Food & nutrition . . . . .	4,097,355	---	4,097,355	3,808,072
Health information. . . . .	1,390,090	---	1,390,090	1,162,927
Human resources . . . . .	483,058	---	483,058	394,669
Information technology. . . . .	1,357,401	---	1,357,401	1,029,964
Laboratory . . . . .	3,922,466	---	3,922,466	3,627,358
Materials management. . . . .	1,311,058	---	1,311,058	1,238,854
Mental health . . . . .	3,077,215	---	3,077,215	2,955,107
Nursing. . . . .	22,578,522	---	22,578,522	20,947,757
Pharmacy . . . . .	561,070	---	561,070	514,671
Plant and support. . . . .	4,426,676	---	4,426,676	3,667,460
Rehabilitation . . . . .	778,680	---	778,680	671,999
Other programs. . . . .	1,639,975	---	1,639,975	1,368,849
Public health . . . . .	1,558,004	---	1,558,004	1,376,587
Employee future benefits. . . . .	378,158	---	378,158	362,493
Amortization of property, plant and equipment. . . . .	---	3,484,384	3,484,384	2,882,941
Sundry. . . . .	267,876	18,973	286,849	2,056,932
	<u>57,037,951</u>	<u>3,503,357</u>	<u>60,541,308</u>	<u>56,152,991</u>
<b>Deficiency of revenues over expenses before deficit funding. . . . .</b>	<b>(1,483,739)</b>	<b>(138,494)</b>	<b>(1,622,233)</b>	<b>(129,016)</b>
<b>Operating deficit funding received from Department of Health . . . . .</b>	<b>1,440,634</b>	<b>---</b>	<b>1,440,634</b>	<b>---</b>
Department of Health funding of 2002 operating deficiency . . .	---	---	---	42,492
Deficiency of revenues over expenses . . . . . \$	<u>(43,105)</u>	<u>(138,494)</u>	<u>(181,599)</u>	<u>(86,524)</u>

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY**

**Statement of Financial Position  
as at March 31, 2003**

**ASSETS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 16) 2002 Total</b>
<b>Current</b>				
Cash and Cash Equivalents. . . . .	\$ 2,314,375	\$ (617,968)	\$ 1,696,407	\$ ---
Accounts receivable (Note 3). . . . .	4,335,135	3,891,338	8,226,473	8,712,393
Inventory . . . . .	859,532	---	859,532	772,342
Prepaid expenses . . . . .	338,990	11,094	350,084	376,815
	7,848,032	3,284,464	11,132,496	9,861,550
<b>Long-term assets</b>				
(Note 4) . . . . .	3,890,345	---	3,890,345	3,499,853
<b>Property, plant and equipment (Note 5) . . . . .</b>				
	---	64,578,604	64,578,604	58,290,683
	\$ 11,738,377	\$ 67,863,068	\$ 79,601,445	\$ 71,652,086

**LIABILITIES**

<b>Current</b>				
Bank indebtedness (Note 6) . . . . .	---	---	---	\$ 347,294
Accounts payable and accrued liabilities (Note 7) . . . . .	6,037,449	1,444,904	7,482,353	6,584,632
Current portion of long-term debt (Note 8) . . . . .	---	---	---	5,448
Revenue received in advance. . . . .	2,153,138	---	2,153,138	1,885,345
	8,190,587	1,444,904	9,635,491	8,822,719
<b>Long-term debt (Note 8). . . . .</b>	---	---	---	12,560
<b>Employee future benefits (Note 13). . . . .</b>	3,477,573	---	3,477,573	3,299,930
<b>Deferred capital grants (Note 9). . . . .</b>	---	65,994,542	65,994,542	58,841,439
	11,668,160	67,439,446	79,107,606	70,976,648

**FUND BALANCES**

<b>Restricted (Page 472). . . . .</b>	70,217	10,645	80,862	80,862
<b>Unrestricted (Page 472) . . . . .</b>	---	412,977	412,977	594,576
	70,217	423,622	493,839	675,438
	\$ 11,738,377	\$ 67,863,068	\$ 79,601,445	\$ 71,652,086

Commitments (Note 10)

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY**

**Statement of Changes in Fund Balances  
for the year ended March 31, 2003**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 16) 2002 Total</b>
<b>Restricted Fund Balances</b>	\$ <u>70,217</u>	\$ <u>10,645</u>	\$ <u>80,862</u>	\$ <u>80,862</u>
 <b>Unrestricted Fund Balances</b>				
Balance, beginning of period. . . .	43,105	551,471	594,576	681,100
Deficiency of revenues over expenses (Page 470). . . . .	<u>(43,105)</u>	<u>(138,494)</u>	<u>(181,599)</u>	<u>(86,524)</u>
Balance, end of period. . . . .	<u>---</u>	<u>412,977</u>	<u>412,977</u>	<u>594,576</u>
<b>Total Fund Balances. . . . .</b>	<b>\$ <u>70,217</u></b>	<b>\$ <u>423,622</u></b>	<b>\$ <u>493,839</u></b>	<b>\$ <u>675,438</u></b>



**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY**

**Statements of Cash Flows  
for the year ended March 31, 2003**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>(Note 16) 2002 Total</b>
<b>Net inflow (outflow) of cash related to the following activities:</b>				
<b>Operating</b>				
Deficiency of revenues over expenses . . . . . \$	(43,105)	\$ (138,494)	\$ (181,599)	\$ (86,524)
Adjusted for:				
Amortization of property, plant and equipment (Page 470) . . .	---	3,484,384	3,484,384	2,882,941
Amortization of deferred capital grants (Page 470) . . .	---	(3,317,295)	(3,317,295)	(2,726,949)
Gain on disposal of property, plant and equipment . . . . .	(47,560)	---	(47,560)	---
Employee future benefits (Note 13) . . . . .	378,158	---	378,158	373,373
Changes in non-cash working capital items (Note 12) . . . . .	2,603,379	(1,012,404)	1,590,975	1,277,882
Payment of employee future benefits . . . . .	(200,515)	---	(200,515)	(126,950)
	<u>2,690,357</u>	<u>(983,809)</u>	<u>1,706,548</u>	<u>1,593,773</u>
<b>Financing</b>				
Proceeds from capital grants (Note 9) . . . . .	---	10,470,398	10,470,398	2,840,610
Repayment of long-term debt . . .	---	(18,008)	(18,008)	(5,448)
	<u>---</u>	<u>10,452,390</u>	<u>10,452,390</u>	<u>2,835,162</u>
<b>Investing</b>				
Investments in long-term assets . . . . .	(390,492)	---	(390,492)	(370,366)
Acquisition of property, plant and equipment . . . . .	---	(9,772,305)	(9,772,305)	(2,327,235)
Proceeds on disposal of property, plant and equipment . . . . .	47,560	---	47,560	---
	<u>(342,932)</u>	<u>(9,772,305)</u>	<u>(10,115,237)</u>	<u>(2,697,601)</u>
<b>Net cash inflow (outflow) . . . . .</b>	<b>2,347,425</b>	<b>(303,724)</b>	<b>2,043,701</b>	<b>1,731,334</b>
Bank indebtedness, beginning of period . . . . .	(33,050)	(314,244)	(347,294)	(2,078,628)
Bank indebtedness, end of period . . . . . \$	<u>2,314,375</u>	<u>(617,968)</u>	<u>1,696,407</u>	<u>(347,294)</u>

**SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY**

**Notes to the Financial Statements  
for the year ended March 31, 2003**

**1. DESCRIPTION OF ORGANIZATION**

The South West Nova District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The District Health Authority's mission statement is to work with individuals, families and partners to promote and improve the health of our communities. The District Health Authority uses resources wisely to provide access to a broad range of quality health services.

The facilities owned and operated by the District Health Authority are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, the District Health Authority leases space in other locations to operate certain programs throughout Digby, Shelburne and Yarmouth counties and supports four (4) Community Health Boards.

**2. ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies 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 South West Nova District Health Authority's capital assets, and special purposes and endowment funds.

**b) Revenue Recognition**

The South West Nova District Health Authority 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.

**c) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, balances with banks and money market investments.

**d) Inventory**

Inventories are recorded at the lower of average cost and replacement cost, and includes medical/surgical, drugs, and other general inventory.

**e) 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. Amortization 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%

**f) 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 amortization of the related assets.

**g) Employee Future Benefits**

Employee future benefits are determined based on assumptions as outlined in Note 13 and recognized in the period in which benefits are earned by the employee.

**h) Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenue and expenses for the year then ended. Actual results may differ from those estimates.

**3. ACCOUNTS RECEIVABLE**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>2003 Total</b>	<b>2002 Total</b>
Department of Health				
Operating funding. . . . .	\$ 2,145,069	\$ ---	\$ 2,145,069	\$ 3,559,593
Transition support program . . .	94,725	---	94,725	415,615
Capital grants . . . . .	---	1,863,927	1,863,927	549,715
Patient care. . . . .	252,329	---	252,329	220,241
HST rebates. . . . .	207,082	190,939	398,021	422,047
Extended care facilities. . . . .	1,487,143	---	1,487,143	1,602,161
Homecare/VON. . . . .	46,911	---	46,911	54,965
Charitable foundations . . . . .	16,284	1,473,229	1,489,513	134,362
Psychiatric recoveries . . . . .	32,618	---	32,618	57,389
Other . . . . .	52,974	363,243	416,217	1,696,305
	<u>\$ 4,335,135</u>	<u>\$ 3,891,338</u>	<u>\$ 8,226,473</u>	<u>\$ 8,712,393</u>

**4. LONG-TERM ASSETS**

Long-term assets are comprised of employee advances to accommodate the change in pay dates, as a result of payroll conversions and accounts receivable from the Department of Health for employee future benefits.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Depreciation	Net Book Value	
			2003	2002
Land and land improvements . . . . .	\$ 862,453	\$ 123,148	\$ 739,305	\$ 751,073
Building and building service equipment . . . . .	81,215,667	22,776,716	58,438,951	54,223,453
Equipment . . . . .	<u>18,773,842</u>	<u>13,373,494</u>	<u>5,400,348</u>	<u>3,316,157</u>
	\$ <u>100,851,962</u>	\$ <u>36,273,358</u>	\$ <u>64,578,604</u>	\$ <u>58,290,683</u>

**6. BANK INDEBTEDNESS**

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling \$3.2 million. As well, the District Health Authority has available a capital line of credit totalling \$800,000 with a Canadian chartered bank. As of March 31, 2003, interest charges on any overdraft accounts are prime less .75%. There were no amounts owing on these lines at March 31, 2003 as the consolidated bank balance was positive. (South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority). Subsequent to year-end, capital bank indebtedness was eliminated through the collection of receivables.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	Operating Fund	Capital Fund	Total 2003	Total 2002
Trade payables . . . . .	\$ 1,399,854	\$ 471,128	\$ 1,870,982	\$ 1,095,731
Accrued liabilities . . . . .	849,656	973,776	1,823,432	764,894
Vacation pay. . . . .	1,147,328	---	1,147,328	883,563
Salary and benefits . . . . .	2,589,049	---	2,589,049	3,792,786
Other . . . . .	<u>51,562</u>	<u>---</u>	<u>51,562</u>	<u>47,658</u>
	\$ <u>6,037,449</u>	\$ <u>1,444,904</u>	\$ <u>7,482,353</u>	\$ <u>6,584,632</u>

**8. LONG-TERM DEBT**

	2003	2002
Obligations Under Capital Leases - repaid during the year . . . . .	\$ ---	\$ 18,008
Current portion . . . . .	<u>---</u>	<u>(5,448)</u>
	\$ <u>---</u>	\$ <u>12,560</u>

**9. DEFERRED CAPITAL GRANTS**

	<b>2003</b>	<b>2002</b>
Balance, beginning of period . . . . .	\$ 58,841,439	\$ 58,727,778
Grants received for:		
Capital assets purchased . . . . .	8,774,722	2,603,710
Future capital asset purchases . . . . .	<u>1,695,676</u>	<u>236,900</u>
	69,311,837	61,568,388
Amortization of deferred capital grants . . . . .	<u>(3,317,295)</u>	<u>(2,726,949)</u>
Balance, end of period . . . . .	<u>\$ 65,994,542</u>	<u>\$ 58,841,439</u>

**10. COMMITMENTS**

**a) Leases and Purchase Commitments**

The South West Nova District Health Authority has committed funds from operations for occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 678,619	\$ 636,665	\$ 336,994	\$ 281,805	\$ 281,805

**b) Yarmouth Redevelopment Project**

The South West Nova District Health Authority has committed to a multi-year redevelopment project for the Yarmouth Regional Hospital. The original amount of the contract was \$57.4 million. The District's remaining commitment is \$1.3 million.

**11. PENSION PLAN**

The South West Nova District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The second plan is administered by the Province of Nova Scotia. The South West Nova District Health Authority bears no direct financial responsibility for any unfunded liability of either plan. The pension expense recognized for the period ended March 31, 2003 was \$1,588,570.

**12. CHANGES IN WORKING CAPITAL ITEMS**

	<b>Operating Fund</b>	<b>Capital Fund</b>	<b>Total 2003</b>	<b>Total 2002</b>
Accounts receivable . . . . .	\$ 2,746,136	\$ (2,260,216)	\$ 485,920	\$ 124,083
Inventory . . . . .	(87,190)	---	(87,190)	(29,947)
Prepaid expenses . . . . .	(35,069)	61,800	26,731	(162,473)
Accounts payable and accrued liabilities . . . . .	(288,291)	1,186,012	897,721	1,260,572
Revenue received in advance . . . . .	<u>267,793</u>	<u>---</u>	<u>267,793</u>	<u>85,647</u>
	<u>\$ 2,603,379</u>	<u>\$ (1,012,404)</u>	<u>\$ 1,590,975</u>	<u>\$ 1,277,882</u>

**13. EMPLOYEE FUTURE BENEFITS**

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South West Nova District Health Authority upon retirement. The most recent actuarial valuation was for the year ended December 31, 2000. Actuarial liabilities as at March 31, 2002 and 2003 were extrapolated from the results of the December 31, 2000 actuarial valuation.

Financial position of the program as follows:

Continuity Schedule	<b>2003</b>	<b>2002</b>
Liability, beginning of year. . . . .	\$ 3,299,930	\$ 3,053,507
Current service costs . . . . .	190,100	163,600
Interest on liability. . . . .	205,500	200,800
Benefits paid out to retirees. . . . .	(200,515)	(126,950)
Current year amortized actuarial loss . . . . .	(17,442)	8,973
Liability, end of year. . . . .	<u>\$ 3,477,573</u>	<u>\$ 3,299,930</u>

Significant actuarial assumptions adopted in measuring the financial position of the program as at March 31, 2003 were calculated using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2000. The discount rate used was 6.17% and the salary growth rate 3.65% per year, plus promotional scale. Amortization is calculated over the expected average remaining service life of the employee group covered by the plans, namely 12.6 years. The net expenditure related to these employee future benefits was \$378,158 (2002 - \$373,373) for the year.

All accumulated past liabilities from the retiring allowance program of the South West Nova District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2003.

**14. 2001 - 2002 OPERATING SURPLUS**

Pursuant to Section 32 of Bill no. 34, "Where a District Health Authority realizes a budget surplus at the end of a fiscal year, the Minister of Health may authorize the authority to retain all or part of the surplus on such terms and conditions as the Minister considers appropriate". The Department of Health approved carry over of the 2001-2002 operating surplus, to be applied against operations in the 2002-2003 fiscal year.

**15. FINANCIAL INSTRUMENTS**

**Fair Value**

The reported values of financial instruments which consist of cash and cash equivalents, short-term investments, accounts receivables and accounts payable and accrued liabilities approximate their fair values due to the near term maturity of these instruments.

**Credit Risk**

The South West Nova District Health Authority performs a continuous evaluation of its customers' credit and records an allowance for doubtful accounts as required. Management considers there is no significant credit risk as at March 31, 2003.

**16. COMPARATIVE FIGURES**

Certain comparative figures shown in these financial statements have been reclassified to conform with the current years' presentation.

## AUDITORS' REPORT

To the Chairperson and Members  
of the Southwest Regional School Board

We have examined the Consolidated, Operating and Reserve Fund, Capital Fund, and Trust Fund balance sheets of the Southwest Regional School Board as at March 31, 2003, 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 Canadian 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, 2003, 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 LLP  
Registered Municipal Auditors

Bridgewater, Nova Scotia  
June 19, 2003

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Consolidated Statement of Financial Position  
As at March 31, 2003**

**FINANCIAL AND CAPITAL ASSETS**

	<b>2003</b>	<b>2002</b>
<b>Financial Assets</b>		
Cash .....	--- \$	140,572
Restricted Cash .....	505,766	1,259,004
Accounts Receivable		
Province of Nova Scotia .....	4,244,022	1,563,214
Government of Canada .....	322,583	753,414
Municipalities .....	---	---
Other (Note 2) .....	693,152	934,818
Receivable - Retirement Allowance (Note 6) .....	5,748,000	5,234,000
Advances .....	---	---
Inventory .....	484,617	482,994
Prepaid expenses .....	591,335	467,898
Other Investments .....	---	---
<b>Total Financial Assets</b>	<b>12,589,475</b>	<b>10,835,914</b>
<b>Capital Assets</b>		
Total of Capital Assets (Note 3) .....	<b>88,815,892</b>	<b>87,067,638</b>
<b>Financial and Capital Assets</b>	<b>\$ 101,405,367</b>	<b>\$ 97,903,552</b>

**LIABILITIES AND RETAINED EARNINGS**

<b>Liabilities</b>		
Bank Indebtedness .....	50,086 \$	---
Payables and Accruals - Trade .....	2,725,302	3,018,843
Payroll and Employee Deductions .....	2,618,951	505,699
Payables and Accruals - Government		
Province of Nova Scotia .....	475,691	240,117
Government of Canada .....	56,566	47,205
Municipalities .....	15,509	---
Other .....	---	---
Current portion of Long-term Debt .....	---	---
Deferred Revenue .....	164,998	302,440
Deferred Revenue - Capital .....	1,265,044	---
Retirement Obligations (Note 6) .....	5,748,000	5,234,000
Long-term debt .....	---	---
<b>Total Liabilities</b>	<b>13,120,147</b>	<b>9,348,304</b>
<b>Retained Earnings</b>		
Accumulated Amortization .....	85,097	---
Investment in Capital Assets .....	87,465,751	87,067,638
Unrestricted Retained Earnings .....	228,606	228,606
Reserves .....	505,766	1,259,004
<b>Total Retained Earnings</b>	<b>88,285,220</b>	<b>88,555,248</b>
<b>Liabilities and Retained Earnings</b>	<b>\$ 101,405,367</b>	<b>\$ 97,903,552</b>

Contingencies (Note 5)  
Commitments (Note 6)

See accompanying notes to the financial statements.



**SOUTHWEST REGIONAL SCHOOL BOARD**

**Operating and Reserve Statement of Financial Position  
As at March 31, 2003**

**FINANCIAL AND CAPITAL ASSETS**

	<b>2003</b>	<b>2002</b>
<b>Financial Assets</b>		
Cash .....	--- \$	140,572
Restricted Cash .....	505,766	1,259,004
Short - term Investments .....	---	---
Accounts Receivable		
Province of Nova Scotia .....	4,244,022	1,563,214
Government of Canada .....	322,583	753,414
Municipalities .....	---	---
Other (Note 2) .....	693,152	934,818
Receivable - Retirement Allowance (Note 6) .....	5,748,000	5,234,000
Advances .....	---	---
Inventory .....	484,617	482,994
Prepaid expenses .....	591,335	467,898
Other Investments .....	---	---
<b>Total Financial Assets</b>	<b>12,589,475</b>	<b>10,835,914</b>
<b>Financial and Capital Assets</b>	<b>\$ 12,589,475</b>	<b>\$ 10,835,914</b>

**LIABILITIES AND RETAINED EARNINGS**

<b>Liabilities</b>		
Bank Indebtedness .....	50,086 \$	---
Payables and Accruals - Trade .....	2,725,302	3,018,843
Payroll and Employee Deductions .....	2,618,951	505,699
Payables and Accruals - Government		
Province of Nova Scotia .....	475,691	240,117
Government of Canada .....	56,566	47,205
Municipalities .....	15,509	---
Other .....	---	---
Current portion of Long-term Debt .....	---	---
Deferred Revenue .....	164,998	302,440
Retirement Obligations (Note 6) .....	5,748,000	5,234,000
Long-term debt .....	---	---
<b>Total Liabilities</b>	<b>11,855,103</b>	<b>9,348,304</b>
<b>Retained Earnings</b>		
Unrestricted Retained Earnings .....	228,606	228,606
Reserves .....	505,766	1,259,004
<b>Total Retained Earnings</b>	<b>734,372</b>	<b>1,487,610</b>
<b>Liabilities and Retained Earnings</b>	<b>\$ 12,589,475</b>	<b>\$ 10,835,914</b>

Contingencies (Note 5)  
Commitments (Note 6)

See accompanying notes to the financial statements.

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Statement of Operations  
Year Ended March 31, 2003**

	<u>Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Revenue (Schedule A)</b>			
Province of Nova Scotia .....	\$ 78,266,376	\$ 78,921,340	\$ 77,135,426
Government of Canada .....	1,044,541	1,162,501	1,115,594
Appropriations from Councils .....	18,148,000	18,147,993	17,897,807
Board Operations .....	1,077,568	1,077,598	1,186,544
Capital Revenue Recognition .....	---	85,097	---
Transfer from Reserves .....	---	774,992	58,511
	<u>\$ 98,536,485</u>	<u>\$ 100,169,521</u>	<u>\$ 97,393,882</u>
<b>Expenditures (Schedule B)</b>			
Board Governance .....	\$ 387,879	\$ 351,011	\$ 593,309
Regional Management .....	2,143,899	2,123,798	2,300,541
School Management and Support .....	9,345,172	10,569,316	8,005,137
Instruction and School Services .....	55,766,490	55,606,342	55,818,781
Student Support .....	9,759,807	9,740,004	9,152,408
Adult and Community Education .....	453,279	425,868	488,578
Property Services .....	11,950,817	11,154,112	11,217,583
Student Transportation .....	7,449,638	7,740,693	7,098,408
Other Programs .....	1,279,504	2,053,280	1,316,940
Interest - Service Awards - Teachers (Note 6) .....	---	320,000	333,000
Tangible Capital Asset Amortization .....	---	85,097	---
	<u>\$ 98,536,485</u>	<u>\$ 100,169,521</u>	<u>\$ 96,324,685</u>
Excess of revenue over expenditures .....	\$ ---	\$ ---	\$ 1,069,197
Transfer to Reserve - Future Operations .....	---	---	(1,069,197)
Excess of revenue over expenditures after transfer to reserves .....	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

**Statement of Continuity of Surplus  
Year Ended March 31, 2003**

	<u>2003</u>	<u>2002</u>
Balance, beginning of year .....	\$ 228,606	\$ 228,606
Annual operating surplus (deficit) .....	---	1,069,197
Transfer to Reserves .....	---	(1,069,197)
Transfer to prior year's deficit (surplus) to statement of operations .....	<u>---</u>	<u>---</u>
Balance, end of year .....	<u>\$ 228,606</u>	<u>\$ 228,606</u>

See accompanying notes to the financial statements.

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Statement of Tangible Assets  
For the Year Ended March 31, 2003**

	<u>Buildings</u>	Major <u>Equipment</u>	<u>Vehicles</u>	<u>2003 Total</u>	<u>2002 Total</u>
<b><u>Cost of Tangible Assets</u></b>					
<b>Opening Costs</b> .....	\$ ---	\$ ---	\$ ---	\$ ---	---
Additions .....	1,279,781	---	70,360	1,350,141	---
Disposals .....	---	---	---	---	---
<b>Closing Costs</b> .....	1,279,781	---	70,360	1,350,141	---
<b><u>Accumulated Amortization</u></b>					
<b>Opening Balance</b> .....	---	---	---	---	---
Disposals .....	---	---	---	---	---
Amortization Expense .....	63,989	---	21,108	85,097	---
<b>Closing Balance</b> .....	63,989	---	21,108	85,097	---
<b>Net Book Value</b> .....	1,215,792	---	49,252	1,265,044	---
<b>Opening Balance April 1, 2002</b> .....	---	---	---	---	---
<b>Closing Balance March 31, 2003</b> .....	1,215,792	---	49,252	1,265,044	---
<b>Increase (Decrease) In Net Book Value</b> .....	\$ 1,215,792	\$ ---	\$ 49,252	\$ 1,265,044	\$ ---

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Capital Fund Balance Sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Fixed Assets, at cost (Note 3)		
Land, buildings and improvements .....	\$ 57,666,901	\$ 57,666,901
Equipment and furnishings .....	17,920,260	17,920,260
School buses and other vehicles .....	<u>11,878,590</u>	<u>11,480,477</u>
	<u>87,465,751</u>	<u>87,067,638</u>
Fixed Assets, tangible capital assets (Note 3)		
Land, buildings and improvements .....	1,279,781	---
Equipment and furnishings .....	---	---
Other vehicles .....	<u>70,360</u>	<u>---</u>
	<u>1,350,141</u>	<u>---</u>
<b>Total Capital Assets.....</b>	<b>\$ <u>88,815,892</u></b>	<b>\$ <u>87,067,638</u></b>
<b>LIABILITIES</b>		
Deferred Capital Revenue		
Land, buildings and improvements .....	\$ 1,215,792	---
Equipment and furnishings .....	---	---
Other vehicles .....	<u>49,252</u>	<u>---</u>
	<u>\$ 1,265,044</u>	<u>\$ ---</u>
<b>EQUITY</b>		
Accumulated Amortization		
Land, buildings and improvements .....	\$ 63,989	---
Equipment and furnishings .....	---	---
Other vehicles .....	<u>21,108</u>	<u>---</u>
	<u>85,097</u>	<u>---</u>
Investment in capital assets	<u>87,465,751</u>	<u>87,067,638</u>
	<u>87,465,751</u>	<u>87,067,638</u>
	<u>\$ 88,815,892</u>	<u>\$ 87,067,638</u>

Contingencies (Note 5)  
Commitments (Note 6)

See accompanying notes to the financial statements.

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Statement of Continuity of Investment in Capital Assets  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Balance, beginning of year . . . . .	\$ 87,067,638	\$ 84,820,399
Capital purchases		
Land, building and improvements . . . . .	---	1,851,035
Equipment and furnishings . . . . .	---	160,666
	<u>---</u>	<u>2,011,701</u>
School bus and motor vehicle dispositions . . . . .	(737,995)	(673,380)
School buses and motor vehicles. . . . .	1,136,108	908,918
Motor Vehicles. . . . .	---	---
	<u>398,113</u>	<u>235,538</u>
Balance, end of year. . . . .	\$ <u>87,465,751</u>	\$ <u>87,067,638</u>

**Statement of Continuity of Tangible Capital Assets  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Balance, beginning of year . . . . .	\$ ---	\$ ---
Capital purchases		
Building and improvements . . . . .	1,279,781	---
Equipment and furnishings . . . . .	---	---
Motor vehicles. . . . .	70,360	---
	<u>1,350,141</u>	<u>---</u>
Accumulated amortization		
Building and improvements . . . . .	63,989	---
Equipment and furnishings . . . . .	---	---
Motor vehicles. . . . .	21,108	---
	<u>85,097</u>	<u>---</u>
Balance, end of year. . . . .	\$ <u>1,265,044</u>	\$ <u>---</u>

**Statement of Continuity of Reserves  
March 31, 2003**

	Balance Beginning of Year	Transfer To/ from Operating Fund	Interest Revenue	Balance End of Year
Future projects . . . . .	\$ 189,808	\$ 188,814	\$ 3,392	\$ 4,386
South Shore District School Board. . . . .	681,188	343,449	11,491	349,230
TriCounty District School Board . . . . .	388,008	242,729	6,871	152,150
	<u>\$ 1,259,004</u>	<u>\$ 774,992</u>	<u>\$ 21,754</u>	<u>\$ 505,766</u>

See accompanying notes to the financial statements.

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Schedule A - Supplementary Details of Revenues  
Year Ended March 31, 2003**

	<u>Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Province of Nova Scotia</b>			
Operating. ....	\$ 68,061,800	\$ 68,061,790	\$ 67,643,591
Restricted. ....	7,013,806	8,087,808	7,739,892
Capital. ....	1,282,200	1,419,033	---
Other. ....	1,908,570	2,192,991	1,751,943
Recoveries. ....	---	509,859	---
Revenue to Deferred - Capital. ....	---	(1,350,141)	---
	<u>78,266,376</u>	<u>78,921,340</u>	<u>77,135,426</u>
<b>Government of Canada</b>			
HRDC. ....	45,318	143,726	113,560
Other. ....	710,823	709,938	720,080
First Nations. ....	288,400	308,837	281,953
	<u>1,044,541</u>	<u>1,162,501</u>	<u>1,115,593</u>
<b>Appropriations from Councils</b>			
	<u>18,148,000</u>	<u>18,147,993</u>	<u>17,897,807</u>
	<u>18,148,000</u>	<u>18,147,993</u>	<u>17,897,807</u>
<b>Board Operations</b>			
Board Generated Revenue - Other Revenue. ....	932,568	956,602	937,202
Interest/Investment. ....	145,000	93,606	169,342
Sale of Assets. ....	---	13,790	125
Non-Government Grants. ....	---	13,600	79,874
	<u>1,077,568</u>	<u>1,077,598</u>	<u>1,186,543</u>
<b>Capital Revenue Recognition</b>			
	<u>---</u>	<u>85,097</u>	<u>---</u>
	<u>---</u>	<u>85,097</u>	<u>---</u>
<b>Transfer From Reserves/Surplus</b>			
	<u>---</u>	<u>774,992</u>	<u>58,511</u>
	<u>---</u>	<u>774,992</u>	<u>58,511</u>
<b>Total Revenue</b>	<u>\$ 98,536,485</u>	<u>\$ 100,169,521</u>	<u>\$ 97,393,880</u>

See accompanying notes to the financial statements.

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Schedule B - Supplementary Details of Expenditures  
Year Ended March 31, 2003**

	<u>Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Board Governance</b>			
Salaries .....	\$ 249,062	\$ 215,481	\$ 286,784
Benefits .....	9,517	12,153	14,216
Travel .....	46,900	57,228	51,012
Supplies/Material .....	45,600	28,718	64,853
Professional Development .....	36,800	37,431	180,121
Elections .....	---	---	(3,677)
<b>Total Board Governance</b>	<u>387,879</u>	<u>351,011</u>	<u>593,309</u>
<b>Regional Management</b>			
Salaries .....	1,046,449	1,090,949	1,120,664
Benefits .....	185,202	177,954	193,884
Travel .....	82,335	89,957	71,467
Professional Services - Legal/Audit .....	118,700	90,148	161,252
Contracted Services .....	128,900	118,683	148,919
Repairs/Maintenance .....	55,500	58,858	71,236
Supplies/Materials .....	235,000	232,882	266,871
Utilities .....	34,850	35,472	31,669
Professional Development .....	77,200	43,130	22,997
NSSBA Dues .....	68,000	67,817	67,817
Bank/Interest Costs .....	2,000	3,818	110
Insurance .....	109,763	114,130	143,655
<b>Total Regional Management</b>	<u>2,143,899</u>	<u>2,123,798</u>	<u>2,300,541</u>
<b>School Management and Support</b>			
Salaries .....	7,639,758	8,809,680	6,196,179
Benefits .....	354,116	366,176	315,553
Travel .....	92,497	130,147	101,137
Contracted Services .....	100,389	131,440	2,203
Repairs/Maintenance .....	85,000	99,217	235,131
Supplies/Materials .....	607,712	598,584	786,678
Professional Development .....	465,700	434,072	368,256
<b>Total School Management and Support</b>	<u>9,345,172</u>	<u>10,569,316</u>	<u>8,005,137</u>
<b>Instruction and School Services</b>			
Salaries .....	49,449,945	49,689,830	50,320,085
Benefits .....	3,157,899	3,166,967	2,940,198
Retirement allowances - board paid .....	---	14,817	157,264
Retirement allowances - current service .....	792,000	386,000	227,000
Travel .....	40,400	37,923	39,463
Contracted Services .....	---	355,375	325,059
Repairs/Maintenance .....	---	70,116	109,487
Supplies/Materials .....	2,326,246	1,885,314	1,700,225
<b>Total Instruction and School Services</b>	<u>\$ 55,766,490</u>	<u>\$ 55,606,342</u>	<u>\$ 55,818,781</u>

See accompanying notes to the financial statements.

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Schedule B - Supplementary Details of Expenditures (Continued)**  
**Year Ended March 31, 2003**

	<u>Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Student Support</b>			
Salaries .....	\$ 8,821,787	\$ 8,857,666	\$ 8,278,029
Benefits .....	789,529	798,225	743,396
Travel .....	74,590	78,907	67,612
Supplies/Materials .....	44,306	(18,490)	37,746
Professional Development .....	29,595	23,696	25,625
<b>Total Student Support</b>	<u>9,759,807</u>	<u>9,740,004</u>	<u>9,152,408</u>
<b>Adult and Community Education</b>			
Salaries .....	385,904	362,116	358,744
Benefits .....	36,681	35,410	42,406
Travel .....	2,770	3,888	1,529
Contracted Services .....	5,508	8,036	1,051
Repairs/Maintenance .....	---	---	28,663
Supplies/Materials .....	20,916	15,615	27,272
Utilities .....	---	---	28,822
Professional Development .....	1,500	803	91
<b>Total Adult Ed and Community Education</b>	<u>453,279</u>	<u>425,868</u>	<u>488,578</u>
<b>Property Services</b>			
Salaries .....	4,485,267	4,368,950	3,996,106
Benefits .....	681,051	677,718	615,671
Travel .....	16,142	20,963	22,846
Contracted Services .....	452,108	670,063	461,541
Repairs/Maintenance .....	2,980,835	3,044,625	2,869,352
Vehicle Expenses .....	123,208	119,504	153,720
Supplies/Materials .....	342,052	373,945	437,336
Utilities .....	2,841,532	3,204,945	2,526,374
Professional Development .....	13,500	5,934	8,679
Insurance .....	408,400	410,899	246,921
Recoveries .....	(393,278)	(393,293)	(120,963)
Expenditures transferred to TCA .....	---	(1,350,141)	---
<b>Total Property Services</b>	<u>11,950,817</u>	<u>11,154,112</u>	<u>11,217,583</u>
<b>Student Transportation</b>			
Salaries .....	4,328,544	4,323,340	4,257,136
Benefits .....	774,566	706,937	705,504
Travel .....	169,862	172,025	163,488
Contracted Services .....	119,008	28,777	54,587
Repairs/Maintenance .....	58,284	101,056	44,438
Vehicle Maintenance .....	1,510,762	1,855,104	1,446,125
Conveyance .....	118,200	110,466	93,824
Supplies/Materials .....	149,340	182,770	192,383
Utilities .....	58,189	67,762	54,536
Professional Development .....	17,600	20,049	16,285
Insurance .....	145,283	172,407	70,102
<b>Total Student Transportation</b>	<u>\$ 7,449,638</u>	<u>\$ 7,740,693</u>	<u>\$ 7,098,408</u>

See accompanying notes to the financial statements.



**SOUTHWEST REGIONAL SCHOOL BOARD**

**Schedule B - Supplementary Details of Expenditures (Continued)**  
**Year Ended March 31, 2003**

	<u>Budget</u>	<u>2003 Actual</u>	<u>2002 Actual</u>
<b>Other Programs</b>			
Salaries .....	\$ 763,230	\$ 798,942	\$ 742,743
Benefits .....	77,384	56,907	50,391
Travel .....	610	21,014	4,040
Contracted Services .....	---	25,914	---
Repairs/Maintenance .....	---	325,017	672
Supplies/Materials .....	438,080	790,047	477,151
Professional Development .....	200	35,439	41,943
<b>Total Other Programs</b>	<u>1,279,504</u>	<u>2,053,280</u>	<u>1,316,940</u>
 <b>Interest Expense</b>			
Interest - Service Awards - Teachers .....	---	320,000	333,000
<b>Total Interest Expense</b>	<u>---</u>	<u>320,000</u>	<u>333,000</u>
 <b>Tangible Capital Asset Amortization</b>			
Buildings .....	---	63,989	---
Vehicles .....	---	21,108	---
<b>Total Interest Expense</b>	<u>---</u>	<u>85,097</u>	<u>---</u>
 <b>Total Expenditures</b>	 <u>\$ 98,536,485</u>	 <u>\$ 100,169,521</u>	 <u>\$ 96,324,685</u>

See accompanying notes to the financial statements.

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Notes to the Financial Statements  
March 31, 2003**

**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 and tire inventories are 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. Effective April 1, 2001, the Province of Nova Scotia no longer provided funding to Boards for purchases of school buses, assuming fully the responsibility and cost of purchasing, however buses are recorded as capital assets but are not amortized.

**2. Receivables**

	<b>2003</b>	<b>2002</b>
NSSRA - NSTU Sal Con Insurance (Note 5) . . . . .	\$ 250,000	\$ 250,000
First Nations Band Councils . . . . .	6,289	34,338
Other . . . . .	436,863	650,480
	\$ 693,152	\$ 934,818

**3. Capital Fund Assets**

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. In 2003 the board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds for recording capital assets. Only those assets meeting the thresholds were recorded as additions in 2003. Assets were amortized in accordance with the criteria prescribed by the Department of Education. The board has not recorded amortization on any tangible capital assets acquired prior to March 31, 2002.

#### 4. Pension 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 purchase plan and defined benefit plan.
Shelburne District	- Non-teaching staff money purchase plan and defined benefit plan.
Yarmouth District	- Non-teaching staff money purchase plan and undivided registered retirement savings plan.
Digby District	- Non-teaching staff defined benefit plan.

The various pension plans for non-teaching staff are:

<u>Defined Benefit Plans</u>	<u>RRSP</u>
Standard Life	Clerica - Queens
Maritime Life - Lunenburg	Great West Life
Maritime Life - Queens	CIBC
Maritime Life - Shelburne	
London Life - Yarmouth	
Sun Life - Yarmouth	
Maritime Life - Digby	

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.

#### 5. Contingencies

##### Receivable

Included in receivables is \$250,000 due from the Trustees of the Teachers Long-Term Liability Plan. This has been outstanding for a number of years and the Board cannot make a determination of the amount of likelihood of any write-down 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.

#### 6. Commitments

##### Service awards

For all service on or before July 31, 2000, under the terms of agreements with local units of the Nova Scotia Teacher's Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. 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 - Maximum \$7,000
Clare/Argyle District	- 0.60 of one percent of annual salary per year of service

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and Southwest Regional School Board the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers.

**Continuity of Retirement Allowance Liability**

Actuarial liability, beginning of year . . . . .	\$ 5,091,000	\$ 4,821,000
Beginning unamortized gain/(loss), liability . . . . .	143,000	---
Beginning balance per financial statements . . . . .	<u>5,234,000</u>	<u>4,821,000</u>
Current service cost (Retiring allowance expense) . . . . .	397,000	227,000
Amortization of experience gains/losses. . . . .	<u>(11,000)</u>	<u>---</u>
Retiring allowance expense. . . . .	<u>386,000</u>	<u>227,000</u>
Estimated benefits paid. . . . .	(192,000)	(147,000)
Interest expense - Service Awards - Teachers. . . . .	<u>320,000</u>	<u>333,000</u>
Ending balance per Balance Sheet . . . . .	<u>5,748,000</u>	<u>5,234,000</u>
Reconciliation to actuarial report:		
Per actuaries . . . . .	6,041,000	5,091,000
Unamortized gain/(loss). . . . .	<u>(293,000)</u>	<u>143,000</u>
	<u>\$ 5,748,000</u>	<u>\$ 5,234,000</u>

**P-3 Operating Expenses**

Forest Ridge Academy, Bayview Community School and Aspotogan Consolidated Elementary School were opened for the 2000/01 school year. Meadowfields Community School had been opened in the 1999/2000 school year. All payments for P3 leases are made by the Province to the private partner and contain both capital and operating component.

**Energy Management Contract**

The Southwest Regional School Board has entered into an energy management contract with Nova Scotia Power Services Limited. The School Board is required to pay \$5,848 per month until the contract expires July 2005.

**7. Board Restructuring**

The Southwest Regional School Board was restructured into two districts - The South Shore District School Board and the Tri County District School Board during the fiscal year 2000/2001. The Southwest Regional School Board is responsible for operational issues and the two school districts are responsible for educational issues.

**8. Comparative Balances**

Comparative figures have been restated to conform with the accounting policy change for retirement allowances as well as implementation of the SAP Financial Accounting System on April 1, 2002.

**SOUTHWEST REGIONAL SCHOOL BOARD**

**Trust Funds Balance Sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
Cash .....	\$ <u>802,931</u>	\$ <u>469,023</u>
 <b>Equity</b>		
Estate of Marjorie E. Jones .....	\$ 15,531	\$ 15,165
Digby Community Theatre .....	4,162	4,064
CUPE Pension Fund .....	390,245	189,216
Reserve for scholarships		
Teachers' Scholastic Scholarship .....	5,229	6,324
Forbes Mountain Scholarship .....	532	519
Josephine Christie Fredea Award .....	1,524	1,563
South Shore District Memorial Scholarship .....	4,254	4,352
Murray Barkhouse Scholarship Fund .....	3,405	3,029
Robert Hirtle Memorial Fund .....	1,184	1,371
Dr. K.C. Gandhi Marfatia Scholarship Fund .....	11,314	11,294
W.G.L. Hirtle Scholarship .....	10,307	10,559
Elinor Muir Leary Scholarship .....	10,003	10,361
Irene and Derrell Ernst Scholarship .....	5,139	5,314
David Lowe Scholarship .....	7,672	7,934
Clara Quinlan Scholarship .....	5,091	5,264
Monte Oickle Scholarship .....	4,748	4,982
Cameron Smith Memorial .....	162	159
Paul Eisnor Memorial .....	450	439
Austin Nauss Scholarship .....	1,321	1,587
Rodney Veinot Memorial .....	2,379	2,619
Timothy Daniels Memorial .....	3,910	3,819
Sylvia Weagle Bursary .....	28,324	29,246
Dr. J.C. Wickwire .....	2,203	2,646
Augusta Nickerson .....	13,646	13,825
J. Pask Memorial .....	130	127
Maragaret Ernst MacLeod .....	3,825	3,735
Elsie Hemeon Fund .....	524	512
Stay-in-School Bursary .....	157	153
F. Dakin and P. Dakin Dickson .....	44,921	44,845
Dr. Charles and Mary Webster .....	31,639	21,752
Erma Westhaver Loomis .....	36,280	36,415
Yarmouth District Scholarship Society		
Unassigned .....	3,658	3,572
Samuel Margolian Trust - Yarmouth High .....	4,981	5,035
Samuel Margolian Trust - St. Ambrose .....	4,981	5,035
Churchill Trust .....	1,529	1,592
Loraleis Trust .....	1,556	1,579
Blackader - Kirk Trust .....	2,434	2,871
Olson .....	2,857	2,987
Andrew Maxwell .....	3,036	3,162
Atlantic Philanthropy .....	7,415	---
Colleen Finck Memorial .....	120,273	---
	\$ <u>802,931</u>	\$ <u>469,023</u>

See accompanying notes to the financial statements.

## SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Trust Funds  
For the Year Ended March 31, 2003

	Balance Beginning of Year	Contributions	Receipt of Donations	Interest Earned	Scholarships Awarded	Balance End of Year
Estate of Marjorie E. Jones. . . . .	\$ 15,165	\$ ---	\$ ---	\$ 366	\$ ---	15,531
Digby Community Theatre Fund. . . . .	4,064	---	---	98	---	4,162
CUPE Pension Fund. . . . .	189,216	194,089	---	6,940	---	390,245
Teachers Scholastic . . . . .	6,324	6,433	---	162	(7,690)	5,229
Forbes Mountain . . . . .	519	---	---	13	---	532
J.C. Fredea Award. . . . .	1,563	---	75	36	(150)	1,524
South Shore District Memorial . . . . .	4,352	---	1,300	102	(1,500)	4,254
M. Barkhouse Scholarship Fund. . . . .	3,029	---	300	76	---	3,405
Robert Hirtle Memorial Fund . . . . .	1,371	---	780	33	(1,000)	1,184
Dr. K.C. Marfatia Ghandi. . . . .	11,294	---	---	270	(250)	11,314
W.G.L.Hirtle . . . . .	10,559	---	---	248	(500)	10,307
Elinor Muir Leary . . . . .	10,361	---	---	242	(600)	10,003
Irene/Derrell Ernst . . . . .	5,314	---	---	125	(300)	5,139
David Lowe . . . . .	7,934	---	---	188	(450)	7,672
Clara Quinlan . . . . .	5,264	---	---	127	(300)	5,091
Monte Oickle . . . . .	4,982	---	---	116	(350)	4,748
Cameron Smith . . . . .	159	---	---	3	---	162
Paul Eisnor . . . . .	439	---	---	11	---	450
Austin Nauss . . . . .	1,587	---	300	34	(600)	1,321
Rodney Veinot . . . . .	2,619	---	---	60	(300)	2,379
Timothy Daniels . . . . .	3,819	---	500	91	(500)	3,910
S Weagle Bursary. . . . .	29,246	---	---	678	(1,600)	28,324
Dr J.C. Wickwire . . . . .	2,646	---	---	57	(500)	2,203
Balance forward . . . . .	\$ 321,826	\$ 200,522	\$ 3,255	\$ 10,076	\$ (16,590)	\$ 519,089

## SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Trust Funds (Continued)  
For the Year Ended March 31, 2003

	Balance Beginning <u>of Year</u>	<u>Contributions</u>	Receipt of <u>Donations</u>	Interest <u>Earned</u>	Scholarships <u>Awarded</u>	Balance <u>End of Year</u>
Balance carried forward . . . . .	\$ 321,826	\$ 200,522	\$ 3,255	\$ 10,076	\$ (16,590)	\$ 519,089
Augusta Nickerson . . . . .	13,825	---	---	321	(500)	13,646
J. Pask Memorial . . . . .	127	---	---	3	---	130
M. Ernst MacLeod . . . . .	3,735	---	---	90	---	3,825
Elsie Hemeon . . . . .	512	---	---	12	---	524
Stay-in-School Bursary . . . . .	153	---	---	4	---	157
F. Dakin/P. Dakin Dickson . . . . .	44,845	---	---	1,076	(1,000)	44,921
Dr. Charles/Mary Webster . . . . .	21,752	---	10,000	637	(750)	31,639
Erma Westhaver Loomis . . . . .	36,415	---	---	865	(1,000)	36,280
Yarmouth District Scholarship Society						
Unassigned . . . . .	3,572	---	---	86	---	3,658
S. Margolian Trust - Yarmouth High. . . . .	5,035	---	---	119	(173)	4,981
S. Margolian Trust - St. Ambrose . . . . .	5,035	---	---	119	(173)	4,981
Churchill Trust . . . . .	1,592	---	---	37	(100)	1,529
Loraleis Trust . . . . .	1,579	---	---	37	(60)	1,556
Blackader - Kirk Trust . . . . .	2,871	---	---	63	(500)	2,434
Olson Trust . . . . .	2,987	---	---	70	(200)	2,857
Andrew Maxwell . . . . .	3,162	---	---	74	(200)	3,036
Atlantic Philanthropy . . . . .	---	15,091	---	94	(7,770)	7,415
Colleen Finck Memorial . . . . .	---	119,857	---	416	---	120,273
	<u>\$ 469,023</u>	<u>\$ 335,470</u>	<u>\$ 13,255</u>	<u>\$ 14,199</u>	<u>\$ (29,016)</u>	<u>\$ 802,931</u>

See accompanying notes to the financial statements.

## AUDITOR'S REPORT

To the Chairman and Members of the Board of  
**The Strait Regional School Board**

We have audited the balance sheet of the Strait Regional School Board as at March 31, 2003, and the consolidated 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 Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003, and the results of its operations and changes in its financial position for the year then ended in accordance with accounting principles generally accepted for school boards in Nova Scotia.

Grant Thornton LLP  
Chartered Accountants

Port Hawkesbury, Nova Scotia  
May 8, 2003



**STRAIT REGIONAL SCHOOL BOARD**

**Consolidated Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Current		
Cash.....	\$ 168,332	\$ 3,050
Receivables.....	8,050,668	8,880,301
Prepays.....	544,935	431,700
	<u>8,763,935</u>	<u>9,315,051</u>
Capital assets		
School buildings and improvements.....	28,452,553	31,613,947
Buses and other vehicles.....	1,742,267	2,449,477
Equipment and furnishings.....	2,028,157	2,535,197
	<u>32,222,977</u>	<u>36,598,621</u>
	<u>\$ 40,986,912</u>	<u>\$ 45,913,672</u>

**LIABILITIES**

Current		
Bank indebtedness (Note 5).....	\$ ---	\$ 3,106,757
Payables and accruals.....	3,313,975	1,197,098
Deferred revenues.....	333,556	285,965
Retirement service awards (Note 3).....	4,361,120	4,299,000
	<u>8,008,651</u>	<u>8,888,820</u>

**EQUITY**

Surplus - general fund (Page 499).....	755,284	426,231
Investment in capital assets (Page 500).....	32,222,977	36,598,621
	<u>32,978,261</u>	<u>37,024,852</u>
	<u>\$ 40,986,912</u>	<u>\$ 45,913,672</u>

Contingencies and commitments (Note 8)

See accompanying notes to the consolidated financial statements.

**STRAIT REGIONAL SCHOOL BOARD**

**Consolidated Statement of Operations  
Year Ended March 31, 2003**

	<u>2003</u>		<u>2002</u>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
Province of Nova Scotia . . . . .	\$ 49,074,173	\$ 50,738,134	\$ 50,972,584
Government of Canada . . . . .	118,250	163,177	159,353
Local First Nations . . . . .	950,000	855,887	1,027,809
Municipal contributions	10,480,600	10,480,596	10,208,800
Other revenues . . . . .	<u>2,721,396</u>	<u>3,150,318</u>	<u>3,649,096</u>
	<u>63,344,419</u>	<u>65,388,112</u>	<u>66,017,642</u>
<b>Expenditure</b>			
Board governance . . . . .	269,777	263,617	253,529
Regional management . . . . .	2,207,746	2,321,300	2,414,975
School management and support . . . . .	6,295,233	5,788,723	5,712,433
Instructional and school services . . . . .	33,653,549	34,515,708	34,075,015
Student support . . . . .	6,605,936	6,129,775	6,129,287
Property services . . . . .	8,559,459	9,373,527	10,311,031
Student transportation . . . . .	5,820,091	5,793,628	5,604,582
Other programs . . . . .	75,000	621,781	573,093
Interest expense . . . . .	---	<u>251,000</u>	<u>279,000</u>
	<u>63,486,791</u>	<u>65,059,059</u>	<u>65,352,945</u>
Annual operating surplus (deficit) . . . . .	(142,372)	329,053	664,697
Prior year's (deficit) surplus . . . . .	142,372	426,231	(238,466)
Excess of revenue over expenditure . . . . .	<u>---</u>	<u>\$ 755,284</u>	<u>\$ 426,231</u>

See accompanying notes to the consolidated financial statements.

**STRAIT REGIONAL SCHOOL BOARD**

**General Fund Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>		<b>2002</b>
Current			
Cash .....	\$ 168,332	\$	3,050
Receivables			
Province of Nova Scotia .....	6,348,704		6,070,371
Municipal councils .....	---		450,203
Government of Canada .....	169,904		425,549
Local First Nations .....	847,408		1,369,379
Other .....	684,652		564,799
Prepays .....	<u>544,935</u>		<u>431,700</u>
	\$ <u>8,763,935</u>	\$	<u>9,315,051</u>

**LIABILITIES**

Current			
Bank indebtedness (Note 5) .....	\$ ---	\$	3,106,757
Payables and accruals-trade .....	3,096,989		821,584
Payables and accruals-government			
Province of Nova Scotia .....	191,944		375,514
Municipalities .....	18,033		---
Government of Canada .....	7,009		---
Deferred revenues .....	333,556		285,965
Retirement service awards (Note 3) .....	<u>4,361,120</u>		<u>4,299,000</u>
	<u>8,008,651</u>		<u>8,888,820</u>

**EQUITY**

Surplus .....	<u>755,284</u>		<u>426,231</u>
	\$ <u>8,763,935</u>	\$	<u>9,315,051</u>

**General Fund  
Statement of Continuity of Surplus  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
Balance, beginning of year .....	\$ 426,231	\$	(238,466)
Annual operating surplus (deficit) .....	755,284		426,231
Transfer of prior year's deficit (surplus) to statement of operations .....	<u>(426,231)</u>		<u>238,466</u>
Balance, end of year .....	\$ <u>755,284</u>	\$	<u>426,231</u>

See accompanying notes to the consolidated financial statements.

**STRAIT REGIONAL SCHOOL BOARD**

**Capital Fund  
Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>		<b>2002</b>
School buildings and improvements . . . . .	\$ 28,452,553	\$	31,613,947
Buses and other vehicles . . . . .	1,742,267		2,449,477
Equipment and furnishings. . . . .	<u>2,028,157</u>		<u>2,535,197</u>
	\$ <u>32,222,977</u>	\$	<u>36,598,621</u>

**EQUITY**

Investment in capital assets (See below) . . . . .	\$ <u>32,222,977</u>	\$	<u>36,598,621</u>
--	----------------------	----	-------------------

**Capital Fund  
Statement of Continuity of Investment in Capital Assets  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
Balance, beginning of year . . . . .	\$ 36,598,621	\$	40,983,114
Capital purchases out of revenue			
Buses and other vehicles . . . . .	39,476		39,693
School building and improvements . . . . .	<u>---</u>		<u>772,050</u>
	<u>36,638,097</u>		<u>41,794,857</u>
Capital assets written off and depreciation provision . . . . .	<u>4,415,120</u>		<u>5,196,236</u>
	\$ <u>32,222,977</u>	\$	<u>36,598,621</u>

See accompanying notes to the consolidated financial statements.

**STRAIT REGIONAL SCHOOL BOARD**

**Notes to the Consolidated Financial Statements  
March 31, 2003**

**1. Nature of operations**

The Strait Regional School Board manages education programs and finances of public schools within Inverness, Guysborough, Richmond and Antigonish counties.

**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 general and capital 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 some salaries, which are recorded as an expense when paid.

**(b) Capital fund assets**

Capital fund assets transferred from municipal councils are recorded at their carrying value. In previous years, all improvements to school properties and acquisitions of furniture and equipment are recorded at cost. Assets are depreciated at the following rates using the declining balance method:

Buildings	10%
Equipment	20%
Vehicles	30%

Under the agreement with the municipal councils, all school buildings 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 councils.

**(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**

Many Board employees are entitled to receive services awards of varying amounts depending on the original board they were hired under. Effective April 1, 2002, the Province of Nova Scotia has assumed responsibility for the payment of these awards.

**4. Pension plans**

**Teachers**

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.

**5. Bank indebtedness**

The Board has an operating line of credit of \$600,000.

**6. Related party transactions**

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
- P3 Schools and facilities leases and operating costs;
- Payments for the teachers' pension plan and medical premiums;
- Certain IT systems and support.

**7. Comparative figures**

Certain of the 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2003.

**8. Contingencies and commitments**

Recoveries

The Board is attempting to recover certain amounts that had previously been expended. The amount and likelihood of recovery is unknown at this time.

**9. Trust fund equity**

	<b>Equity 2002</b>	<b>Donations &amp; Income</b>	<b>Awards</b>	<b>Equity 2003</b>
Catherine Avery Bursary. . . . . \$	1,707 \$	76 \$	--- \$	1,783
Allistair Fraser Award. . . . .	9,529	425	1,000	8,954
Ray Caldwell Scholarship. . . . .	5,527	246	400	5,373
Dorothy Jost				
Drysdale Scholarship. . . . .	2,262	101	100	2,263
Roy Fanning-Hillside				
Bursary. . . . .	13,309	593	1,400	12,502
Norman Grant Scholarship . . . . .	19,985	890	---	20,875
Carol Long Scholarship. . . . .	9,851	439	250	10,040
NSP Employees Scholarship. . . . .	17,858	796	600	18,054
James Russell Scholarship. . . . .	2,685	120	400	2,405
Mulgrave Bursary Fund. . . . .	1,721	77	---	1,798
Bertha Morgan Scholarship. . . . .	1,009	45	---	1,054
Henry Marshall Tory Prize. . . . .	58,337	2,600	2,000	58,937
Paul Hendsbee Memorial. . . . .	1,287	57	250	1,094
Donald Archibald Memorial. . . . .	994	44	---	1,038
Neil & Eileen				
MacIsaac Bursary. . . . .	2,500	104	104	2,500
Thomas Williams Prize. . . . .	5,000	200	200	5,000
Tina Munro Hickey Prize. . . . .	10,000	555	550	10,005
Jesse Sceles Memorial. . . . .	2,001	90	---	2,091
	<u>\$ 165,562</u>	<u>\$ 7,458</u>	<u>\$ 7,254</u>	<u>\$ 165,766</u>

**STRAIT REGIONAL SCHOOL BOARD**

**General Fund  
Detail of Revenue  
Year Ended March 31, 2003**

	<u>2003</u>		<u>2002</u>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
Province of Nova Scotia			
Operating . . . . .	\$ 44,565,673	\$ 45,239,933	\$ 44,534,504
Restricted . . . . .	4,192,300	4,245,953	3,684,988
Capital . . . . .	195,700	523,983	1,046,871
Special programs and projects . . . . .	120,500	728,265	1,706,221
	<u>\$ 49,074,173</u>	<u>\$ 50,738,134</u>	<u>\$ 50,972,584</u>
Government of Canada			
Secretary of State . . . . .	\$ 118,250	\$ 163,177	\$ 159,353
Board operations			
Board generated - other . . . . .	\$ 5,000	\$ 125,447	\$ 5,948
Other revenue - schools . . . . .	120,000	169,860	771,365
Tuition - students . . . . .	---	33,650	---
Rentals . . . . .	98,500	85,116	117,111
Investment income . . . . .	50,000	67,019	62,210
Recoveries - non-governmental . . . . .	2,447,896	2,669,226	2,692,462
	<u>\$ 2,721,396</u>	<u>\$ 3,150,318</u>	<u>\$ 3,649,096</u>

See accompanying notes to the consolidated financial statements.

**STRAIT REGIONAL SCHOOL BOARD**

**General Fund  
Details of Expenditure  
Year Ended March 31, 2003**

	<u>2003</u>		<u>2002</u>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Board Governance</b>			
Board members . . . . .	\$ 187,824	\$ 183,278	\$ 173,213
Board secretary . . . . .	29,953	29,996	29,878
NSSBA and other . . . . .	52,000	50,343	50,438
	<u>\$ 269,777</u>	<u>\$ 263,617</u>	<u>\$ 253,529</u>
<b>Regional Management</b>			
Management services . . . . .	\$ 1,070,459	\$ 1,052,627	\$ 1,441,181
Financial services . . . . .	645,835	673,316	603,409
Human resource services . . . . .	420,415	516,360	295,523
Communication services . . . . .	71,037	78,997	74,862
	<u>\$ 2,207,746</u>	<u>\$ 2,321,300</u>	<u>\$ 2,414,975</u>
<b>School Management and Support</b>			
School management . . . . .	\$ 4,668,175	\$ 4,429,842	\$ 4,371,398
Program and curriculum support . . . . .	1,099,764	903,567	905,905
ITS-site specific . . . . .	527,294	455,314	435,130
	<u>\$ 6,295,233</u>	<u>\$ 5,788,723</u>	<u>\$ 5,712,433</u>
<b>Instructional and School Services</b>			
Instruction . . . . .	\$ 32,072,052	\$ 32,824,278	\$ 32,400,608
Guidance services . . . . .	808,836	927,600	875,326
Library services . . . . .	772,661	763,830	799,081
	<u>\$ 33,653,549</u>	<u>\$ 34,515,708</u>	<u>\$ 34,075,015</u>
<b>Student Support</b>			
Program management . . . . .	\$ 236,465	\$ 254,342	\$ 255,155
Instruction . . . . .	5,658,804	5,370,145	5,505,554
Program and curriculum support . . . . .	710,667	505,288	368,578
	<u>\$ 6,605,936</u>	<u>\$ 6,129,775</u>	<u>\$ 6,129,287</u>
<b>Property Services</b>			
Management services . . . . .	\$ 324,104	\$ 238,330	\$ 308,882
Custodial services . . . . .	3,586,154	3,492,696	3,393,651
Maintenance services . . . . .	4,425,343	5,288,021	6,379,346
Grounds services . . . . .	223,858	354,480	229,152
	<u>\$ 8,559,459</u>	<u>\$ 9,373,527</u>	<u>\$ 10,311,031</u>
<b>Student transportation</b>			
Management services . . . . .	\$ 453,371	\$ 459,438	\$ 466,099
Transportation (Board) . . . . .	4,611,496	4,577,536	4,342,552
Maintenance (Board) . . . . .	662,224	669,166	716,662
Transportation (Contract) . . . . .	90,000	85,478	76,031
Site maintenance . . . . .	3,000	2,010	3,238
	<u>\$ 5,820,091</u>	<u>\$ 5,793,628</u>	<u>\$ 5,604,582</u>

See accompanying notes to the consolidated financial statements.



**STRAIT REGIONAL SCHOOL BOARD**

**Trust Fund Balance Sheet  
March 31, 2003**

**ASSETS**

	<b>2003</b>	<b>2002</b>
Cash.....	\$ <u>165,766</u>	\$ <u>165,562</u>

**EQUITY**

Equity in trust funds (Note 9).....	\$ <u>165,766</u>	\$ <u>165,562</u>
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See accompanying notes to the consolidated financial statements.

## AUDITOR'S REPORT

To the Minister Responsible for Sydney Environmental Resources Limited

We have audited the operating fund balance sheet of Sydney Environmental Resources Limited for the year ended March 31, 2003 and the statement of revenue and expenditures 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 Canadian 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, 2003, and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles except as disclosed in Note 3.

Nash & Associates  
Chartered Accountant

May 12, 2003

**SYDNEY ENVIRONMENTAL RESOURCES LIMITED**

**Balance Sheet  
as at March 31, 2003**

**ASSETS**

	<b>2003</b>		<b>2002</b>
<b>Current</b>			
Cash .....	\$ 231,062	\$	---
Accounts receivable (Note 4) .....	189,682		278,613
Prepaid expenses .....	2,480		6,854
	<u>\$ 423,224</u>	\$	<u>285,467</u>

**LIABILITIES**

<b>Current</b>			
Bank indebtedness .....	\$ ---	\$	137,792
Accounts payable and accrued liabilities .....	334,001		147,675
Due to Province of Nova Scotia (Note 5) .....	89,222		---
	<u>423,223</u>		<u>285,467</u>

**EQUITY**

<b>Share capital (Note 8) .....</b>	<u>1</u>		<u>1</u>
	<u>\$ 423,224</u>	\$	<u>285,468</u>

**Commitments (Note 7)**

**Statement of Revenue and Expenditures  
Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
<b>Revenue</b>			
Province of Nova Scotia			
Operations .....	\$ 1,164,038	\$	1,243,024
Site security and other community costs .....	512,224		473,033
Asbestos Abatement Project .....	---		178,685
Sydney Steel site decommissioning .....	2,824,819		1,518,812
	<u>4,501,081</u>		<u>3,413,554</u>
<b>Expenditures</b>			
Operations (Schedule 1) .....	1,164,038		1,243,024
Site security and other community costs			
Wages and benefits .....	298,780		327,082
Supplies and services .....	213,444		145,951
Asbestos Abatement Project			
Wages and benefits .....	---		127,938
Supplies and services .....	---		50,747
Sydney Steel site decommissioning			
Wages and benefits .....	2,403,543		1,031,047
Supplies and services .....	421,276		487,765
	<u>4,501,081</u>		<u>3,413,554</u>
<b>Excess revenue over expenditures .....</b>	<u>\$ ---</u>	\$	<u>---</u>

**SYDNEY ENVIRONMENTAL RESOURCES LIMITED**

**Notes to the Financial Statements  
Year Ended March 31, 2003**

**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 Environment 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. ACCOUNTS RECEIVABLE**

	<b>2003</b>		<b>2002</b>
Sydney Steel site decommissioning . . . . .	\$ 155,290	\$	145,139
HST receivable . . . . .	18,114		69,638
Province of Nova Scotia . . . . .	---		34,517
Other . . . . .	16,278		29,319
	<u>\$ 189,682</u>	\$	<u>278,613</u>

**5. PROVINCE OF NOVA SCOTIA FUNDING**

The Company received the following amounts from the Province of Nova Scotia in the year:

	<b>2003</b>	<b>2002</b>
Current operating grant . . . . .	\$ 1,164,038	\$ 1,243,024
Asbestos Abatement Project. . . . .	---	102,525
Site security and other community costs . . . . .	<u>512,224</u>	<u>473,033</u>
	<u>\$ 1,676,262</u>	<u>\$ 1,818,582</u>

As at March 31, 2003 there was a net payable to the Province of Nova Scotia for funding received in excess of expenditures of \$89,222 (2002 - \$34,517 receivable).

**6. RELATED PARTY TRANSACTIONS**

In addition to the related party transactions in Note 5 above, 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.

**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) 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

## SYDNEY ENVIRONMENTAL RESOURCES LIMITED

**Operating Expenditures**  
**Year Ended March 31, 2003**

	<b>2003</b>		<b>2002</b>
<b>Operating expenditures</b>			
Directors' fees . . . . .	\$ 12,719	\$	15,226
Health, safety and environmental . . . . .	71,977		144,260
Incineration plant operation and maintenance . . . . .	14,049		16,967
Incineration plant overhead . . . . .	217,834		201,052
Office . . . . .	35,253		32,728
Professional fees . . . . .	19,368		28,681
Public information . . . . .	35,184		48,628
Rent . . . . .	30,000		30,000
Salaries and benefits . . . . .	660,138		636,441
Technical services . . . . .	43,103		67,696
Telephone . . . . .	10,783		9,927
Travel . . . . .	13,630		11,418
	<u>1,164,038</u>	\$	<u>1,243,024</u>

## AUDITORS' REPORT

### To the Shareholder of Sydney Steel Corporation

We have audited the balance sheet of Sydney Steel Corporation ("the Corporation") as at March 31, 2003 and the statement of changes in net assets in liquidation for the 15 - months 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 Canadian 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, 2003 and the changes in net assets in liquidation for the 15 - months then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were reported on by other auditors.

PricewaterhouseCoopers LLP  
Chartered Accountants

May 12, 2003

**SYDNEY STEEL CORPORATION**

**Balance Sheet  
As at March 31, 2003**

**ASSETS**

	<b>March 31, 2003</b>	<b>December 31, 2001</b>
	(in thousands)	
<b>Current assets:</b>		
Cash .....	\$ 16,012	\$ 24,300
Accounts receivable - trade .....	1,417	1,506
Receivable from Province of Nova Scotia .....	22,662	5,747
Inventory .....	188	4,399
Prepaid Expenses .....	340	230
	<u>40,619</u>	<u>36,182</u>
 <b>Property, plant and equipment (Note4):</b>	 <u>747</u>	 <u>1</u>
	\$ <u><u>41,366</u></u>	\$ <u><u>36,183</u></u>

**LIABILITIES**

<b>Current liabilities</b>		
Trade payables .....	\$ 1,659	\$ 2,133
Deposits and holdbacks payable .....	2,572	3,570
Property taxes payable .....	---	1,020
Wages, benefits and severance costs .....	---	175
	<u>4,231</u>	<u>6,898</u>
 <b>Net assets in liquidation .....</b>	 <u><u>\$ 37,135</u></u>	 <u><u>\$ 29,285</u></u>

See accompanying notes to financial statements.



**SYDNEY STEEL CORPORATION**

**Statement of Changes in Net Assets in Liquidation  
For the 15 - months ended March 31, 2003**

	<b>Closure activities</b>	<b>Demolition and remediation activities</b>	<b>Continuing activities</b>	<b>Total 2003 (15 months)</b>	<b>Total December 31, 2001</b>
	(in thousands)				
<b>Increases in net assets in liquidation</b>					
Sale of scrap steel . . . . .	\$ 10,044	\$ 3,558	\$ ---	\$ 13,602	\$ ---
Contributions from Province of Nova Scotia (note 3) . . .	1,697	15,313	---	17,010	5,649
Proceeds on disposal of assets . . . . .	1,066	173	---	1,239	1,753
Interest . . . . .	---	---	460	460	970
Other income. . . . .	---	---	428	428	286
	<u>12,807</u>	<u>19,044</u>	<u>888</u>	<u>32,739</u>	<u>8,658</u>
<b>Decreases in net assets in liquidation</b>					
Scrap processing. . . . .	5,473	922	---	6,395	---
Demolition and remediation. . . . .	---	9,633	---	9,633	2,604
General and administration . . . . .	864	1,378	1,174	3,416	1,781
Salaries and wages. . . . .	126	1,176	93	1,395	1,317
Property taxes. . . . .	115	1,039	70	1,224	1,024
Professional fees . . . . .	520	1,471	111	2,102	986
Electricity. . . . .	72	616	36	724	913
Reversal of non-specific provisions for closure costs. . . . .	---	---	---	---	(2,802)
	<u>7,170</u>	<u>16,235</u>	<u>1,484</u>	<u>24,889</u>	<u>5,823</u>
<b>Increase (decrease) in net assets in liquidation. . . . .</b>	<b>\$ <u>5,637</u></b>	<b>\$ <u>2,809</u></b>	<b>\$ <u>(596)</u></b>	<b>7,850</b>	<b>2,835</b>
<b>Net assets in liquidation - Beginning of period. . . . .</b>				<u>29,285</u>	<u>26,450</u>
<b>Net assets in liquidation - End of period. . . . .</b>				<u>\$ 37,135</u>	<u>\$ 29,285</u>

# SYDNEY STEEL CORPORATION

## Notes to Financial Statements For the 15-months ended March 31, 2003

### 1. Status

Sydney Steel Corporation ("the Corporation") is a Crown Corporation incorporated by the special act of the Province of Nova Scotia.

### 2. Significant accounting policies

#### a) Basis of presentation:

Effective December 31, 2000 the Corporation changed its basis of accounting from a going concern basis to a liquidation basis in accordance with generally accepted accounting principles.

#### b) Valuation of non-cash assets

Effective with the December 31, 2000 adoption of the liquidation basis of accounting, the accounting basis for the Corporation's non-cash assets was established as their estimated realizable values at that date.

The non-cash assets at March 31, 2003 are valued at the lower of cost and net realizable value.

#### c) Mode and presentation of operations

Ernst & Young Inc. has been appointed agent of the Province of Nova Scotia pursuant to a mandate which currently is to sell the assets of the Corporation and to direct the evolution of a land use plan and redevelopment strategy for the property.

The financial statement presentation format distinguishes three aspects or phases of the mandate, namely:

- closure activities;
- demolition and remediation activities; and
- continuing activities.

A brief description of each activity follows:

#### i) Closure activities

Closure activities are those principally related to the shut down of the former operating plant, the liquidation of the former operating assets and the associated direct and indirect costs necessary to carry out these functions.

#### ii) Demolition and remediation activities

Demolition and remediation activities are those related to the Corporation's evolving site remediation plan and consist principally of fees and contracts for demolition and remediation work and the associated direct and indirect costs incidental to these functions.

iii) Continuing activities

Continuing activities are those not closely aligned with either the closure or demolition and remediation activities. As at March 31, 2003, they consist principally of the investment management function and those activities arising from redevelopment strategies adopted by the Corporation concerning the property's future use.

**d) Property, plant and equipment**

Property, plant and equipment are amortized using the straight - line method at the following rates:

Equipment	10 years
Vehicles	5 years

**e) Revenue recognition**

Revenue is recognized when the risks and rewards of ownership have been substantially transferred and when collection is reasonably assured.

**f) Management estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

The allocation of increases and decreases in net assets in liquidation between "Closure activities" "Demolition and remediation activities" and "Continuing activities" represents management's best estimate of these amounts. In arriving at this estimate, management first allocated revenues and costs for which the appropriate allocation is readily determinable. Management then assessed the overall level of activities during the period and allocated the remainder of the costs on this basis.

**g) Foreign currency translation**

Foreign currency translation of the current assets and liabilities denominated in U.S. dollars is converted at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the rate of exchange in effect at the translation date. Translation gains or losses are included in determining the change in net assets in liquidation for the period. During the current period, a foreign exchange loss of \$776,000 was recorded in the financial statements.

**3. Province of Nova Scotia**

In connection with the former active operations of Sydney Steel Corporation, the Province of Nova Scotia has:

- provided cash infusions as required by the Corporation to meet its operating obligations;
- agreed to assume responsibility for Sydney Steel Corporation site environmental matters; and
- established the Sydney Steel Corporation Superannuation Fund to assume direct responsibility for the Corporation's pension obligations.

In connection with the current liquidation and redevelopment plan, the Province has committed to continuing support and has established in its accounts provisions for the closure activities and demolition and remediation activities. Expenses incurred during the period related to these provisions and for which the Corporation will receive reimbursement from the Province include:

- \$1.697 million (2001 - \$1.859 million) in respect of closure activities; and
- \$15.313 million (2001 - \$3.790 million) in respect of demolition and remediation activities.

**4. Property, plant and equipment**

			<u>March 31,</u> <u>2003</u>			<u>December 31,</u> <u>2001</u>
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net book</u> <u>Value</u>			<u>Net book</u> <u>Value</u>
(In thousands)						
<b>Related to closure activities</b>						
Land, buildings and equipment . . . . .	\$ 441,298	\$ 441,297	\$ 1	\$		1
<b>Related to demolition and remediation activities</b>						
Equipment . . . . .	741	43	698			---
Vehicles . . . . .	55	7	48			---
<b>Total . . . . .</b>	<u>\$ 442,094</u>	<u>\$ 441,347</u>	<u>\$ 747</u>	\$		<u>1</u>

Amortization for the period of \$50,000 (2001 - nil) is included in demolition and remediation costs.

**5. Commitment**

- a) In fiscal 2001, the Corporation engaged a demolition firm to remove structures and buildings on the property.

The value of the contract is estimated at \$7.7 million. For the period ended March 31, 2003, the Corporation incurred expenditures of approximately \$2.3 million (2001 - \$1.5 million) which are included in demolition and remediation costs.

- b) Within the context of its redevelopment strategy the Corporation, effective April 15, 2002, reached agreement to lease to a tenant approximately 90 acres of property which includes the wharf and related facilities. The initial lease is for a period of ten years.
- c) During the current period, the Corporation signed an agreement to sell all the steel production equipment for \$3 million US. The equipment is to be removed by the latest of fiscal 2005. In the current period, revenue of \$ 646,460 has been recorded in the financial statements.

**6. Related party transactions**

Included in the statement of changes in net assets in liquidation are charges for labor and materials of \$3,345,000 (2001 - \$737,000) from Sydney Environmental Resources Limited, a Crown Corporation controlled by the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## AUDITORS' REPORT

To the Members of the Legislative Assembly of Nova Scotia; and  
To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits and deficiency of the Sydney Steel Corporation Superannuation Fund as at March 31, 2003 and the consolidated statement of changes in net assets available for benefits 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

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

E. Roy Salmon, FCA  
Auditor General

Halifax, Canada  
May 23, 2003

**SYDNEY STEEL CORPORATION SUPERANNUATION FUND**

**Consolidated Statement of Net Assets Available for Benefits  
and Accrued Pension Benefits Net of Deficiency  
as at March 31**

	<b>2003</b>	<b>2002</b>
<b>NET ASSET AVAILABLE FOR BENEFITS</b>		
<b>Assets</b>		
Marketable securities under administration:		
Cash and short-term notes . . . . .	\$ 589,590	\$ 2,219,765
Bonds and debentures. . . . .	6,402,686	13,730,950
Equities. . . . .	9,727,946	23,103,835
Interest and dividends receivable . . . . .	81,175	219,855
	<u>16,801,397</u>	<u>39,274,405</u>
Cash . . . . .	56,106	48,996
	<u>16,857,503</u>	<u>39,323,401</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities . . . . .	66,921	357,205
<b>Net Assets Available for benefits. . . . .</b>	<u><u>\$ 16,790,582</u></u>	<u><u>\$ 38,966,196</u></u>
<b>ACCRUED PENSION BENEFITS NET OF DEFICIENCY</b>		
Accrued pension benefits . . . . .	\$ 242,675,300	\$ 236,122,900
Deficiency (Note 3) . . . . .	(225,884,718)	(197,156,704)
Accrued pension benefits net of deficiency. . . . .	<u>16,790,582</u>	<u>38,966,196</u>

See accompanying notes to consolidated financial statements.

**SYDNEY STEEL CORPORATION SUPERANNUATION FUND**

**Consolidated Statement of Changes in Net Assets Available for Benefits  
for the Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Increase In Assets</b>		
Contributions:		
Province of Nova Scotia . . . . .	\$ 7,363,552	\$ ---
Sydney Steel Corporation . . . . .	---	141,852
Employees . . . . .	---	79,347
Investment income:		
Interest on investments . . . . .	576,426	1,237,969
Dividends on investments . . . . .	161,101	487,653
Gain on sale of investments . . . . .	665,274	3,628,923
Total increase in assets . . . . .	<u>8,766,353</u>	<u>5,575,744</u>
 <b>Decrease In Assets</b>		
Benefits paid . . . . .	25,141,076	28,319,083
Operating expenses (Note 4) . . . . .	320,240	490,506
Current period change in market values of investments . . . . .	<u>5,480,651</u>	<u>4,807,746</u>
Total decrease in assets . . . . .	<u>30,941,967</u>	<u>33,617,335</u>
<b>Decrease In Net Assets . . . . .</b>	<b>(22,175,614)</b>	<b>(28,041,591)</b>
<b>Net Assets Available for Benefits at Beginning of Year . . . . .</b>	<b><u>38,966,196</u></b>	<b><u>67,007,787</u></b>
<b>Net Assets Available for Benefits at End of Year . . . . .</b>	<b><u>\$ 16,790,582</u></b>	<b><u>\$ 38,966,196</u></b>

See accompanying notes to consolidated financial statements.

## SYDNEY STEEL CORPORATION SUPERANNUATION FUND

### Notes to Consolidated Financial Statements Year Ended March 31, 2003

#### 1. Authority and Description of Plans:

The Sydney Steel Corporation Superannuation Fund (the "Fund") was established under the Sydney Steel Corporation Sale Act and was effective March 1, 2001. The Fund assumed responsibility for the assets and obligations of the former Sydney Steel Corporation pension plans. Under the Sub-section 7(9) of the Sydney Steel Corporation Sale Act the Province of Nova Scotia has assumed responsibility to fund any shortfalls arising under this Fund.

The following descriptions are a summary only. For more complete information, reference should be made to the Plan agreements.

##### a) United Steel Workers of America Pension Plan:

The Plan is a non-contributory defined benefit plan, covering employees of Sydney Steel Corporation who are members of Locals 1064, 6537 and 6516 of the United Steelworkers of America.

A service pension is available based on \$30.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Disability pensions, termination and death benefits are available if certain criteria are met.

##### b) Salaried Pension Plan:

The Plan is a partially contributory defined benefit pension plan covering the salaried employees of Sydney Steel Corporation.

A service pension is available based on \$30.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus certain percentages of required contributions made after May 1, 1995.

Senior management employees receive pension benefits different from the above.

Termination and death benefits are available if certain criteria are met.

##### c) Canadian Union of Public Employees Pension Plan:

The Plan is a non-contributory defined benefit plan covering employees of Sydney Steel Corporation who are members of Local 1675 of the Canadian Union of Public Employees.

A service pension is available based on \$35.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Disability pensions, termination and death benefits are available if certain criteria are met.



## 2. Significant Accounting Policies:

### a) Basis of consolidation:

The consolidated financial statements include the accounts of the following pension plans:

- United Steel Workers of America Pension Plan
- Salaried Pension Plan
- Canadian Union of Public Employees Pension Plan

### b) Basis of presentation:

As the Province of Nova Scotia has assumed any shortfall arising under this Fund (note 1), these consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with Canadian generally accepted accounting principles.

### c) Marketable securities:

Marketable securities are reported as of the trade date and 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. Bonds, debentures and equities are valued using published market quotations. The current period change in market value of investments for the year is reflected in the Consolidated Statement of Changes in Net Assets Available for Benefits.

### d) Gains and losses on sale of investments:

Gains and losses arising on the sale of investments are determined by relating the sale proceeds of the investments to their original cost.

### e) 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 current period change in market value of investments.

## 3. Actuarial Valuation:

Actuarial valuations of the Plans are carried out periodically 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. The Plan's consulting actuaries, Eckler Partners Limited performed a valuation as at December 31, 2001 and issued their report in September 2002. The report indicated that the Plans had an unfunded liability of \$192.5 million. A projection to March 31, 2003, applying the assumptions summarized below, indicated an unfunded liability of \$225.9 million (March 31, 2002 - \$197.2 million).

The actuarial valuation projects liabilities for each member on the basis of the pension credit years earned. The actuaries have used the unit credit method of determining the actuarial liability. The major economic and demographic assumptions used in the last valuation are as follows:

	<b>Estimate March 31, 2003</b>	<b>Valuation December 31, 2001</b>
Inflation (only applied to the salary plan)	3.0% per annum	3.0% per annum
Average Salary Increase	Not applicable	Not applicable
Interest (discount) rate	6.17% per annum	7.05% per annum
Retirement Age	Earliest unreduced retirement date	Earliest unreduced retirement date
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA	1994 Group Annuity Mortality Table projected to 2000 using scale AA

**4. Operating Expenses:**

The Fund is charged with administrative and other expenses, certain of which are incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	<b>2003</b>	<b>2002</b>
<b>Investment Expenses</b>		
Investment management fees . . . . .	\$ 151,626	\$ 90,646
Professional services . . . . .	---	78,424
	<u>\$ 151,626</u>	<u>\$ 169,070</u>
<b>Plan Administration</b>		
Professional services . . . . .	\$ 56,103	\$ 171,623
Salaries . . . . .	75,066	138,711
Supplies and services . . . . .	21,780	3,362
Travel . . . . .	6,568	6,174
Other . . . . .	9,097	1,566
	<u>\$ 168,614</u>	<u>\$ 321,436</u>
<b>Total Operating Expenses . . . . .</b>	<u><u>\$ 320,240</u></u>	<u><u>\$ 490,506</u></u>

**SYDNEY STEEL CORPORATION SUPERANNUATION FUND**

**Schedule A - Assets Available for Benefits by Pension Plan  
March 31**

	<b>United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan</b>	<b>Salaried Pension Plan</b>	<b>Canadian Union of Public Employees (Local 1675) Pension Plan</b>	<b>Total</b>
<b><u>2003</u></b>				
Investments .....	\$ ---	\$ 16,518,423	\$ 282,974	\$ 16,801,397
Cash .....	54,530	1,576	---	56,106
	<u>54,530</u>	<u>16,519,999</u>	<u>282,974</u>	<u>16,857,503</u>
Less: Accounts payable and accrued liabilities .....	54,441	11,529	951	66,921
Net assets available for benefits .....	<u>\$ 89</u>	<u>\$ 16,508,470</u>	<u>\$ 282,023</u>	<u>\$ 16,790,582</u>
Accrued pension benefits .....	\$ 186,457,600	\$ 53,891,600	\$ 2,326,100	\$ 242,675,300
Deficiency .....	(186,457,511)	(37,383,130)	(2,044,077)	(225,884,718)
Accrued pension benefits net of deficiency .....	<u>89</u>	<u>16,508,470</u>	<u>282,023</u>	<u>16,790,582</u>
<b><u>2002</u></b>				
Investments .....	\$ 14,028,965	\$ 24,600,494	\$ 644,946	\$ 39,274,405
Cash .....	630	---	48,366	48,996
	<u>14,029,595</u>	<u>24,600,494</u>	<u>693,312</u>	<u>39,323,401</u>
Less: Accounts payable and accrued liabilities .....	257,821	79,186	20,198	357,205
Assets available for benefits .....	<u>\$ 13,771,774</u>	<u>\$ 24,521,308</u>	<u>\$ 673,114</u>	<u>\$ 38,966,196</u>
Accrued pension benefits .....	\$ 182,238,800	\$ 51,589,300	\$ 2,294,800	\$ 236,122,900
Deficiency .....	(168,467,026)	(27,067,992)	(1,621,686)	(197,156,704)
Accrued pension benefits and deficiency .....	<u>13,771,774</u>	<u>24,521,308</u>	<u>673,114</u>	<u>38,966,196</u>

**SYDNEY STEEL CORPORATION SUPERANNUATION FUND**

**Schedule B - Changes in Assets Available for Benefits by Pension Plan  
Year ended March 31, 2003**

	<b>United Steel Workers of America (Locals 1064, 6537 and 6516 Pension Plan</b>	<b>Salaried Pension Plan</b>	<b>Canadian Union of Public Employees (Local 1675) Pension Plan</b>	<b>Total</b>
<b><u>2003</u></b>				
Increase in Assets				
Contributions:				
Province of Nova Scotia . . . . .	\$ 7,275,612	\$ 83,054	\$ 4,886	\$ 7,363,552
Interest and dividends on investments . . . . .	124,324	599,581	13,622	737,527
Gain on sale of investments . . . . .	148,564	505,893	10,817	665,274
	<u>7,548,500</u>	<u>1,188,528</u>	<u>29,325</u>	<u>8,766,353</u>
Decrease in Assets				
Benefits paid . . . . .	19,804,914	4,995,624	340,538	25,141,076
Administrative expenses . . . . .	291,373	38,105	(9,238)	320,240
Current period change in market value of investments . . . . .	1,223,898	4,167,637	89,116	5,480,651
	<u>21,320,185</u>	<u>9,201,366</u>	<u>420,416</u>	<u>30,941,967</u>
Decrease in Net Assets . . . . .	(13,771,685)	(8,012,838)	(391,091)	(22,175,614)
Assets available for benefits, beginning of year . . . . .	13,771,774	24,521,308	673,114	38,966,196
Assets available for benefits, end of year . . . . .	<u>\$ 89</u>	<u>\$ 16,508,470</u>	<u>\$ 282,023</u>	<u>\$ 16,790,582</u>
<b><u>2002</u></b>				
Increase in Assets				
Contributions:				
Sydney Steel Corporation . . . . .	\$ 4,064	\$ 135,370	\$ 2,418	\$ 141,852
Employees . . . . .	10,247	69,100	---	79,347
Interest and dividends on investments . . . . .	702,333	1,008,007	15,282	1,725,622
Gain on sale of investments . . . . .	1,476,994	2,119,792	32,137	3,628,923
	<u>2,193,638</u>	<u>3,332,269</u>	<u>49,837</u>	<u>5,575,744</u>
Decrease in Assets				
Benefits paid . . . . .	23,248,083	4,925,557	145,443	28,319,083
Administrative expenses . . . . .	319,346	155,486	15,674	490,506
Current period change in market value of investments . . . . .	1,956,782	2,808,387	42,577	4,807,746
	<u>25,524,211</u>	<u>7,889,430</u>	<u>203,694</u>	<u>33,617,335</u>
Decrease in Net Assets . . . . .	(23,330,573)	(4,557,161)	(153,857)	(28,041,591)
Assets available for benefits, beginning of year . . . . .	37,102,347	29,078,469	826,971	67,007,787
Assets available for benefits, end of year . . . . .	<u>\$ 13,771,774</u>	<u>\$ 24,521,308</u>	<u>\$ 673,114</u>	<u>\$ 38,966,196</u>

## AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Trade Centre Limited as at March 31, 2003 and the consolidated statements of operations and deficit 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 Canadian 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 March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP  
Chartered Accountants

Halifax, Canada  
June 6, 2003

**TRADE CENTRE LIMITED**

**Consolidated Balance Sheet  
March 31, 2003, with comparative figures for 2002**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents . . . . .	\$ 1,738,988	\$ 1,997,215
Accounts receivable (note 2) . . . . .	2,881,046	1,804,995
Inventories . . . . .	173,051	138,771
Prepaid expenses . . . . .	49,450	237,361
	4,842,535	4,178,342
Property and equipment (note 3):		
Land, building, furniture and equipment and tenant leaseholds . . . . .	39,296,712	39,726,176
Less accumulated depreciation and amortization . . . . .	(24,173,735)	(23,240,041)
	15,122,977	16,486,135
	\$ 19,965,512	\$ 20,664,477

**LIABILITIES AND SHAREHOLDER'S EQUITY**

Current liabilities:		
Accounts payable and accrued liabilities . . . . .	\$ 2,533,540	\$ 1,847,154
Due to the Province of Nova Scotia . . . . .	785,624	502,221
Event deposits . . . . .	516,565	615,765
Deferred revenue . . . . .	11,941	84,647
	3,847,670	3,049,787
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 4) . . . . .	45,173,101	45,173,101
Deficit . . . . .	(29,055,359)	(27,558,511)
	16,117,842	17,614,690
	\$ 19,965,512	\$ 20,664,477

Commitments (note 5)

See accompanying notes to consolidated financial statements.

**TRADE CENTRE LIMITED**

**Consolidated Statement of Operations and Deficit  
Year ended March 31, 2003, with comparative figures for 2002**

	<b>2003</b>	<b>2002</b>
<b>Revenues:</b>		
Convention Centre . . . . .	\$ 6,642,096	\$ 4,440,049
Office Tower . . . . .	2,177,787	2,114,593
Exhibition Park . . . . .	1,613,574	1,558,984
World Trade Centre and Windows . . . . .	666,879	585,926
Halifax Regional Municipality Convention Centre Operating Subsidy (note 6) . . . . .	496,535	473,341
	<u>11,596,871</u>	<u>9,172,893</u>
<b>Expenses:</b>		
Event expenses . . . . .	5,222,254	3,563,690
Salaries, wages and benefits . . . . .	2,352,483	1,931,959
Administration . . . . .	718,870	551,801
Advertising and marketing . . . . .	357,513	650,022
Maintenance . . . . .	996,898	760,761
Energy . . . . .	909,857	716,312
Taxes and insurance . . . . .	1,010,302	1,003,980
	<u>11,568,177</u>	<u>9,178,525</u>
Income (loss) from operations . . . . .	<u>28,694</u>	<u>(5,632)</u>
<b>Other income:</b>		
Gain on disposal of assets . . . . .	1,500	---
Interest income on short-term investments . . . . .	25,710	72,854
	<u>27,210</u>	<u>72,854</u>
Income before depreciation and amortization . . . . .	<u>55,904</u>	<u>67,222</u>
Depreciation and amortization . . . . .	1,552,752	1,642,534
Loss for the year . . . . .	<u>(1,496,848)</u>	<u>(1,575,312)</u>
Deficit, beginning of year . . . . .	<u>(27,558,511)</u>	<u>(25,983,199)</u>
Deficit, end of year . . . . .	<u>\$ (29,055,359)</u>	<u>\$ (27,558,511)</u>

See accompanying notes to consolidated financial statements.

**TRADE CENTRE LIMITED**

**Consolidated Statement of Cash Flows**  
**Year ended March 31, 2003, with comparative figures for 2002**

	<b>2003</b>	<b>2002</b>
Cash provided by (used in):		
Operations:		
Loss for the year . . . . .	\$ (1,496,848)	\$ (1,575,312)
Items not involving cash:		
Depreciation and amortization . . . . .	1,552,752	1,642,534
Gain on disposal of assets . . . . .	(1,500)	---
Change in non-cash operating working capital . . . . .	(124,537)	366,964
	(70,133)	434,186
Investments:		
Proceeds on disposal of furniture and equipment . . . . .	1,500	10,927
Purchase of property and equipment . . . . .	(189,594)	(1,138,068)
	(188,094)	(1,127,141)
Decrease in cash and cash equivalents . . . . .	(258,227)	(692,955)
Cash and cash equivalents, beginning of year . . . . .	1,997,215	2,690,170
Cash and cash equivalents, end of year . . . . .	\$ 1,738,988	\$ 1,997,215

See accompanying notes to consolidated financial statements.



## TRADE CENTRE LIMITED

### Notes to Consolidated Financial Statements Year ended March 31, 2003

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, leasing of office and commercial space and the operation of Exhibition Park. Trade Centre Limited is a government business-type enterprise as defined by Public Sector Accounting and Assurance Recommendations.

#### 1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Trade Centre Limited and those of Maritime Fall Fair Association (the "Association"). Trade Centre Limited exercises control over the Association by virtue of its ability to control the Association's Advisory Board. The Association was incorporated under the Nova Scotia Societies Act on December 22, 1999 and its principal activity is the operation of the annual agricultural fair located at Exhibition Park.

(b) Divisional operations:

The Trade Centre Limited consists of four divisions: the Convention Centre, the Office Tower, Exhibition Park and the World Trade Centre. Revenue and expenses are recorded on the accrual basis.

(c) Cash and cash equivalents:

Cash and cash equivalents include amounts on deposit with financial institutions and investments with maturities of 90 days or less.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(e) 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:

<b>Asset</b>	<b>Rate</b>
Buildings	15 to 30 years
Furniture and equipment	3 to 5 years
Tenant leaseholds	Lease term

(f) Employee future benefits:

(i) Public service award:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of six months salary. Management recognizes compensation expense on an accrual basis.

(ii) Pension plan:

Full time employees of the Trade Centre Limited are members of the Nova Scotia Public Service Superannuation Plan. Accrued benefit obligations are recognized in the financial statements of the Province of Nova Scotia.

**2. Accounts receivable:**

	<b>2003</b>	<b>2002</b>
Halifax Metro Centre .....	\$ 872,711	\$ 665,854
Convention Centre events .....	909,978	445,756
Exhibition Park events .....	205,217	306,438
Events Halifax funding .....	561,299	205,522
Atlantic Canada World Trade Centre .....	193,848	39,770
Other .....	106,599	40,180
Office Tower rents .....	94,434	135,739
	<u>2,944,086</u>	<u>1,839,259</u>
Less allowance for doubtful accounts .....	(63,040)	(34,264)
	<u>\$ 2,881,046</u>	<u>\$ 1,804,995</u>

**3. Property and equipment:**

	<b>Cost</b>	<b>Accumulated depreciation and amortization</b>	<b>2003 Net</b>	<b>2002 Net</b>
Land .....	\$ 213,113	\$ ---	\$ 213,113	\$ 213,113
Building .....	34,617,376	20,128,536	14,488,840	15,847,928
Furniture and equipment .....	2,960,465	2,571,330	389,135	352,840
Tenant leaseholds .....	1,505,758	1,473,869	31,889	72,254
	<u>\$ 39,296,712</u>	<u>\$ 24,173,735</u>	<u>\$ 15,122,977</u>	<u>\$ 16,486,135</u>

**4. Contributed surplus:**

	<b>2003</b>	<b>2002</b>
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.

**5. Commitments:**

(a) Trade Centre Limited is committed to payments under operating leases with terms expiring between 2002 and 2004. Annual payments are as follows:

2004 .....	\$ 307,343
2005 .....	291,383
2006 .....	300,125
2007 .....	309,129
2008 .....	292,397

(b) Trade Centre Limited has entered into a contract in which they have guaranteed a minimum profit in the amount of \$400,000 to the Canadian Hockey Association in connection with the hosting of the World Women's Hockey Championship by the Halifax Metro Centre in 2004.

**6. Halifax Regional Municipality Convention Centre Subsidy:**

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 2003 fiscal year in these consolidated financial statements.

**7. Supplementary Employee Retirement Plan:**

Trade Centre Limited has a supplemental pension arrangement with the President and Chief Executive Officer to provide post-employment benefits.

The accrued benefit obligation as at March 31, 2003, which is unfunded, is \$113,352 (2002 - nil). This amount is also the benefit expense for the year (2002 - nil).

The significant actuarial assumptions adopted in measuring the Centre's accrued benefit obligation are as follows: discount rate - 7%; rate of compensation increase - 4%.

**8. 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, 2003, rental revenue and tenant recoveries included \$1,689,774 (2002 - \$1,697,953) 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.

**9. Events Halifax:**

Events Halifax ("Eh!") is a division of the Centre and is included in the activity of the Convention Centre. Eh! was established in fiscal 2000. The purpose of Eh! is to provide marketing and promotion services for the benefit of bringing major sporting and cultural events to the Halifax Regional Municipality.

Convention centre revenue and event expenses both include the amount of \$712,616 (2002 - \$236,234) relating to the operations of Eh!. Contributions in the amount of nil (2002 - \$84,647) have been deferred and included in deferred revenue.

## 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, 2003, 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 Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA  
Auditor General

Halifax, Nova Scotia  
June 3, 2003

**UPPER CLEMENTS FAMILY THEME PARK LIMITED**

**Balance Sheet  
as at March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities .....	\$ 1,000	\$ 1,000
	<u>1,000</u>	<u>1,000</u>
<b>Equity</b>		
Capital stock .....	1	1
Contributed surplus (Note 3) .....	5,667,174	5,667,174
Deficit .....	(5,668,175)	(5,668,175)
	<u>(1,000)</u>	<u>(1,000)</u>
	<u>\$ ---</u>	<u>\$ ---</u>
Contingency (Note 5)		

**Statement of Income and Deficit  
for the year ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Contributions from the Province (Note 4) .....	\$ 2,054	\$ 4,994
	<u>2,054</u>	<u>4,994</u>
<b>Expenses</b>		
Professional fees .....	1,000	1,050
Workers' compensation (Note 2) .....	969	179
Dues and fees .....	85	85
Miscellaneous .....	---	107
	<u>2,054</u>	<u>1,421</u>
<b>Net Income</b> .....	---	3,573
<b>Deficit, beginning of year</b> .....	<u>(5,668,175)</u>	<u>(5,671,748)</u>
<b>Deficit, end of year</b> .....	<u>\$ (5,668,175)</u>	<u>\$ (5,668,175)</u>

See accompanying notes to financial statements.

**UPPER CLEMENTS FAMILY THEME PARK LIMITED**

**Notes to Financial Statements  
March 31, 2003**

**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 Tourism and Culture, and it is not actively involved in the operation of the family theme park.

**2. Significant Accounting Policies**

*(a) Basis of Financial Statement Presentation*

These financial statements have been prepared in accordance with generally accepted accounting principles. A statement of cash flow is not provided since disclosure in the balance sheet and income statement is considered adequate.

*(b) Workers' Compensation Benefits*

This balance represents management's best estimate of the present value of the future payments required for workers' compensation benefits of a former employee. An adjustment to workers' compensation benefits occurs when changes are made to the assumptions used in estimating the long-term liability. During the 2001 fiscal year, a settlement was accepted by the individual receiving benefit payments which eliminated the long-term liability.

**3. Contributed Surplus**

The contributed surplus balance represents the Province of Nova Scotia's investment in the fixed assets of the park when it was created net of a reduction made in 1994 when the fixed assets were transferred to the Province. No gain or loss was realized on the transfer.

**4. Economic Dependence and Related Party Transactions**

The Province of Nova Scotia is a related party of the Company. 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. Details of any transactions between the related parties are separately disclosed in the financial statements.

**5. Contingent Liability**

An individual, who incurred injuries while working at the park and was receiving workers' compensation benefits, received a lump sum settlement in the 2001 fiscal year. At some point in the future, if the individual's condition becomes worse, additional workers' compensation benefits would be payable by the Company.

VICTIMS' ASSISTANCE FUND

Balance Sheet  
as at March 31, 2003

ASSETS

	2003	2002
Cash in Bank .....	\$ 408,292.45	\$ 410,982.14
Investments .....	475,196.11	498,870.29
	<u>\$ 883,488.56</u>	<u>\$ 909,852.43</u>

LIABILITIES

Fund .....	\$ ---	<u>\$ 909,852.43</u>
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Continuity of Fund  
for the year ended March 31, 2003

	2003	2002
Balance, beginning of year .....	\$ 909,852.43	\$ 1,039,462.14
Receipts:		
Investment income .....	13,227.64	27,715.90
Bank interest .....	8,805.78	10,098.16
Deposits .....	917,744.17	778,270.34
Other .....	---	---
	<u>939,777.59</u>	<u>816,084.40</u>
Disbursements .....	<u>(966,141.46)</u>	<u>(945,694.11)</u>
Balance, end of year .....	<u>\$ 883,488.56</u>	<u>\$ 909,852.43</u>

Note to the Financial Statements  
March 31, 2003

Investments at March 31, 2003 consisted of the following:

\$478,073.37 BNS Banker's Acceptance	
3.16% March 25, 2003 to June 03, 2003 .....	<u>\$ 475,196.11</u>

## AUDITORS' REPORT

To the Shareholder of  
**Waterfront Development Corporation Limited**

We have audited the balance sheet of Waterfront Development Corporation Limited at March 31, 2003 and the statements of earnings and retained earnings 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 Canadian 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, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP  
Chartered Accountants

Halifax, Nova Scotia  
May 8, 2003, except for notes 11 and 14  
which are as of June 26, 2003



**WATERFRONT DEVELOPMENT CORPORATION LIMITED**

**Statement of Earnings and Retained Earnings  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>Revenue</b>		
Rents .....	\$ 2,979,257	\$ 3,005,302
Recoveries .....	27,123	87,057
Interest income .....	5,379	84,261
Other income .....	20,721	104,526
Gain on sale of properties .....	---	8,335
Grant revenue .....	112,400	115,000
	<u>3,144,880</u>	<u>3,404,481</u>
<b>Property expenses</b>		
Property taxes .....	18,217	21,193
Operating .....	652,296	549,757
Depreciation and amortization .....	302,486	287,136
	<u>972,999</u>	<u>858,086</u>
<b>Income before other items</b> .....	<u>2,171,881</u>	<u>2,546,395</u>
Corporate expenses		
Directors' fees and expenses .....	36,768	30,517
Doubtful accounts .....	91,890	---
Office operations .....	62,872	55,753
Professional fees		
Audit .....	13,000	15,574
Programs .....	93,749	37,632
Legal (recovery) .....	33,221	(9,042)
Salaries, contracts and benefits .....	470,970	402,284
Waterfront promotions and public relations .....	41,688	73,404
	<u>844,158</u>	<u>606,122</u>
Loan interest .....	280,017	421,646
Depreciation on facilities for public access .....	82,843	82,741
Contribution to non-owned infrastructure .....	213,183	47,588
	<u>576,043</u>	<u>551,975</u>
Net earnings before unusual item .....	751,680	1,388,298
Unusual item (Note 15) .....	---	240,000
Net earnings .....	<u>\$ 751,680</u>	<u>\$ 1,148,298</u>
Retained earnings, beginning of year .....	\$ 1,269,354	\$ 971,056
Net earnings .....	751,680	1,148,298
Transfer from (to) General Development Reserve (Note 8) .....	1,800,000	(450,000)
Transfer to Infrastructure Renewal Fund (Note 9) .....	(400,000)	(400,000)
Retained earnings, end of year .....	<u>\$ 3,421,034</u>	<u>\$ 1,269,354</u>

See accompanying notes to the financial statements.

**WATERFRONT DEVELOPMENT CORPORATION LIMITED**

**Balance Sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>		
Receivables - trade . . . . .	\$ 205,504	\$ 453,835
Notes receivable (Note 3) . . . . .	60,544	74,438
Prepays . . . . .	6,947	6,319
Real estate and development projects (Note 4) . . . . .	27,509,602	27,724,045
Deferred costs . . . . .	<u>9,977</u>	<u>22,006</u>
	<u>\$ 27,792,574</u>	<u>\$ 28,280,643</u>

**LIABILITIES**

Bank indebtedness (Note 5 and 10) . . . . .	\$ 360,980	\$ 277,055
Payables and accruals . . . . .	434,992	199,625
Deferred revenue (Note 6) . . . . .	1,928,414	15,000
Loan payable (Note 5) . . . . .	<u>6,655,364</u>	<u>10,155,364</u>
	<u>9,379,750</u>	<u>10,647,044</u>

**SHAREHOLDER'S EQUITY**

Capital stock (Note 7) . . . . .	3	3
Contributed surplus . . . . .	13,747,826	13,747,826
General Development Reserve (Note 8) . . . . .	---	1,800,000
Infrastructure Renewal Fund (Note 9) . . . . .	1,243,961	816,416
Retained earnings . . . . .	<u>3,421,034</u>	<u>1,269,354</u>
	<u>18,412,824</u>	<u>17,633,599</u>
	<u>\$ 27,792,574</u>	<u>\$ 28,280,643</u>

Commitments (Note 11)  
Contingency (Note 13)

See accompanying notes to the financial statements.

**WATERFRONT DEVELOPMENT CORPORATION LIMITED**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Net earnings . . . . .	\$ 751,680	\$ 1,148,298
Gain on sale of property . . . . .	---	(8,335)
Depreciation and amortization . . . . .	385,329	369,877
	<u>1,137,009</u>	<u>1,509,840</u>
Change in non-cash operating working capital (Note 10) . . . . .	495,100	1,459,388
	<u>1,632,109</u>	<u>2,969,228</u>
<b>Financing</b>		
Interest earned on Infrastructure Renewal Fund . . . . .	27,545	16,416
Decrease in notes receivable. . . . .	13,894	37,738
Decrease in loan payable . . . . .	(3,500,000)	(3,100,000)
	<u>(3,458,561)</u>	<u>(3,045,846)</u>
<b>Investing</b>		
Purchase of equipment . . . . .	(38,848)	(10,117)
Purchase of real estate and construction projects, net . . . . .	(726,288)	(1,025,970)
Payments received and applied during development of real estate and construction projects . . . . .	594,250	844,180
Deferred revenue. . . . .	1,913,413	---
Proceeds from sale of property . . . . .	---	8,900
	<u>1,742,527</u>	<u>(183,007)</u>
Net decrease in cash and cash equivalents . . . . .	(83,925)	(259,625)
Bank indebtedness, net of cash and cash equivalents		
Beginning of year . . . . .	(277,055)	(17,430)
End of year . . . . .	<u>\$ (360,980)</u>	<u>\$ (277,055)</u>

See accompanying notes to the financial statements.

**WATERFRONT DEVELOPMENT CORPORATION LIMITED**

**Notes to the Financial Statements  
March 31, 2003**

**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, Dartmouth and Bedford 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. Revenue generated as a result of property development is applied as a reduction in the cost.

**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 4 is amortized over its term.

**Development costs**

Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

**Non-owned infrastructure**

The Board of Directors approves expenditures related to improvements to facilities for public access which are owned or leased by the Corporation. These expenditures are expensed as incurred.

**Use of estimates**

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

**Bank indebtedness and cash equivalents**

Bank indebtedness is comprised of cash on hand, cash held in banks and an operating line of credit.

**Financial instruments**

The fair value of cash, receivables and payables and accruals approximate their carrying amounts because of their short term to maturity. The fair value of notes receivable and loans payable approximate their carrying amounts because of their variable interest rates.

<b>3. Notes receivable</b>	<b>2003</b>	<b>2002</b>
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of \$1,712, maturing June 2006. . . . .	\$ 48,179	\$ 60,236
Note receivable bearing interest at 9%, repayable in blended monthly payments of \$253, maturing April 2008. . . . .	<u>12,365</u>	<u>14,202</u>
	<u>\$ 60,544</u>	<u>\$ 74,438</u>

<b>4. Real estate and development projects</b>		<b>2003</b>	<b>2002</b>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Facilities for public access . . . . .	\$ 6,419,116	\$ 1,364,771	\$ 5,054,345
Real estate and development projects . . . .	<u>26,687,029</u>	<u>4,231,772</u>	<u>22,455,257</u>
	<u>\$ 33,106,145</u>	<u>\$ 5,596,543</u>	<u>\$ 27,509,602</u>
		<u>\$ 27,724,045</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.

<b>5. Credit facility</b>		<b>2003</b>	<b>2002</b>
(i) The Corporation has available a combined credit facility of \$18,100,000, of which \$14,500,000 is secured by a guarantee of the Province of Nova Scotia, bearing interest at prime, less 0.95 percent. The additional \$3,600,000 is available at the Bank's prime rate to be secured by a negative pledge regarding its real property.			
(ii) Loan payable		<b>2003</b>	<b>2002</b>
Capital projects		\$ 4,900,000	\$ 8,400,000
Department of Economic Development		<u>1,755,364</u>	<u>1,755,364</u>
		<u>\$ 6,655,364</u>	<u>\$ 10,155,364</u>

The loan from the Department of Economic Development is secured by a charge over specific real property and is to be repaid from excess funds generated from sales of real estate development.

<b>6. Deferred revenue</b>	<b>2003</b>	<b>2002</b>
Capital Projects	\$ 1,860,914	\$ ---
Deposit from sale of property	<u>67,500</u>	<u>15,000</u>
	<u>\$ 1,928,414</u>	<u>\$ 15,000</u>

Consistent with prior years, the Corporation received amounts from third parties for dumping fill on a Corporation property. These amounts have been offset against accumulated development costs related to the property and the excess has been recorded as deferred revenue from capital projects.

**7. Capital stock**

	<b>2003</b>	<b>2002</b>
<b>Authorized</b>		
5,000 shares without nominal or par value		
<b>Issued:</b>		
3 shares .....	\$ <u>3</u>	\$ <u>3</u>

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

**8. General development reserve**

	<b>2003</b>	<b>2002</b>
Beginning balance.....	\$ 1,800,000	\$ 1,350,000
Transfer (to) from operations .....	<u>(1,800,000)</u>	<u>450,000</u>
Ending balance.....	\$ <u>---</u>	\$ <u>1,800,000</u>

The Board of Directors established this reserve for future development and promotional projects. Contributions to and expenditures from this reserve are decided by the Board of Directors. During the year, the Board of Directors approved the transfer of the reserve to retained earnings.

**9. Infrastructure renewal fund**

The infrastructure renewal fund shall be used for the renewal or replacement of public use facilities such as wharves, boardwalks, and parks, when such work is required as a result of aging. In general, the fund will not be used for ordinary repairs necessitated by other causes, or for repair/replacement of minor portions of such assets. Exceptions may be made when deemed appropriate by management in consultation with the Board. Interest has been allocated to the fund based on the interest rate paid on the credit facility.

	<b>2003</b>	<b>2002</b>
Beginning balance.....	\$ 816,416	\$ 400,000
Transfer from operations.....	400,000	400,000
Interest earned.....	<u>27,545</u>	<u>16,416</u>
Ending balance.....	\$ <u>1,243,961</u>	\$ <u>816,416</u>

**10. Supplemental cash flow information**

Change in non cash operating working capital	<b>2003</b>	<b>2002</b>
Receivables .....	\$ 248,331	\$ 1,755,614
Prepays .....	(628)	18,101
Payables and accruals .....	235,368	(304,112)
Deferred costs .....	<u>12,029</u>	<u>(10,215)</u>
	\$ <u>495,100</u>	\$ <u>1,459,388</u>

Bank indebtedness and cash equivalents are comprised of the following:

Cash in bank account and on hand. . . . .	\$	5,824	\$	38,009
Line of credit . . . . .		<u>(366,804)</u>		<u>(315,064)</u>
	\$	<u><u>(360,980)</u></u>	\$	<u><u>(277,055)</u></u>
Interest paid. . . . .	\$	<u>280,017</u>	\$	<u>421,646</u>

**11. 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:

2004 . . . . .	\$	1,016
2005 . . . . .		1,016
2006 . . . . .		1,016
2007 . . . . .		1,016
2008 . . . . .		1,016

(ii) The Corporation has entered into agreements related to operations of Tall Ships 2004 totalling \$88,125 for the coming year.

(iii) The Corporation has agreed to provide compensation, not to exceed \$75,000, to replace fish habitat displaced as a result of infilling the Bedford Water lots.

**12. 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.

The most recent actuarial valuation of this plan was completed as at December 31, 2001 and includes pension assets of \$2,962,800,000, and pension liabilities of \$3,093,300,000, resulting in an unfunded liability of (\$130,500,000). The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only five employees.

**13. Contingencies**

(i) Waterfront Development Corporation is a defendant in an action brought forward, claiming specific performance of an alleged Agreement of Purchase and Sale for Parcel 4.5, lands of WDCL. This site has subsequently been sold, 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. The outcome is undeterminable at this time and no amounts have been accrued in these financial statements. Should the outcome be unfavourable, the Province will reimburse the Corporation for the amount settled.

(ii) The Corporation has entered into discussions with the Province to review the various financial commitments made by the Province respecting the amalgamation of Bedford Waterfront Development Corporation. Resulting cost recoveries, if any, are not determinable at this time and therefore are not reflected in these financial statements.

**14. Subsequent events**

- (i) The Corporation entered into a agreement, dated June 2003, to purchase land in Dartmouth for an amount of \$150,000.
- (ii) The Corporation was notified that the Purchaser for a pending land sale was withdrawing from negotiations. The financial statements reflect a deposit of \$67,500, as deffered revenue, that may have to be returned.

**15. Unusual item**

In the prior year, the Corporation settled a lawsuit for \$240,000. This lawsuit was previously disclosed in the financial statements of Bedford Waterfront Development Corporation Limited. The Corporation is party to a suit against a third party in an attempt to recover certain of the funds paid.

**16. Comparative figures**

Certain of the 2002 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2003.



## AUDITORS' REPORT

### **To the Members of the Board of Directors Workers' Compensation Board of Nova Scotia**

We have audited the statements of financial position of the Workers' Compensation Board of Nova Scotia (the "WCB") as at December 31, 2002 and 2001 and the statements of operations and unfunded liability and cash flows for the years 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 audits.

We conducted our audits in accordance with Canadian 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, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young, LLP  
Chartered Accountants

Halifax, Nova Scotia  
February 28, 2003

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA**

**Statement of Financial Position  
as at December 31, 2002**

	<b>2002</b>	<b>2001</b>
		(Restated-Note 3)
	<b>(in thousands)</b>	
<b>ASSETS</b>		
Cash and cash equivalents .....	\$ 33,314	\$ 27,108
Receivables (Note 4) .....	17,965	16,346
Investments (Note 5) .....	715,483	671,070
Property and equipment (Note 6) .....	12,240	13,167
Other assets (Note 7) .....	1,800	1,950
	<u>\$ 780,802</u>	<u>\$ 729,641</u>

<b>LIABILITIES</b>		
Payables and accruals .....	\$ 12,817	\$ 13,768
Employee future benefits (Notes 2f, 8 and 18) .....	3,838	3,490
Benefits liabilities (Note 9) .....	<u>1,050,479</u>	<u>1,002,978</u>
	1,067,134	1,020,236
Unfunded liability .....	<u>(286,332)</u>	<u>(290,595)</u>
	<u>\$ 780,802</u>	<u>\$ 729,641</u>

Commitments (Note 16)  
Contingencies (Note 17)

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

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA**

**Statement of Operations and Unfunded Liability  
Year Ended December 31, 2002**

	<b>2002</b>	<b>2001</b>
		(Restated-Note 3)
	<b>(in thousands)</b>	
Revenue		
Assessments (Notes 10 and 14) . . . . .	\$ 201,526	\$ 189,914
Net investment income (Notes 5 and 14) . . . . .	27,294	47,918
	<u>228,820</u>	<u>237,832</u>
Claims costs incurred (Notes 9 and 14)		
Short-term disability . . . . .	36,751	34,788
Long-term disability . . . . .	51,553	54,028
Survivor benefits . . . . .	4,794	5,305
Health care . . . . .	26,623	22,776
Rehabilitation . . . . .	2,369	2,289
	<u>122,090</u>	<u>119,186</u>
Growth in present value of benefits liabilities and actuarial experience adjustments (Note 9) . . . . .	47,179	69,306
Administration costs (Notes 11 and 14) . . . . .	26,513	24,524
Legislated obligations (Note 12) . . . . .	8,470	7,063
	<u>204,252</u>	<u>220,079</u>
Excess of revenue over expenses before the following . . . . .	24,568	17,753
Adjustment to benefits liabilities (Note 9) . . . . .	<u>20,305</u>	<u>---</u>
Excess of revenue over expenses applied to reduce the unfunded liability . . . . .	<u>4,263</u>	<u>17,753</u>
Unfunded liability, beginning of year as originally stated . . . . .	(289,338)	(307,789)
Restatement (Note 3) . . . . .	<u>(1,257)</u>	<u>(559)</u>
Unfunded liability, beginning of year, as restated . . . . .	<u>(290,595)</u>	<u>(308,348)</u>
Unfunded liability, end of year . . . . .	\$ <u><u>(286,332)</u></u>	\$ <u><u>(290,595)</u></u>

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

**WORKERS' COMPENSATION BOARD OF NOVA SCOTIA**

**Statement of Cash Flows  
Year Ended December 31, 2002**

	<b>2002</b>	<b>2001</b>
		(Restated-Note 3)
	<b>(in thousands)</b>	
<b>Operating Activities</b>		
Cash received from:		
Employers, for assessments . . . . .	\$ 198,334	\$ 191,830
Net investment income . . . . .	<u>21,057</u>	<u>21,237</u>
	<u>219,391</u>	<u>213,067</u>
Cash paid to:		
Claimants or third parties on their behalf. . . . .	(140,364)	(138,667)
Suppliers, for administrative and other goods and services. . . . .	<u>(33,125)</u>	<u>(28,578)</u>
	<u>(173,489)</u>	<u>(167,245)</u>
Net cash provided by operating activities. . . . .	<u>45,902</u>	<u>45,822</u>
<b>Investing Activities</b>		
Increase in investments net. . . . .	(38,176)	(63,969)
Cash paid for:		
Purchases of equipment . . . . .	<u>(1,520)</u>	<u>(2,867)</u>
Net cash used in investing activities. . . . .	<u>(39,696)</u>	<u>(66,836)</u>
Net increase (decrease) in cash and cash equivalents. . . . .	6,206	(21,014)
Cash and cash equivalents, beginning of year . . . . .	<u>27,108</u>	<u>48,122</u>
Cash and cash equivalents, end of year . . . . .	\$ <u><u>33,314</u></u>	\$ <u><u>27,108</u></u>

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

# WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

## Notes to the Financial Statements Year Ended December 31, 2002 and 2001 (thousands of dollars)

### 1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia ("the WCB") was established by the Nova Scotia Legislature in 1917, under the Workers' Compensation Act (the "Act"), and as such is exempt from income tax. 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 Act received Royal Assent on February 6, 1995. Amendments to the Act received Royal Assent on April 16, 1999. Further amendments to the Act received Royal Assent on November 28, 2002. 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 are 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 principles, which include the following accounting policies:

#### a) Cash and Cash Equivalents

Money market instruments with maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates current market value.

#### b) Assessments Receivable

Assessments receivable and assessment revenue include a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

#### c) Investments

Fixed-term investments are recorded at amortized cost. Gains 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. Under this method 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.

Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write down is included in the income of the year in which it occurs.

#### d) Property and Equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight-line basis over a period of 40 years for the building, 5 to 10 years for furniture and facilities, equipment and computer hardware. 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 50 percent for software purchases. In the year of acquisition, a half-year's amortization is taken.

**e) Other Assets**

Other assets are stated at cost, less accumulated amortization, which is charged on a straight-line basis over 25 years.

**f) Employee Future Benefits**

Costs for employee future benefits other than pensions (note 18) are accrued over the periods in which the employees render services in return for these benefits. Any related actuarial gains and losses are amortized on a straight-line basis over the employees average remaining service life.

**g) 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 for administration of existing claims.

**h) Foreign Currency Translation**

Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is accounted for on a basis consistent with the accounting policy for Investments.

**i) Measurement Uncertainty**

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

**j) Financial Instruments**

The carrying values of WCB's financial instruments, other than investments, approximate fair values because of their short-term maturity and normal credit terms.

The WCB's accounts receivable do not represent significant concentration of credit risk because the accounts are owed by a large number of employers on normal credit terms. At year-end the WCB did not have any exposure relating to derivative instruments.

**k) Comparative Figures**

Certain 2001 comparative figures have been reclassified to conform with the 2002 presentation.

**3. RESTATEMENT OF PRIOR PERIODS' INVESTMENT INCOME**

During the year, prior years' financial statements were restated to amortize non-cash gains and losses over a five-year period as required by WCB accounting policy as described in Note 2c. The effect of this restatement was that investment income was increased in 1999 by \$30 and decreased in 2000 and 2001 by \$589 and \$698 respectively.

The 2001 financial statements have been restated to reflect:

Increase in unfunded liability at December 31, 2000 .....	\$	559
Decrease in net investment income at December 31, 2001 .....	\$	698
Increase in unfunded liability and decrease in investments at December 31, 2001 .....	\$	1,257

**4. RECEIVABLES**

	<b>2002</b>	<b>2001</b>
	(in thousands)	
Assessments . . . . .	\$ 16,807	\$ 14,944
Self-insured employers (Note 13). . . . .	<u>3,920</u>	<u>4,365</u>
Assessments receivable . . . . .	20,727	19,309
Self-insured employers - deposits (Note 13). . . . .	(4,001)	(4,001)
Harmonized Sales Tax rebate . . . . .	323	396
Other . . . . .	<u>916</u>	<u>642</u>
	<u>\$ 17,965</u>	<u>\$ 16,346</u>

Assessments receivable are net of an allowance for doubtful accounts of \$1,140 in 2002 (2001 -\$1,687). Other receivables are net of an allowance for doubtful accounts of \$133 in 2002 (2001 - \$99).

**5. INVESTMENTS**

	<b>2002</b>	<b>2002</b>	<b>2001</b>	<b>2001</b>
	Carrying	Fair	Carrying	Fair
	Value	Market	Value	Market
	<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>
	(In thousands)			
Money market . . . . .	\$ 16,951	\$ 16,951	\$ 38,430	\$ 38,455
Fixed-term investments . . . . .	248,450	254,929	231,708	234,871
Equities . . . . .	454,467	407,625	440,358	437,621
Accrued interest. . . . .	<u>2,210</u>	<u>2,108</u>	<u>2,758</u>	<u>2,757</u>
	722,078	681,613	713,254	713,704
Deferred realized investment and foreign exchange gains . . . . .	(6,595)	---	(42,184)	---
Total . . . . .	<u>\$ 715,483</u>	<u>\$ 681,613</u>	<u>\$ 671,070</u>	<u>\$ 713,704</u>

**Deferred realized investment and foreign exchange gains**

	<b>2002</b>	<b>2001</b>
	(In thousands)	
Balance, Beginning of year. . . . .	\$ 42,184	\$ 49,760
Realized net (losses) gains for the year . . . . .	<u>(24,857)</u>	<u>12,169</u>
	\$ 17,327	\$ 61,929
	<u>(10,732)</u>	<u>(19,745)</u>
Balance, end of year	<u>\$ 6,595</u>	<u>\$ 42,184</u>

**Investment Income**

Interest and dividends . . . . .	\$ 21,366	\$ 20,609
Amortization of deferred realized investment gains . . . . .	10,732	19,745
Amortization of deferred unrealized investment (losses) gains . . . . .	<u>(3,426)</u>	<u>8,712</u>
	\$ 28,672	\$ 49,066
Less: Portfolio management expenses. . . . .	(1,378)	(1,148)
Total Investment Income . . . . .	<u>\$ 27,294</u>	<u>\$ 47,918</u>

**6. PROPERTY AND EQUIPMENT**

	<b>2002</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value (in thousands)</b>
Land .....	\$ 155	\$ ---	\$ 155
Building .....	3,380	1,387	1,993
Furniture and facilities .....	2,358	760	1,598
Equipment and computer hardware .....	2,807	1,877	930
Software and process development .....	14,834	7,270	7,564
	<u>\$ 23,534</u>	<u>\$ 11,294</u>	<u>\$ 12,240</u>

	<b>2001</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value (in thousands)</b>
Land .....	\$ 155	\$ ---	\$ 155
Building .....	3,380	1,300	2,080
Furniture and facilities .....	1,994	557	1,437
Equipment and computer hardware .....	2,881	1,717	1,164
Software and process development .....	14,593	6,262	8,331
	<u>\$ 23,003</u>	<u>\$ 9,836</u>	<u>\$ 13,167</u>

**7. OTHER ASSETS**

	<b>2002</b>		<b>2001</b>	
	<b>(in thousands)</b>			
Cost .....	\$	3,750	\$	3,750
Accumulated amortization .....		<u>(1,950)</u>		<u>(1,800)</u>
		<u>\$ 1,800</u>		<u>\$ 1,950</u>

During 1990, the WCB paid \$3,750 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.



## 8. EMPLOYEE FUTURE BENEFITS

The WCB has provided for employee future benefits other than pensions consisting of retirement allowances, and post employment life insurance, dental and medical programs.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations are as follows:

	<b>Benefit Plans Other Than Pension 2002</b>	<b>Benefit Plans Other Than Pension 2001</b>
Discount Rate	6.75%	6.75%
Expected health care costs trend rate	8% decreasing annually by 1% increments to an ultimate rate of 5%	9% decreasing annually by 1% increments to an ultimate rate of 5%
Drug claim increases trend rate	10% decreasing annually by 1% increments to an ultimate rate of 6%	11% decreasing annually by 1% increments to an ultimate rate of 6%
Retirement age assumption	59 years.	59 years.

The current year's net expense incurred for future employee benefits is \$452 (2001 - \$452).

**9. BENEFITS LIABILITIES**

	<b>Short-Term Disability</b>	<b>Long-Term Disability</b>	<b>Survivor Benefits</b>	<b>Health Care</b>	<b>Rehabilitation</b>	<b>Total</b>	
						<b>2002</b>	<b>2001</b>
	(in thousands)						
<b>Balance, beginning of year. . . . .</b>	\$ 63,702	\$ 710,675	\$ 125,670	\$ 92,612	\$ 10,319	\$ 1,002,978	\$ 955,004
Growth in present value of benefits liabilities . . . . .	4,684	53,116	9,100	6,804	770	74,474	71,626
Change in actuarial assumptions (a). . . . .	---	(16,337)	(18,526)	6,785	328	(27,750)	(35,221)
Actuarial experience Adjustments (b) . . . . .	(1,726)	(26,523)	12,696	16,861	(853)	455	32,901
	2,958	10,256	3,270	30,450	245	47,179	69,306
Claims costs incurred . . . . .	36,751	51,553	4,794	26,623	2,369	122,090	119,186
Claims payments made . . . . .	(39,250)	(56,475)	(13,474)	(30,394)	(2,480)	(142,073)	(140,518)
Adjustments to Benefits liabilities (c). . . . .	---	18,730	1,575	---	---	20,305	---
<b>Balance, end of year . . . . .</b>	<u>\$ 64,161</u>	<u>\$ 734,739</u>	<u>\$ 121,835</u>	<u>\$ 119,291</u>	<u>\$ 10,453</u>	<u>\$ 1,050,479</u>	<u>\$ 1,002,978</u>

All liabilities were calculated using an underlying assumption of 3.5% for real rate of return on assets and a rate of increase in the Consumer price index equal to 4% per annum. The gross rate of return that results from the CPI and the real rate of return assumptions is 7.5% per annum. The inflation assumptions and the resulting net interest rates are as follows:

**2002**

<b>Category</b>	<b>Inflation Formula</b>	<b>Resulting Inflation Rate</b>	<b>Resulting Net Interest Rate</b>
Supplementary Benefits	0.5% + CPI	4.5%	3.0%
LTD, Survivor Pensions	50% * CPI	2%	5.5%
Medical Aid, Rehabilitation and non-income	1.0% + CPI	5%	2.5%
All others	CPI	4%	3.5%

**2001**

<b>Category</b>	<b>Inflation Formula</b>	<b>Resulting Inflation Rate</b>	<b>Resulting Net Interest Rate</b>
Supplementary Benefits	50% * CPI	2%	5.5%
LTD, Survivor Pensions	50% * CPI	2%	5.5%
Medical Aid, Rehabilitation and non-income	1/2% + CPI	4.5%	3%
All others	CPI	4%	3.5%

The WCB's independent actuaries, in their report of February 3, 2003, have noted that limited claims experience is only yet available in respect of earnings-loss benefits to be granted in the future upon aggregate benefits liabilities, as the earnings-loss system was only introduced in 1995. The portion of the WCB's recorded benefits liabilities earnings-loss benefits to be granted in the future is \$367,000.

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 a variance, which could be material, is presently undeterminable.

**(a) Change in actuarial assumptions:**

During the year, changes were made in the actuarial assumptions reducing the overall benefits liabilities by \$27,750 (2001 - \$35,221). Generally, the changes noted below affect more than one benefit category.

- A change to the discount rate applied to Clinical Rating System lump sum awards increased the liability by \$285.
- Provisions for payments relating to medical claims increased the liability by \$6,043, as a result of increasing the cost increase assumption from 0.5% to 1.0% greater than the Consumer Price Index.
- Mortality rates were decreased to reflect the general population trend towards increased longevity. As a result, the liability was increased by \$13,847.
- Based on experience, the probability of a payout of an eligible death claim resulting in an income benefit to a survivor was decreased. This reduced the liability by \$19,911.
- Based on experience to date, the liabilities for long term disability were reduced by \$28,014.

**(b) Actuarial experience adjustments**

Actuarial experience adjustments represent the difference between what is predicted based on the actuarial assumptions and methods used in the prior valuation and what actually occurred during the year.

**(c) Adjustments to benefits liabilities**

Introduced in 1995, the Supplementary Benefit Program provides benefits to injured workers with permanent disabilities who, because of their date of injury, do not qualify to be considered for earnings loss benefits under the Workers' Compensation Act. In April 2002, the Workers' Compensation Review Committee released its report on a review of the workers' compensation system. The Review Committee concluded that the amount payable under the current Supplementary Benefit Program was not sufficient and an increase in the benefit amount was required. The Committee recommended an amendment to the legislation and regulation "to remove the monthly maximum payment and increase the income threshold for individuals to one-half the average industrial wage from year to year." In November 2002, this recommendation was adopted by government effective October 1, 2002. The cost of implementing this change is an estimated one-time increase of \$20.3 million to the WCB's benefits liabilities.

**10. ASSESSMENTS**

	<b>2002</b>	<b>2001</b>
	<b>(in thousands)</b>	
Classes . . . . .	\$ 169,659	\$ 155,340
Self-insured employers (Note 13) . . . . .	30,327	32,401
Assessment and reporting penalties . . . . .	1,134	1,481
Premium adjustment charge . . . . .	<u>406</u>	<u>692</u>
	<u>\$ 201,526</u>	<u>\$ 189,914</u>

Assessment revenue is shown net of bad debt expense of \$1,280 in 2002 (2001-\$666).

**11. ADMINISTRATION COSTS**

	<b>2002</b>	<b>2001</b>
	<b>(in thousands)</b>	
Salaries and staff expense . . . . .	\$ 18,429	\$ 16,837
Amortization . . . . .	2,586	2,406
Services contracted . . . . .	1,223	1,150
Building operations . . . . .	1,200	1,313
Supplies . . . . .	789	732
Professional fees . . . . .	665	499
Communications . . . . .	639	631
Travel and accommodations . . . . .	520	579
Training and development . . . . .	409	329
Equipment rental . . . . .	37	31
Miscellaneous . . . . .	<u>16</u>	<u>17</u>
	<u>\$ 26,513</u>	<u>\$ 24,524</u>

**12. LEGISLATED OBLIGATIONS**

	<b>2002</b>	<b>2001</b>
	(in thousands)	
Occupational Health and Safety . . . . .	\$ 4,834	\$ 4,035
Workers' Compensation Appeals Tribunal . . . . .	1,434	1,208
Workers' Advisers Program . . . . .	1,975	1,502
Workers' Compensation Review Committee . . . . .	<u>227</u>	<u>318</u>
	<u>\$ 8,470</u>	<u>\$ 7,063</u>

The WCB is required by the 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.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the Act to absorb the operating costs of the WCAT.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the Act to absorb the operating costs of the WAP.

The Statutory Review Committee was appointed pursuant to the Act to review, report on and make recommendations to the Governor in Council in accordance with the terms of reference established by the Governor in Council. The WCB is required by the Act to absorb the operating costs of the Workers' Compensation Review Committee.

**13. SELF-INSURED EMPLOYERS**

These financial statements include the effects of transactions carried out for self-insured employers -federal and provincial government bodies and former bodies - who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

	<b>2002</b>	<b>2001</b>
	(in thousands)	
Revenue . . . . .	<u>\$ 30,327</u>	<u>\$ 32,401</u>
Claims costs incurred		
Short-term disability . . . . .	\$ 4,110	\$ 4,882
Long-term disability . . . . .	14,576	15,457
Survivor benefits . . . . .	3,063	3,270
Health care . . . . .	4,030	3,992
Rehabilitation . . . . .	<u>219</u>	<u>272</u>
	25,998	27,873
Administration costs . . . . .	<u>4,329</u>	<u>4,528</u>
	<u>\$ 30,327</u>	<u>\$ 32,401</u>

The benefits liabilities related to self-insured employers have 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.

As of January 1, 2003, four former federal government bodies ceased to be self-insured and paid assessment premiums. These employers and the WCB are continuing to negotiate the transitional arrangements related to benefits liabilities for accidents occurring on or before the date they ceased to be self insured.

**14. RELATED PARTY TRANSACTIONS**

Pursuant to various legislative amendments to the Act, the Province of Nova Scotia reimburses the WCB for certain claims costs incurred. These claims payments are billed and recovered on a monthly basis. Total recoveries for 2002 were \$224 (2001 - \$988). Claims payments and costs incurred indicated in Note 9 are shown net of these amounts.

In addition, the WCB provides self-insured coverage to provincial government agencies and departments. The Province, as a self-insured employer, reimburses the WCB for their own incurred claims and a share of administration costs. The amounts included in Note 13 for the Province of Nova Scotia are as follows:

	<b>2002</b>	<b>2001</b>
	<b>(in thousands)</b>	
Revenue.....	\$ <u>3,817</u>	\$ <u>3,706</u>
Claims costs incurred.....	\$ 3,129	\$ 3,052
Administration charges.....	<u>688</u>	<u>654</u>
	<u>\$ 3,817</u>	<u>\$ 3,706</u>

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from related parties are non-interest bearing and under normal credit terms. At December 31, 2002, the amount receivable from the Province of Nova Scotia was \$534 (2001 - \$717).

The WCB invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled \$671 in 2002 (2001 - \$1,526). Total funds invested in notes due from the Province as at December 31, 2002 were \$27,000 (2001 -\$18,000).

**15. INDUSTRY LEVIES**

As a result of Orders-in-Council, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of safety and health training programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the Statement of Operations and Unfunded Liability.

<b>Industry</b>	<b>Payee</b>		<b>2002</b>		<b>2001</b>
			<b>(in thousands)</b>		
Construction	Nova Scotia Construction Safety Association	\$	856	\$	861
Forestry	Forestry Safety Society	\$	279	\$	279
Trucking	Nova Scotia Trucking Safety Association	\$	217	\$	220
Retail Gasoline	Retail Gasoline Dealers' Association	\$	24	\$	24

**16. COMMITMENTS**

The WCB has committed to the following operating lease payments, for office premises and equipment, over the next five years and in aggregate:

	<b>(in thousands)</b>
2003	\$ 837
2004	\$ 832
2005	\$ 276
2006	\$ 220
2007	\$ <u>196</u>
	<u>\$ 2,361</u>

## **17. CONTINGENCIES**

On January 31, 2000, the Workers' Compensation Appeals Tribunal issued two decisions indicating certain provisions of the Act and Regulations pursuant to the Act were unconstitutional. This decision was overturned by the Nova Scotia Court of Appeal on November 8, 2000. The Appellants appealed the Court of Appeal to the Supreme Court of Canada, who heard oral arguments on December 9, 2002. The decision from the Supreme Court of Canada is expected some time in 2003. The provisions affected by the decisions relate specifically to the eligibility of workers to receive benefits for chronic pain. Unresolved issues surrounding this ruling have the potential to increase benefits liabilities relating to chronic pain benefits. The probability and magnitude of such an increase are currently undeterminable.

## **18. EMPLOYEE PENSION PLAN**

Employees of the WCB participate in the Public Service Superannuation Fund, (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total employer contributions for 2002 were \$845 (2001 - \$813) and are recognized as an expense in the period. The WCB is not responsible for any unfunded liability, nor does the WCB have any access to any surplus that may arise in this Plan.