

Public Accounts

Volume 1 – Consolidated Financial Statements
For the fiscal year ended March 31, 2017



Public Accounts

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For the fiscal year ended March 31, 2017



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Message from the Minister

The Province of Nova Scotia reported a surplus of \$149.6 million in its Public Accounts for the year ended March 31, 2017. This surplus was \$22.2 million higher than the budgeted surplus of \$127.4 million and an improvement of \$162.8 million over the prior year's deficit.

Government has worked hard over the past several years to manage expenses within the available fiscal capacity so we can invest in the things most important to Nova Scotians. It is all part of our commitment to create jobs for young Nova Scotians and opportunities for the middle class. We are in the fourth year of our plan and we are already seeing the impact. As we improve the fiscal stability of the Province, we are easing the burden on future generations.

Total consolidated revenues were \$11.23 billion, an increase of \$62.3 million from budget primarily due to higher than expected provincial recoveries and net income from government business enterprises, which were partially offset by lower than expected tax revenues.

Total consolidated expenses were \$11.08 billion, an increase of \$40.2 million from budget mainly due to contributions to Universities and the Nova Scotia Research Trust, costs for fall floods and winter snow storms, and the requirement to record additional liabilities for contaminated sites. These increases were partially offset by various operating savings throughout departments as well as savings from pension valuation adjustment and debt servicing costs.

The Province's Net Debt as at March 31, 2017 was \$14.95 billion. Nova Scotia's growth in nominal GDP was an expected 2.2 per cent in the calendar year 2016 and an expected 2.9 per cent in the calendar year 2017. As a result, Net Debt-to-GDP for 2016-17 was 36.4 per cent, 1.1 percentage points lower than the prior year.

Detailed analysis of these results is contained within this document.

These consolidated financial statements are in accordance with Canadian public sector accounting standards and have received an unqualified opinion from the Auditor General of Nova Scotia.



Honourable Karen Casey
Minister of Finance and Treasury Board

Introduction to the Public Accounts

In accordance with the *Finance Act*, the Minister of Finance and Treasury Board for the Province of Nova Scotia (Province) produces the Public Accounts annually to report on the operating results and financial condition of the Province. Volume 1 of the Public Accounts includes general purpose financial statements meant to meet the needs of a variety of users. They are prepared on a consolidated basis, meaning that they include the financial information of the departments of government as well as crown corporations, boards, and other entities owned or controlled by the Province.

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. For purposes of the Province's financial statements, this refers to the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants.

The 2017 Public Accounts *Volume 1 – Consolidated Financial Statements* commences with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is a reporting practice recommended by PSAB, and responsibility for its preparation rests with management. This section presents comparative financial highlights of the consolidated financial statements including all the entities owned or controlled by the government, as well as selected financial highlights of the General Revenue Fund itself. The FSD&A also includes an overview of the provincial debt and the Nova Scotia economy. The government is responsible for the integrity, objectivity, and fair presentation of the information in the FSD&A. The Controller prepares the FSD&A in accordance with PSAB guidance on behalf of the Minister and the Deputy Minister of Finance and Treasury Board.

The General Revenue Fund is the level at which the annual estimates are prepared in detail for approval by the government. Therefore, the FSD&A includes a section on the Selected Highlights of the General Revenue Fund that provides more detailed information and budget-to-actual analysis on revenues, departmental expenses, tangible capital assets, additional appropriations, and debt servicing costs. The General Revenue Fund is comprised of all departments and public service units of the Nova Scotia Government, excluding other governmental units (GUs) and government business enterprises (GBEs) owned or controlled by the Province and government partnership arrangements (GPAs).

There are two additional publications in the Public Accounts suite of annual financial reports. *Volume 2 – Entities and Funds* is a collection of the audited financial statements of various agencies, boards, commissions, other GUs, GBEs, GPAs, and special purpose funds. *Volume 3 – Supplementary Information* is produced in accordance with the *Finance Act* as a record of the payments made by the General Revenue Fund in the fiscal year for salaries, travel, grants, and other expenses.



FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

for the fiscal year ended March 31, 2017

Financial Highlights of the Consolidated Financial Statements

Financial Highlights

For the fiscal year ended March 31, 2017

(\$ thousands, except for Net Debt per Capita)

| | 2013 | 2014 | 2015 | 2016 | 2017 | * 5-Year Trend | Page Ref |
|---|--------------|--------------|--------------|---------------|--------------|-------------------|-------------|
| Performance Measures | | | | (as restated) | | | |
| <u>Sustainability</u> | | | | | | | |
| Provincial Surplus (Deficit) | (\$301,591) | (\$676,851) | (\$143,693) | (\$13,201) | \$149,564 | ↑ | 12 |
| Provincial Surplus (Deficit) as % of Nominal GDP | (0.80%) | (1.75%) | (0.37%) | (0.03%) | 0.36% | ↑ | – |
| Net Debt | \$13,942,372 | \$14,761,747 | \$15,007,140 | \$15,076,002 | \$14,954,868 | ↑ | 13 |
| Net Debt per Capita | \$14,755 | \$15,646 | \$15,909 | \$15,980 | \$15,750 | ↑ | 13 |
| Net Debt to Nominal GDP | 36.9% | 38.2% | 38.2% | 37.5% | 36.4% | ↓ | 14 |
| <u>Flexibility</u> | | | | | | | |
| Debt Servicing Costs as % of Total Revenue | 9.1% | 8.8% | 8.4% | 7.9% | 7.5% | ↓ | 20 |
| Own Source Revenue as % of Nominal GDP | 18.1% | 17.3% | 18.5% | 18.7% | 18.8% | ↑ | 16 |
| <u>Vulnerability</u> | | | | | | | |
| Federal Transfers as % of Total Revenue | 32.3% | 33.7% | 31.7% | 31.4% | 31.2% | ↓ | 16 |
| Other Financial Indicators | | | | | | | |
| Total Revenue | \$10,104,123 | \$10,060,202 | \$10,661,920 | \$10,937,550 | \$11,228,270 | ↑ | 15 |
| Total Expenses | \$10,405,714 | \$10,737,053 | \$10,805,613 | \$10,950,751 | \$11,078,706 | ↑ | 19 |
| Financial Assets | \$3,947,324 | \$3,850,191 | \$4,052,277 | \$4,239,611 | \$4,705,101 | ↑ | 22 |
| Total Liabilities | \$17,889,696 | \$18,611,938 | \$19,082,892 | \$19,315,613 | \$19,659,969 | ↑ | 24 |
| Unmatured Debt | \$12,869,245 | \$12,991,397 | \$13,434,240 | \$13,524,557 | \$13,089,820 | ↑ | 25 |
| Interest on Unmatured Debt | \$757,505 | \$747,486 | \$758,926 | \$735,040 | \$709,302 | ↓ | – |
| Non-Financial Assets | \$5,472,099 | \$5,632,512 | \$5,757,687 | \$5,813,348 | \$5,841,778 | ↑ | 28 |
| Accumulated Deficits | \$8,452,384 | \$9,129,235 | \$9,272,928 | \$9,262,654 | \$9,113,090 | ↑ | 31 |

* An upward 5-Year Trend does not necessarily mean a positive or favourable change, and a downward 5-Year Trend does not necessarily mean a negative or unfavourable change.

Sustainability indicates a government's ability to maintain its existing services and financial obligations without the need to increase revenues or debt borrowings.

Flexibility indicates a government's ability to either expand its revenues or increase its debt borrowings to meet its existing services and financial obligations.

Vulnerability indicates a government's reliance on revenue sources beyond its direct control or influence and its exposure to funding risks.



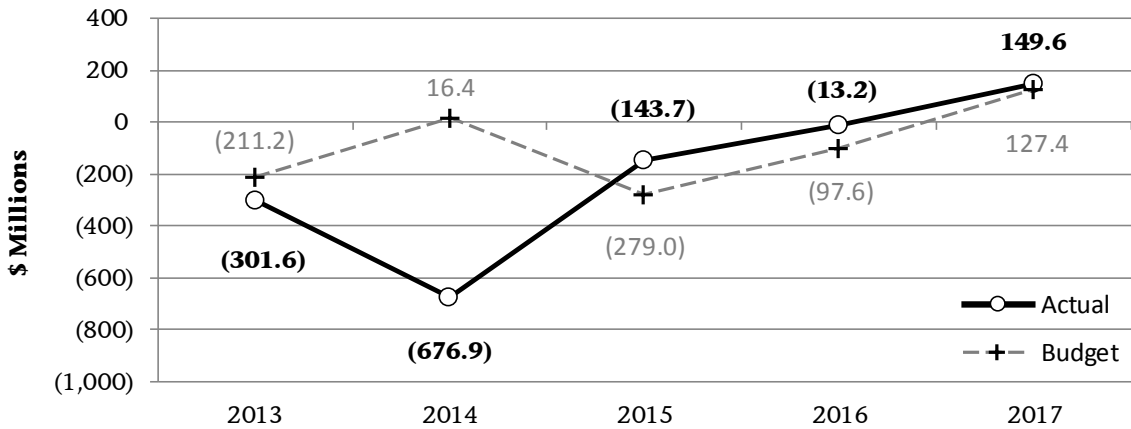
NOVA SCOTIA

Provincial Surplus (Deficit)

The provincial surplus (deficit) is the net financial result of the year’s operations. For the fiscal year ended March 31, 2017, total revenue was \$11.23 billion (2016 – \$10.94 billion) and total expenses were \$11.08 billion (2016 – \$10.95 billion). The resulting provincial surplus of \$149.6 million was \$22.2 million higher than the budgeted surplus of \$127.4 million and an improvement of \$162.8 million over the prior year’s deficit.

The Province reported the following net results over the past five years:

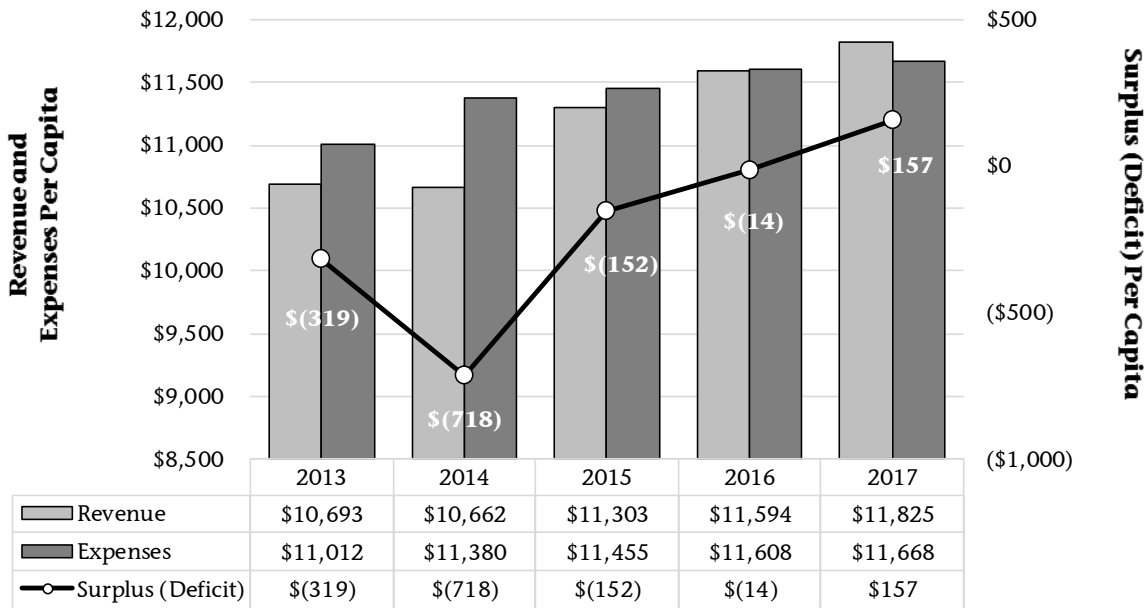
Provincial Surplus (Deficit) - 5 Year Trend



Revenue and Expenses per Capita

The provincial surplus increased by \$171 per capita, from a deficit of \$14 per capita in 2016 to a surplus of \$157 per capita in 2017. Per capita information for the past five years is shown in the table below.

Revenue and Expenses per Capita - 5 Year Trend



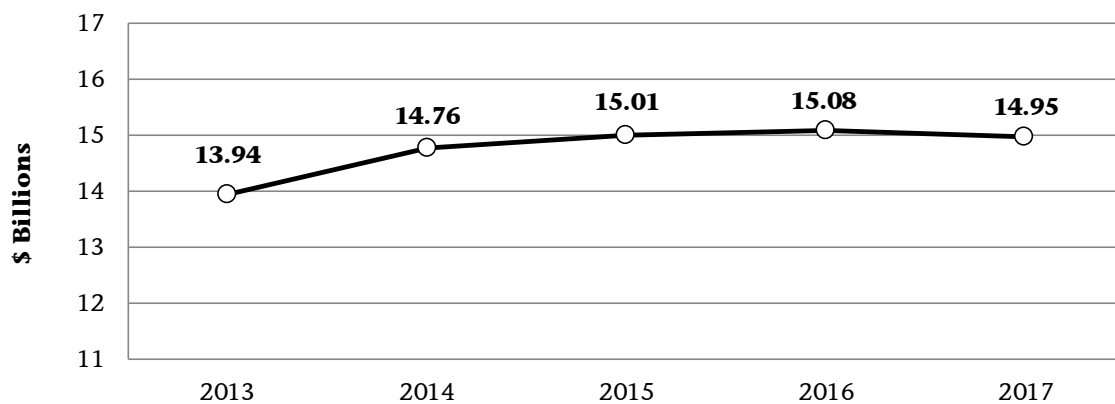
Financial Highlights of the Consolidated Financial Statements

Net Debt

Net debt results when a government's total liabilities exceed total financial assets. As a key measure of the Province's financial position, net debt indicates the amount that current and past generations have accumulated through the incurrence of annual deficits and net investments in non-financial assets. Net debt represents the liabilities needed to be funded from future revenues, including taxation. These amounts remain an obligation for future generations to fund through annual surpluses or to continue to carry as debt.

Net debt was \$14.95 billion at March 31, 2017, \$121.1 million lower than the prior year due to the \$149.6 million surplus and \$3.9 million decrease in prepaid expenses, offset by \$30.2 million net investments in tangible capital assets and \$2.1 million net acquisitions of supplies inventory. The Province reported net debt in the past five years as follows:

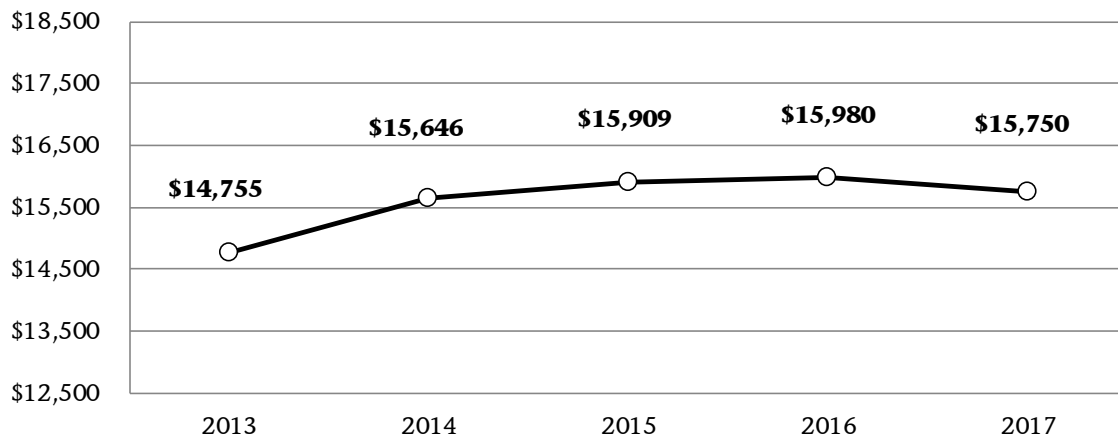
Net Debt - 5 Year Trend



Net Debt per Capita

Net debt decreased \$230 on a per capita basis from \$15,980 in 2016 to \$15,750 in 2017. The decrease in net debt per capita is attributable to the decrease in overall net debt as well as the slight growth in Nova Scotia's population.

Net Debt per Capita - 5 Year Trend

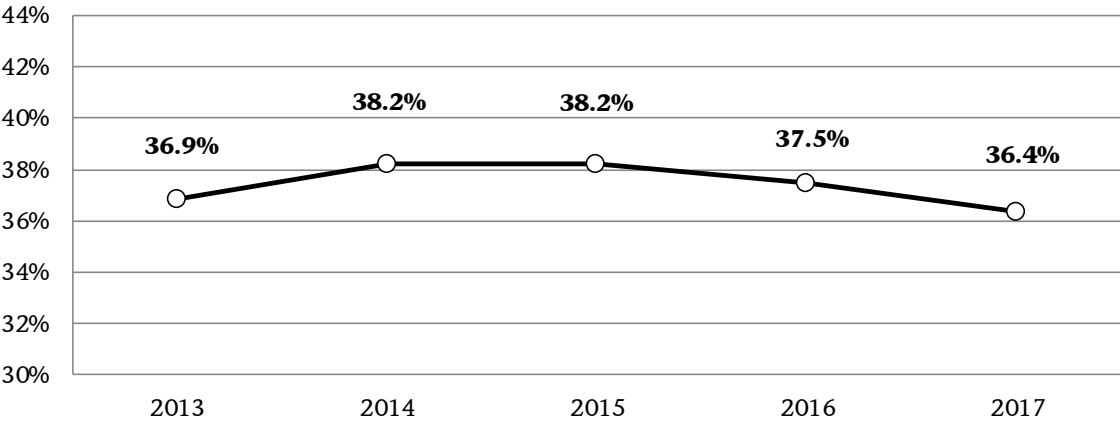




Net Debt to Gross Domestic Product (GDP)

Net debt as a percentage of the provincial nominal GDP provides a measure of the level of financial demands placed on the economy by the Province’s spending and taxation policies. A higher ratio means the net debt of the Province is more onerous on future generations. This ratio decreased 1.1 percentage points to 36.4 per cent in 2017. Over the past five years, this ratio ranged from a low of 36.4 per cent in 2017 to a high of 38.2 per cent in 2014 and 2015.

Net Debt to GDP - 5 Year Trend

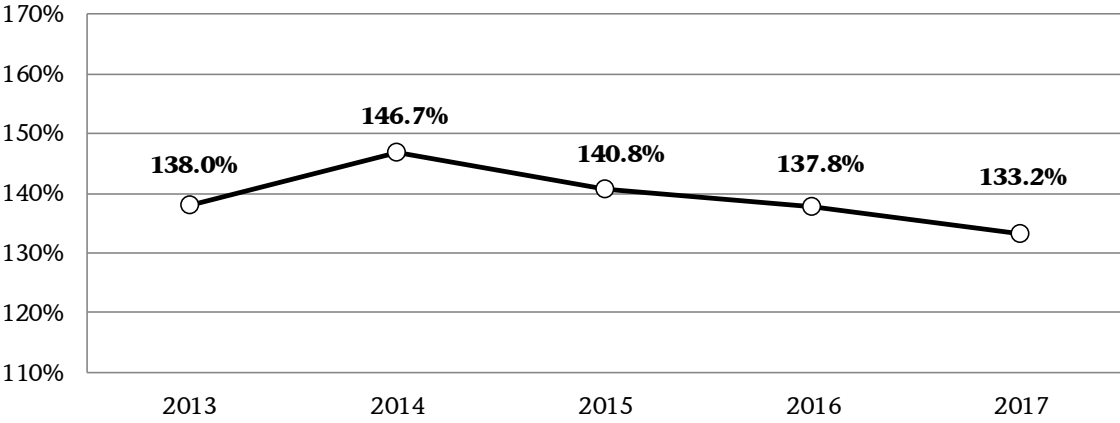


Net Debt to Total Revenue

Net debt provides a measure of the future revenues required to pay for past deficits and investments in non-financial assets. An increasing ratio of net debt to total revenue would indicate that more time is necessary to eliminate net debt.

Net debt as a percentage of total revenue decreased 4.6 percentage points from the previous year to 133.2 per cent. Over the past five years, this ratio ranged from a low of 133.2 per cent in 2017 to a high of 146.7 per cent in 2014.

Net Debt to Total Revenue - 5 Year Trend



Financial Highlights of the Consolidated Financial Statements

Revenue

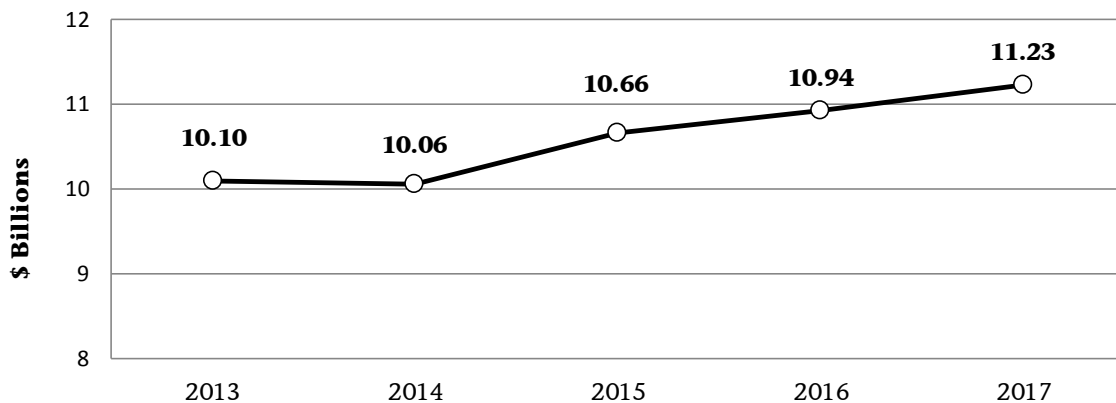
On a consolidated basis, total revenue for the year was \$62.3 million higher than estimate and \$290.7 million higher than the prior year. These increases were attributable to changes in revenue from taxes, petroleum royalties, recoveries, and federal contributions reported in the General Revenue Fund. Other revenues were earned from a variety of sources by the General Revenue Fund and the Province's controlled entities. Additional details on General Revenue Fund revenue variances are provided commencing on page 38 of this publication.

Revenue

(\$ thousands)

| | Adjusted Estimate 2017 | Actual 2017 | Actual 2016 | Actual vs Estimate | Actual vs Actual |
|----------------------------|---------------------------------------|------------------------|------------------------|-------------------------------|-----------------------------|
| Provincial Sources | | | | | |
| Tax Revenue | | | | | |
| Income Taxes | 3,138,243 | 3,227,185 | 3,046,266 | 88,942 | 180,919 |
| Sales Taxes | 2,312,977 | 2,177,636 | 2,241,100 | (135,341) | (63,464) |
| Other Tax Revenue | 159,092 | 171,718 | 170,257 | 12,626 | 1,461 |
| Other Provincial Revenue | | | | | |
| Petroleum Royalties | 10,508 | 1,799 | (91,752) | (8,709) | 93,551 |
| Recoveries | 332,074 | 417,921 | 438,681 | 85,847 | (20,760) |
| Revenue from GUs | 495,692 | 543,132 | 530,594 | 47,440 | 12,538 |
| Municipal Contributions to | | | | | |
| Regional School Boards | 258,391 | 258,083 | 249,018 | (308) | 9,065 |
| Miscellaneous | 389,501 | 350,292 | 345,390 | (39,209) | 4,902 |
| Net Income from GBEs | 382,228 | 394,591 | 387,757 | 12,363 | 6,834 |
| Investment Income | | | | | |
| Interest Revenue | 90,457 | 95,072 | 94,143 | 4,615 | 929 |
| Sinking Fund Earnings | 91,660 | 90,475 | 95,982 | (1,185) | (5,507) |
| | 7,660,823 | 7,727,904 | 7,507,436 | 67,081 | 220,468 |
| Federal Sources | | | | | |
| Equalization Payments | 1,738,321 | 1,732,893 | 1,777,759 | (5,428) | (44,866) |
| Other Federal Transfers | 1,766,785 | 1,767,473 | 1,652,355 | 688 | 115,118 |
| | 3,505,106 | 3,500,366 | 3,430,114 | (4,740) | 70,252 |
| Total Revenue | 11,165,929 | 11,228,270 | 10,937,550 | 62,341 | 290,720 |

Total Revenue - 5 Year Trend

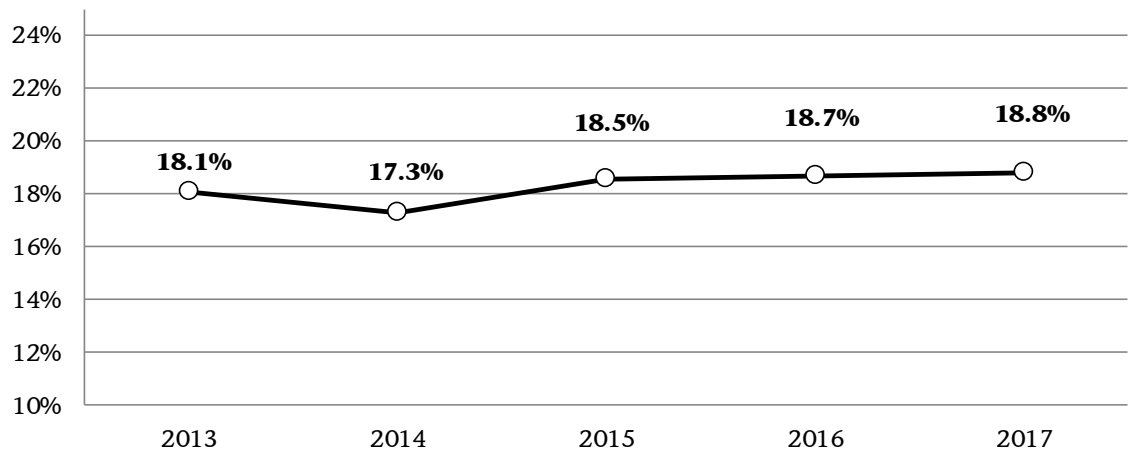




Own Source Revenue to Gross Domestic Product

This ratio measures the extent to which the Province is deriving income from the provincial economy, either through taxation, user fees, recoveries, or other provincial revenues. Own source revenue as a percentage of nominal GDP has remained relatively stable over the last five years, ranging from a low of 17.3 per cent in 2014 to a high of 18.8 per cent in 2017, meaning that the Province has not significantly changed its demands on the provincial economy during this time.

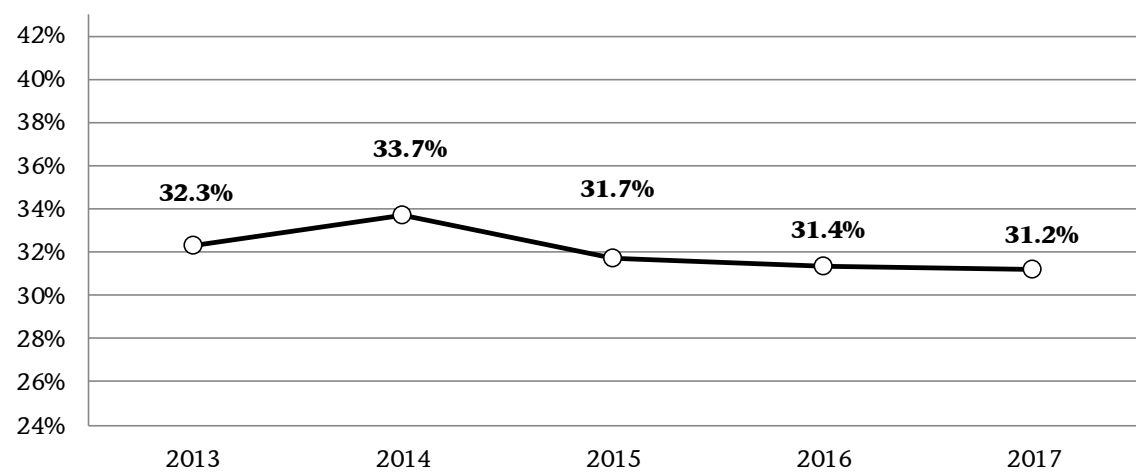
Own Source Revenue to GDP - 5 Year Trend



Federal Transfers to Total Revenue

This ratio measures the extent of funding from the federal government. These transfers are dependent on policy decisions at the federal level and are generally outside the control of the provincial government. Federal transfers as a percentage of total revenue decreased by 0.2 percentage points from the previous year to 31.2 per cent. The percentage of federal transfers to total revenue remained relatively consistent for the Province over the past five years, ranging from a low of 31.2 per cent in 2017 to a high of 33.7 per cent in 2014.

Federal Transfers to Total Revenue - 5 Year Trend

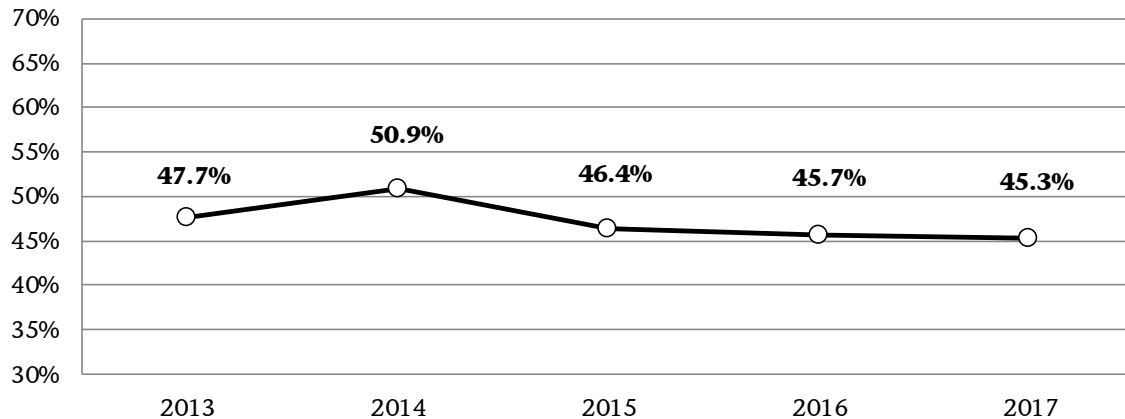


Financial Highlights of the Consolidated Financial Statements

Federal Transfers to Own Source Revenue

This ratio measures the extent to which the Province raises its own revenue from within the province as compared to the amount it receives from the federal government. Federal transfers as a percentage of own source revenue decreased 0.4 percentage points from the previous year to 45.3 per cent. Over the past five years, this ratio ranged from a low of 45.3 per cent in 2017 to a high of 50.9 per cent in 2014.

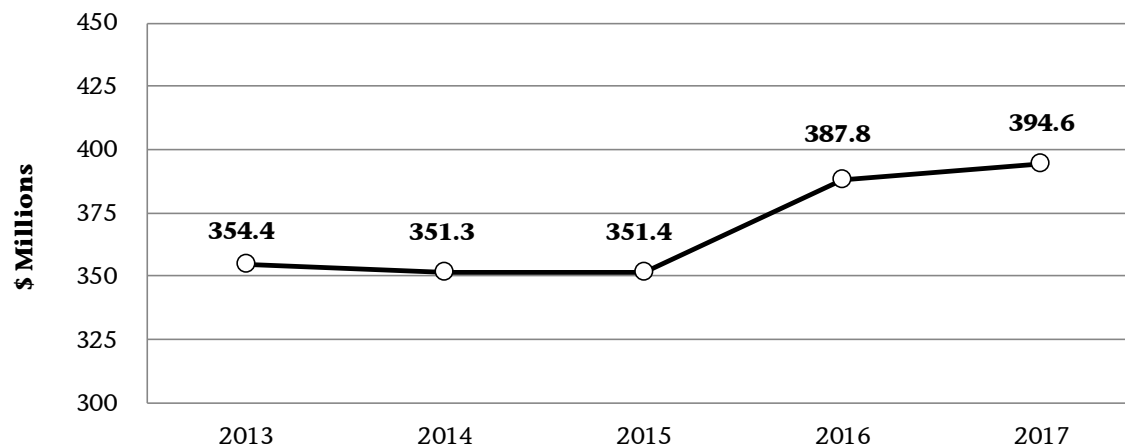
Federal Transfers to Own Source Revenue - 5 Year Trend



Net Income from Government Business Enterprises

Net income from government business enterprises (GBEs) increased by \$6.8 million from the previous year to \$394.6 million. Net income from Nova Scotia Liquor Corporation (NSLC) decreased by \$2.0 million or 0.8 per cent mainly due to lower gross margins experienced in all categories. Net income from Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC) increased by \$3.3 million or 2.6 per cent mainly due to a reduction in depreciation and fewer large jackpots during the year. Net income from Highway 104 Western Alignment Corporation (H104) increased by \$6.0 million or 150.1 per cent mainly due to an increase in the capital assets' useful lives resulting in lower depreciation expenses. The major contributing factors to the consistency in this revenue source has been the growth in profits from the NSLC and NSPLCC. Net income from GBEs over the past five years were as follows:

Net Income from GBEs - 5 Year Trend

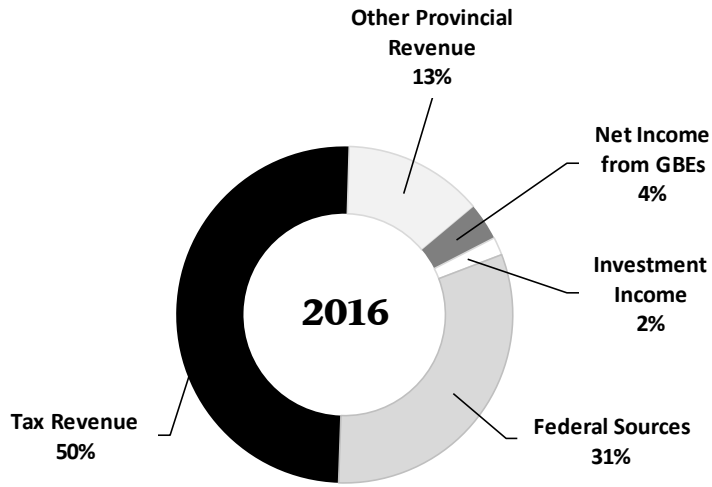
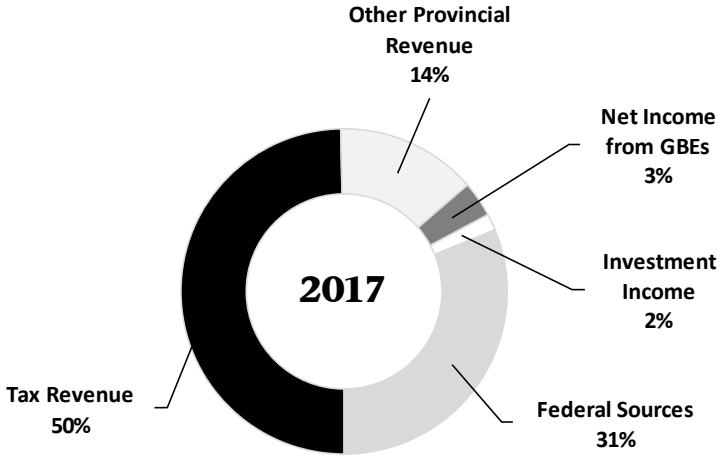




Revenue by Source

The Province’s revenue by major funding sources remained consistent with the prior year. The related breakdowns for 2017 and 2016 were as follows:

Revenue by Source



Financial Highlights of the Consolidated Financial Statements

Expenses

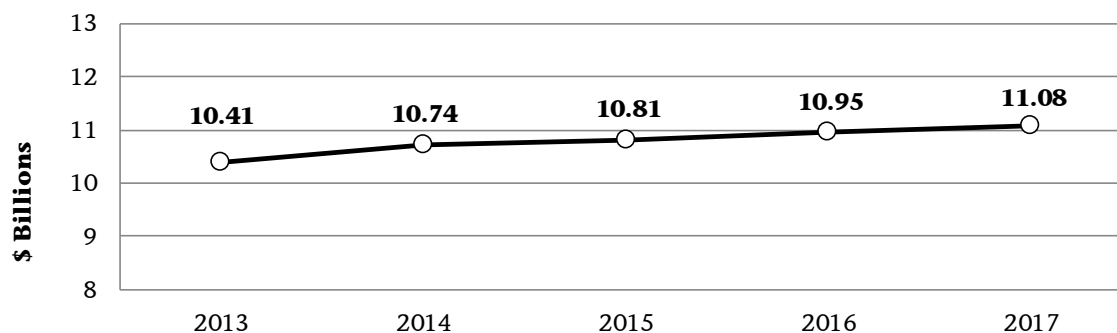
The health and education sectors made up 54.9 per cent of total expenses, compared to 55.4 per cent in 2016. Total consolidated expenses were \$40.2 million higher than estimate mainly due to increases of \$61.0 million in Assistance to Universities for investments in the Nova Scotia Research Trust and additional post-secondary operational and infrastructure funding, and \$58.5 million in the Department of Transportation and Infrastructure Renewal primarily for an additional accrual to the Boat Harbour Remediation Project, increased snow and ice removal costs, and damages from the October rain storm. These were offset by decreases of \$49.1 million in Pension Valuation Adjustments, \$20.9 million in debt servicing costs, and net decreases of \$9.3 million in all other departments.

Total expenses were \$128.0 million higher than the prior year primarily due to increases of \$99.3 million in Labour and Advanced Education and Assistance to Universities, \$43.2 million in Internal Services, \$40.0 million in Municipal Affairs, and net increases of \$70.1 million in other expenses. These increases were offset by a decrease of \$124.6 million in Pension Valuation Adjustments due to the recognition of the curtailment losses last year for the discontinuance of the retirement allowance plans effective April 1, 2015.

Additional details on General Revenue Fund expense variances are provided on page 44.

| Expenses <i>(\$ thousands)</i> | Adjusted Estimate 2017 | Actual 2017 | Actual 2016 | Actual vs Estimate | Actual vs Actual |
|---|---------------------------------------|------------------------|------------------------|-------------------------------|-----------------------------|
| | | | <i>(as restated)</i> | | |
| Health and Wellness | 4,406,287 | 4,462,231 | 4,478,850 | 55,944 | (16,619) |
| Education and Early Childhood Development | 1,607,576 | 1,619,279 | 1,585,062 | 11,703 | 34,217 |
| Community Services | 1,057,852 | 1,078,629 | 1,047,601 | 20,777 | 31,028 |
| Labour and Advanced Education and Universities | 799,314 | 878,075 | 778,791 | 78,761 | 99,284 |
| Transportation and Infrastructure Renewal | 463,320 | 521,856 | 507,515 | 58,536 | 14,341 |
| Justice | 331,171 | 328,134 | 328,116 | (3,037) | 18 |
| Pension Valuation Adjustment | 66,251 | 17,191 | 141,828 | (49,060) | (124,637) |
| Debt Servicing Costs | 857,911 | 837,014 | 868,532 | (20,897) | (31,518) |
| Other Expenses | 1,448,836 | 1,336,297 | 1,214,456 | (112,539) | 121,841 |
| Total Expenses | 11,038,518 | 11,078,706 | 10,950,751 | 40,188 | 127,955 |

Total Expenses - 5 Year Trend

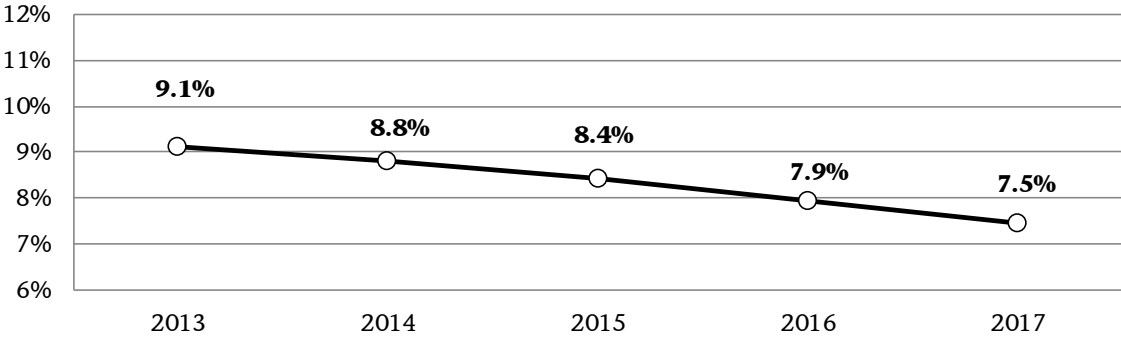




Debt Servicing Costs to Total Revenue

Debt servicing costs as a percentage of total revenue shows the proportion of every dollar of revenue that is needed to pay interest and thus is not available to pay for program initiatives. A lower ratio means that the Province uses less revenues to meet the interest cost on past borrowings, which provides greater flexibility in meeting financial and service commitments in the current year. The percentage of debt servicing costs to total revenue decreased by 0.4 percentage points from the previous year to 7.5 per cent. Over the past five years, this ratio ranged from a low of 7.5 per cent in 2017 to a high of 9.1 per cent in 2013.

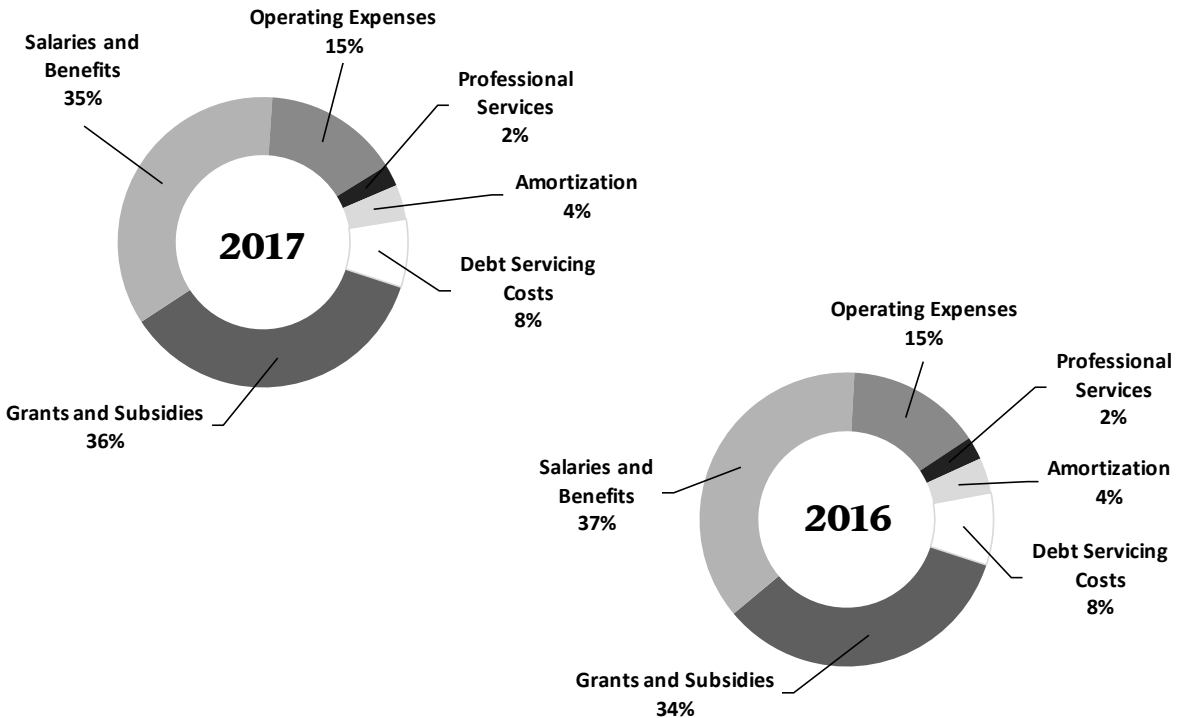
Debt Servicing Costs to Total Revenue - 5 Year Trend



Expenses by Object

The Province’s expenses by object remained consistent compared to the prior year. The related breakdowns for 2017 and 2016 were as follows:

Expenses By Object

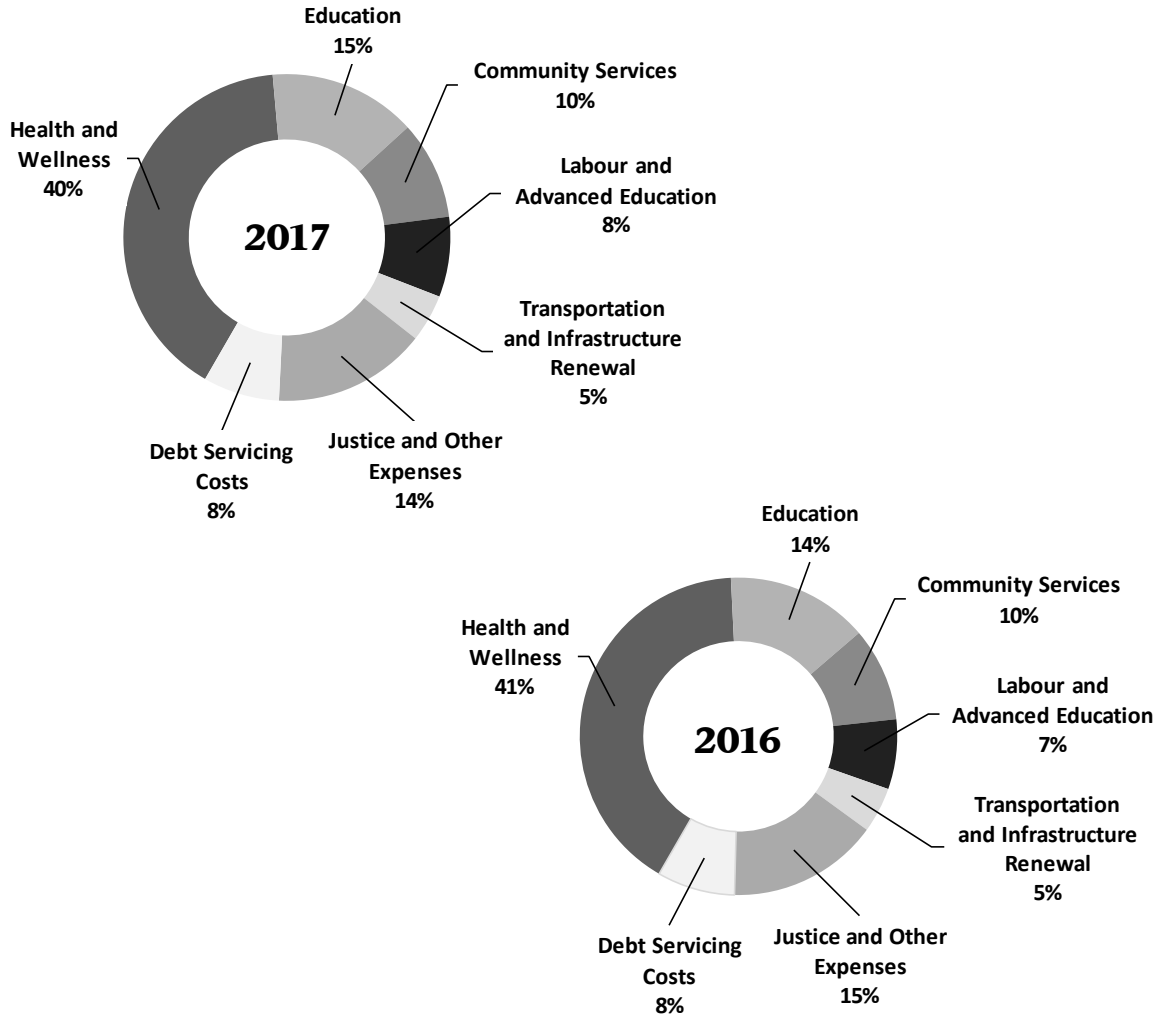


Financial Highlights of the Consolidated Financial Statements

Expenses by Function

The Province's expenses by major functions remained consistent compared to the prior year. The related breakdowns for 2017 and 2016 were as follows:

Expenses By Function





NOVA SCOTIA

Financial Assets

Financial assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets increased \$465.5 million from last year to \$4.71 billion as at March 31, 2017. Cash and Short-Term Investments increased by \$369.4 million as a result of the operating, investing, capital, and financing activities explained on page 33. Accounts Receivable were \$73.0 million higher than the prior year.

Loans Receivable decreased from last year by \$92.0 million mainly due to decreases of \$38.3 million in the Nova Scotia Jobs Fund from net repayments and additional provisions recorded for previous commitments, \$20.8 million in the loan portfolio of Nova Scotia Municipal Finance Corporation, and \$17.0 million in loans outstanding in Housing Nova Scotia. Other loan portfolios had a combined net decrease of \$15.9 million.

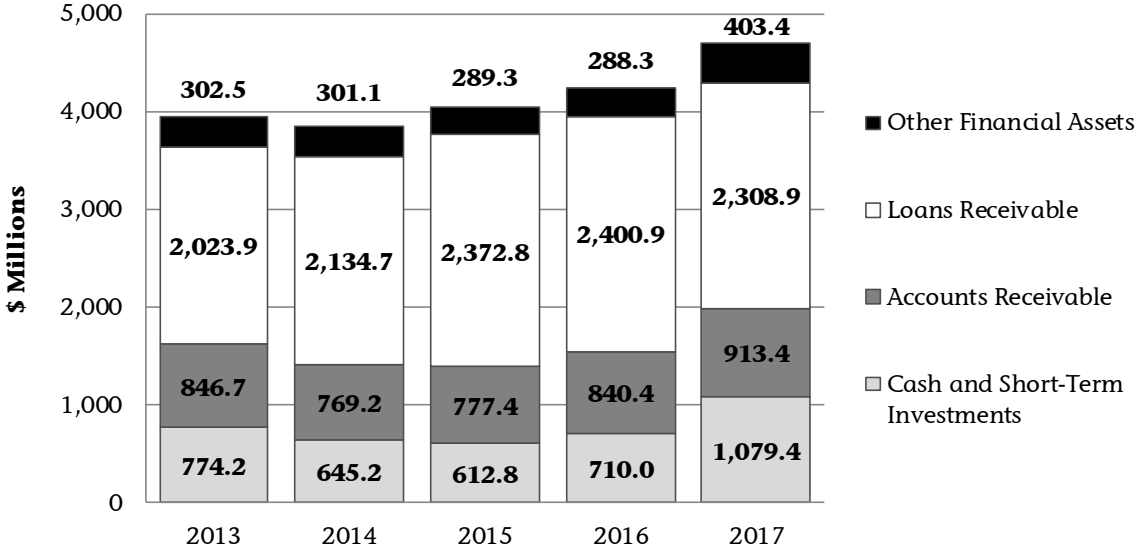
Other Financial Assets increased by \$115.1 million due to increases of \$91.7 million in Investments, mainly from the Nova Scotia Strategic Opportunities Fund and Nova Scotia Health Authority, and \$25.3 million in Investment in Government Business Enterprises, mainly in Halifax-Dartmouth Bridge Commission and H104. These were offset by a net decrease of \$1.9 million in inventories of supplies and assets held for sale.

Financial Assets

(\$ thousands)

| | Actual 2017 | % of Total | Actual 2016 | % of Total | Variance Increase (Decrease) |
|---------------------------------|------------------------|-----------------------|------------------------|-----------------------|---|
| Cash and Short-Term Investments | 1,079,431 | 22.9% | 710,041 | 16.8% | 369,390 |
| Accounts Receivable | 913,349 | 19.4% | 840,380 | 19.8% | 72,969 |
| Loans Receivable | 2,308,943 | 49.1% | 2,400,924 | 56.6% | (91,981) |
| Other Financial Assets | 403,378 | 8.6% | 288,266 | 6.8% | 115,112 |
| Total Financial Assets | 4,705,101 | 100.0% | 4,239,611 | 100.0% | 465,490 |

Financial Assets - 5 Year Trend



Financial Highlights of the Consolidated Financial Statements

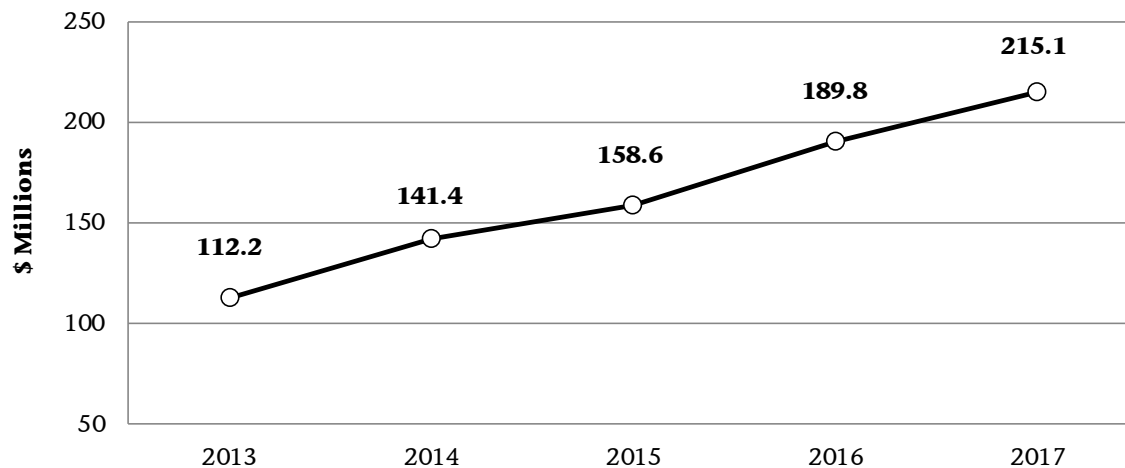
Investment in Government Business Enterprises

Other Financial Assets include the Province's financial position in four government business enterprises (GBEs), which has continually improved over the past five years from a net investment of \$112.2 million at March 31, 2013 to \$215.1 million at March 31, 2017. The Province's investment in GBEs increased by \$25.3 million over the previous year.

The Province's investment in GBEs increased by \$102.9 million over the last five years. Net equity of the Halifax-Dartmouth Bridge Commission increased \$50.4 million, Nova Scotia Provincial Lotteries and Casino Corporation increased \$33.8 million, Highway 104 Western Alignment Corporation increased \$19.8 million, and Nova Scotia Liquor Corporation decreased \$1.1 million.

As publicly accountable enterprises, GBEs follow International Financial Reporting Standards (IFRS). More detailed information about the Province's GBEs is provided in Schedule 6 of the Public Accounts on page 103 of this publication.

Investment in GBEs - 5 Year Trend





NOVA SCOTIA

Liabilities

Liabilities, consisting of debts or other monetary obligations owing at March 31, 2017 and to be settled in the future, increased by \$344.4 million from last year to \$19.66 billion. The most significant item, Unmatured Debt, decreased by \$434.7 million from the prior year mainly due to \$675.0 million of debentures issued, offset by \$1,010.3 million in debt repayments, \$90.5 million in sinking fund earnings, and \$8.9 million in other net financing activities. Debt borrowings were used to finance the activities of crown corporations, acquire tangible capital assets, and refinance maturing debt.

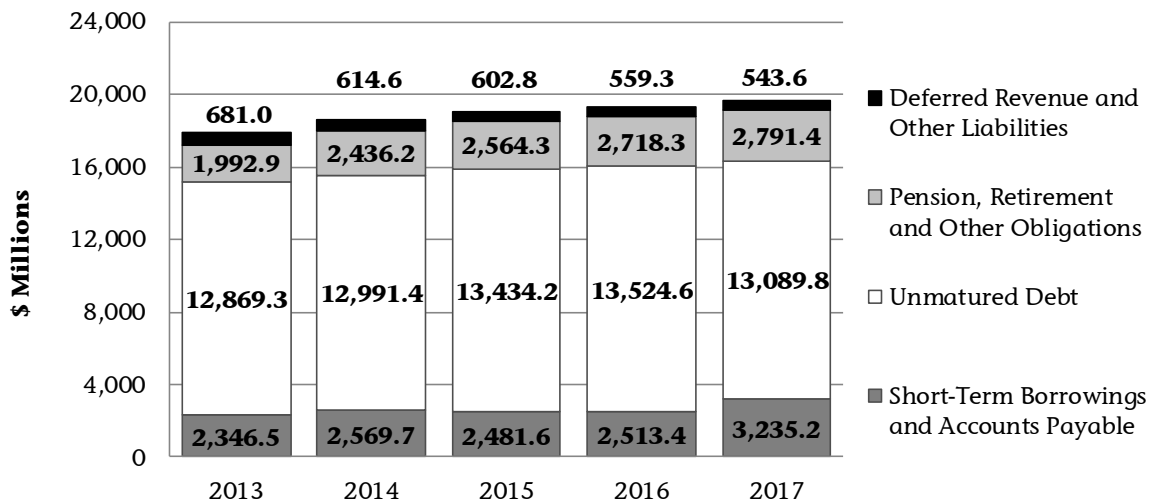
Pension, Retirement and Other Obligations increased by \$73.1 million mainly due to lower benefit payments and changes in external valuations resulting in additional actuarial losses from updated member data and actuarial assumptions. Other changes to liabilities included increases of \$594.8 million in Bank Advances and Short-Term Borrowings, \$127.0 million in Accounts Payable and Accrued Liabilities, and a net decrease of \$15.8 million in Deferred Revenue and Other Liabilities.

Liabilities

(\$ thousands)

| | Actual 2017 | % of Total | Actual 2016 <i>(as restated)</i> | % of Total | Variance Increase (Decrease) |
|---|-------------------|---------------|--|---------------|------------------------------------|
| Bank Advances and Short-Term Borrowings | 1,171,011 | 6.0% | 576,210 | 3.0% | 594,801 |
| Accounts Payable and Accrued Liabilities | 2,064,145 | 10.5% | 1,937,188 | 10.0% | 126,957 |
| Deferred Revenue | 258,881 | 1.3% | 235,049 | 1.2% | 23,832 |
| Unmatured Debt | 13,089,820 | 66.6% | 13,524,557 | 70.0% | (434,737) |
| Pension, Retirement and Other Obligations | 2,791,435 | 14.2% | 2,718,345 | 14.1% | 73,090 |
| Other Liabilities | 284,677 | 1.4% | 324,264 | 1.7% | (39,587) |
| Total Liabilities | 19,659,969 | 100.0% | 19,315,613 | 100.0% | 344,356 |

Liabilities - 5 Year Trend



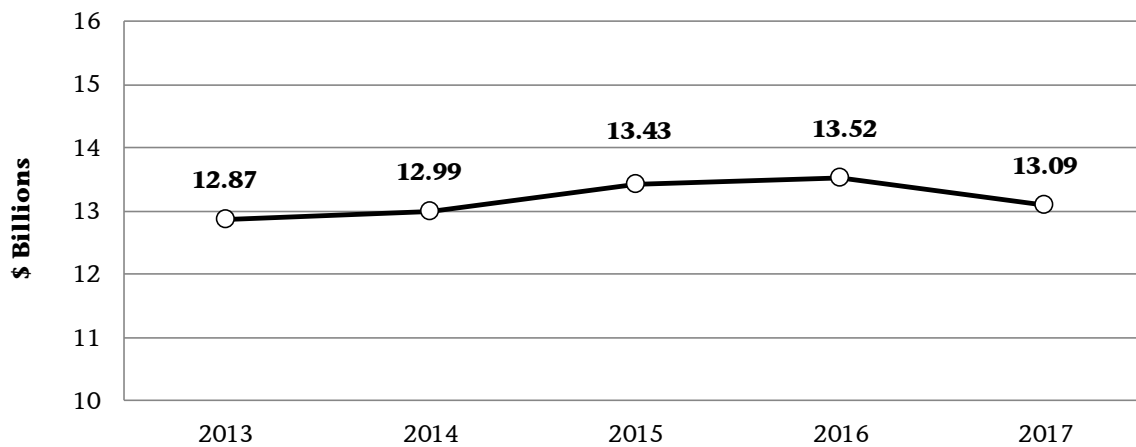
Financial Highlights of the Consolidated Financial Statements

Unmatured Debt

Unmatured debt, net of sinking funds and defeasance assets, decreased to \$13.09 billion as at March 31, 2017, of which \$12.93 billion relates to borrowings of the Department of Finance and Treasury Board, \$152.9 million to Housing Nova Scotia, \$8.0 million to Nova Scotia Municipal Finance Corporation, and \$2.0 million to Waterfront Development Corporation Limited.

Over the past five years, unmatured debt increased \$0.22 billion from \$12.87 billion in 2013 to \$13.09 billion in 2017.

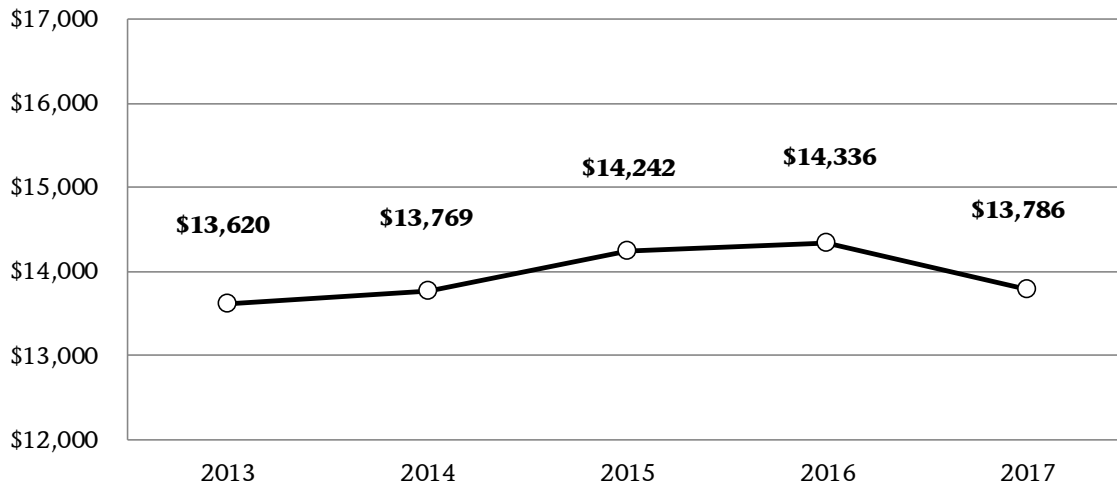
Unmatured Debt - 5 Year Trend



Unmatured Debt per Capita

Unmatured debt decreased \$550 per capita from \$14,336 in 2016 to \$13,786 in 2017. Over the past five years, unmatured debt per capita increased \$166 from \$13,620 in 2013 to \$13,786 in 2017.

Unmatured Debt per Capita - 5 Year Trend





NOVA SCOTIA

Credit Ratings

The Province of Nova Scotia’s credit ratings were confirmed by all three major credit rating agencies during 2017 with no changes from the previous year. The Province’s credit ratings are “A (high)” with a stable outlook from Dominion Bond Rating Service (DBRS), “A+” with a stable outlook from Standard and Poor’s (S&P), and “Aa2” with a stable outlook from Moody’s Investor Services Inc. (Moody’s). The following table summarizes these Nova Scotia ratings relative to its provincial peers. Note that (neg) refers to a negative outlook and (pos) refers to a positive outlook, indicating the rating agency may change the respective province’s credit rating over the next year.

Canadian Provincial Credit Ratings (as at July 21, 2017)

| Province | Moody’s Investor Services Inc. | Standard and Poor’s | Dominion Bond Rating Service |
|---------------------------|---------------------------------------|----------------------------|-------------------------------------|
| Nova Scotia | Aa2 | A+ | A (high) |
| New Brunswick | Aa2 | A+ | A (high) |
| Newfoundland and Labrador | Aa3 (neg) | A | A (low) |
| Prince Edward Island | Aa2 | A | A (low) |
| Quebec | Aa2 | AA- | A (high) |
| Ontario | Aa2 | A+ | AA (low) |
| Manitoba | Aa2 | A+ | A (high) |
| Saskatchewan | Aaa | AA | AA |
| Alberta | Aa1 (neg) | A+ | AA (high) (neg) |
| British Columbia | Aaa | AAA | AA (high) |
| Canada | Aaa | AAA | AAA |

Capital Markets Issuance Initiatives

The Province borrows funds in capital markets on an ongoing basis to refinance maturing debt, fund the budgetary deficit/surplus, lend monies to crown corporations, and acquire tangible capital assets. In broad terms, budgetary deficits act to increase the annual borrowing requirements, while surpluses serve to reduce the Province's borrowing needs. The relationship is not exact as there may be a number of cash flow timing differences.

The Province maintains the ability to borrow funds for future requirements should financial market conditions be favourable to do so, or may postpone borrowing in term debt markets if financial market conditions are unfavourable. The Province maintains discretionary sinking funds in the form of a pool of liquid assets to assist in the refinancing of maturing debt. Pre-borrowing for future years may add to the level of these funds, which can only be used to repay debt.

In 2017, the Province borrowed \$750.0 million in long-term debt through the General Revenue Fund as market conditions and opportunities continued to be favourable. These borrowings were completed by way of a 10-year domestic public issue for \$650.0 million and a Canadian Overnight Repo Rate Average (CORRA) floating interest rate note for \$100.0 million. The Province’s borrowing needs in 2017 were lower than prior year due to the budgetary surplus. The Department of Finance and Treasury Board made lower net capital advances to crown corporations than anticipated in the estimates, and crown corporations made net loan repayments to the General Revenue Fund. The Province did not pre-borrow for future years in 2017. The Province maintains access to a diversity of borrowing sources, both domestic and international. This access is a key factor in maintaining a broad demand for Nova Scotia debt issues and achieving lower borrowing costs.

Financial Risk Management

In order to fully access global capital markets, the Province maintains the ability to borrow in currencies other than the Canadian dollar.

Foreign Currency Risk

There were no foreign currency borrowings during the 2017 fiscal year (2016 – \$nil). The Province has mitigated its exposure to foreign currency debt through the use of derivatives and by the accumulation of US dollar-denominated assets held in sinking funds to offset outstanding US dollar issues. As at March 31, 2017, the Province's debt continued to have no exposure to foreign currency fluctuations. This position did not change in comparison to March 31, 2016.

The Province's sinking funds held no assets in US dollars as at March 31, 2017 (2016 – \$nil), other than the Province's own US dollar-denominated bonds. These funds were therefore not subject to net foreign exchange fluctuations.

Public Sector Accounting Standards require that all financial amounts in the financial statements be presented in Canadian dollars. Conversion of unhedged foreign currency amounts outstanding is calculated annually at March 31. This conversion results in a foreign currency gain or loss from year-to-year as the currency exchange rates fluctuate. As described in Note 1(d) on page 78, the foreign exchange gains and losses on long-term financial items are amortized over the remaining life of the related items. At year-end, total unamortized foreign exchange gains and losses were in a net gain position of \$47.8 million, which is included in Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts on the Province's Consolidated Statement of Financial Position on page 71 of this publication.

Interest Rate Risk

As a net debtor in financial markets, the Province is exposed to the risks posed by movements in interest rates. The Province is exposed to interest rate risk as maturing debenture issues are refinanced at current market rates. Some exposure to fluctuating short-term rates is maintained in the debt portfolio to lower expected debt servicing costs. The Province has policies in place that set exposure limits on interest rate risk. Control is maintained over this exposure through the active management by the Province of its gross debt and sinking fund asset portfolios.

The debt portfolio's exposure to floating interest rates decreased to 8.5 per cent for the fiscal year ended March 31, 2017, down from 13.5 per cent a year earlier. The Province is able to exercise control of this variable in the portfolio by maintaining access to both floating and fixed interest rate instruments in capital markets and through the use of derivatives. With 91.5 per cent of the total principal in fixed interest rate form (2016 – 86.5 per cent), there is expected to be a significant degree of stability in debt servicing costs in coming years. At March 31, 2017, the average term to maturity of the gross debt portfolio stood at 13.8 years, down 0.4 years from a year earlier due to the shorter-than-average-dated issuances during the fiscal year.



Non-Financial Assets

Non-financial assets are a component of the Province’s financial position and are assets to be used during the provision of services in the future. Non-financial assets consist primarily of tangible capital assets but also include inventories of supplies and prepaid expenses.

Total non-financial assets increased by \$28.4 million to \$5.84 billion at year-end. Over the past five years, total non-financial assets increased from \$5.47 billion at the end of 2013 to \$5.84 billion at the end of 2017, largely in the form of net investments in tangible capital assets.

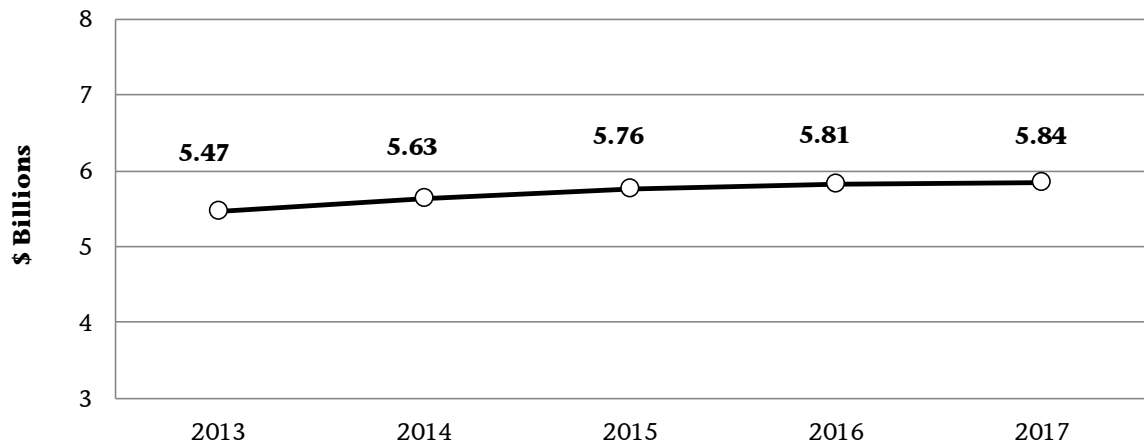
Further details on consolidated tangible capital assets can be found on the next two pages as well as in Schedule 7 of the Public Accounts on pages 109 and 110 of this publication. Additional details on tangible capital assets of the General Revenue Fund are provided on pages 50 and 51 of this publication.

Non-Financial Assets

(\$ thousands)

| | Actual 2017 | % of Total | Actual 2016 | % of Total | Variance Increase (Decrease) |
|-----------------------------------|------------------------|-----------------------|------------------------|-----------------------|---|
| Tangible Capital Assets | 5,754,331 | 98.5% | 5,724,134 | 98.5% | 30,197 |
| Inventories of Supplies | 72,634 | 1.2% | 70,504 | 1.2% | 2,130 |
| Prepaid Expenses | 14,813 | 0.3% | 18,710 | 0.3% | (3,897) |
| Total Non-Financial Assets | 5,841,778 | 100.0% | 5,813,348 | 100.0% | 28,430 |

Non-Financial Assets - 5 Year Trend



Financial Highlights of the Consolidated Financial Statements

Tangible Capital Assets

The net book value (acquisition cost less accumulated amortization) of tangible capital assets (TCA) is a significant asset to the Province, totaling \$5.75 billion at the end of 2017, an increase of \$30.2 million from the end of the previous fiscal year. The Buildings and Land Improvements asset class includes all of the provincially owned buildings, schools, and hospitals, as well as the leased schools and correctional forensic facility.

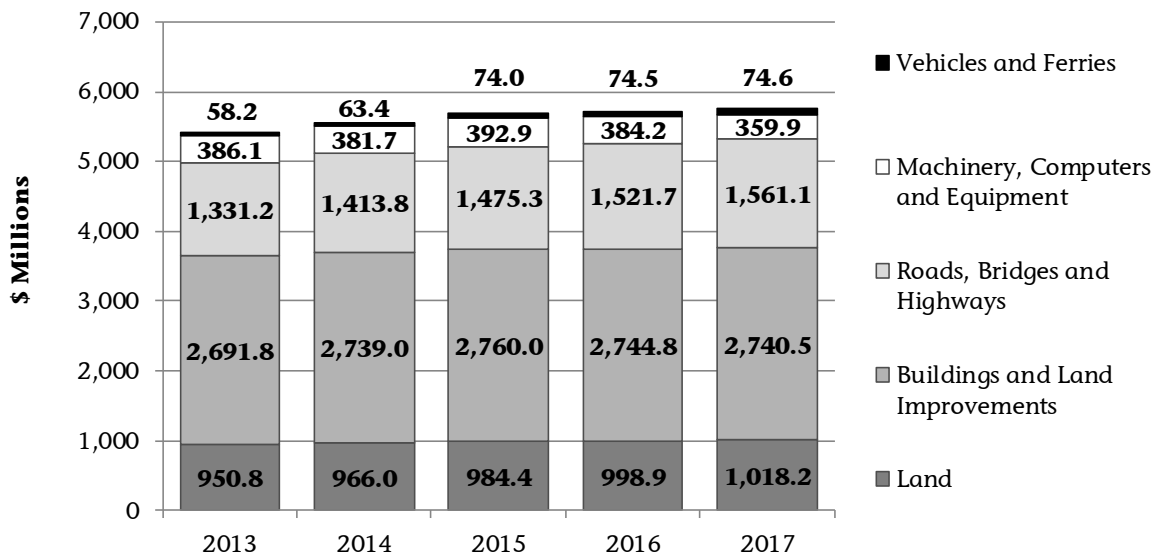
The chart below summarizes the Province's TCA portfolio by major asset class and shows the differences in each class compared to the prior year. The percentage of each asset class in comparison to the annual total is also shown.

Tangible Capital Assets (Net Book Value)

(\$ thousands)

| | Actual 2017 | % of Total | Actual 2016 | % of Total | Variance Increase (Decrease) |
|---------------------------------------|------------------|---------------|------------------|---------------|------------------------------------|
| Land | 1,018,170 | 17.7% | 998,921 | 17.5% | 19,249 |
| Buildings and Land Improvements | 2,740,538 | 47.6% | 2,744,775 | 47.9% | (4,237) |
| Roads, Bridges and Highways | 1,561,092 | 27.1% | 1,521,701 | 26.6% | 39,391 |
| Machinery, Computers and Equipment | 359,873 | 6.3% | 384,261 | 6.7% | (24,388) |
| Vehicles and Ferries | 74,658 | 1.3% | 74,476 | 1.3% | 182 |
| Total Tangible Capital Assets | 5,754,331 | 100.0% | 5,724,134 | 100.0% | 30,197 |

Tangible Capital Assets - 5 Year Trend



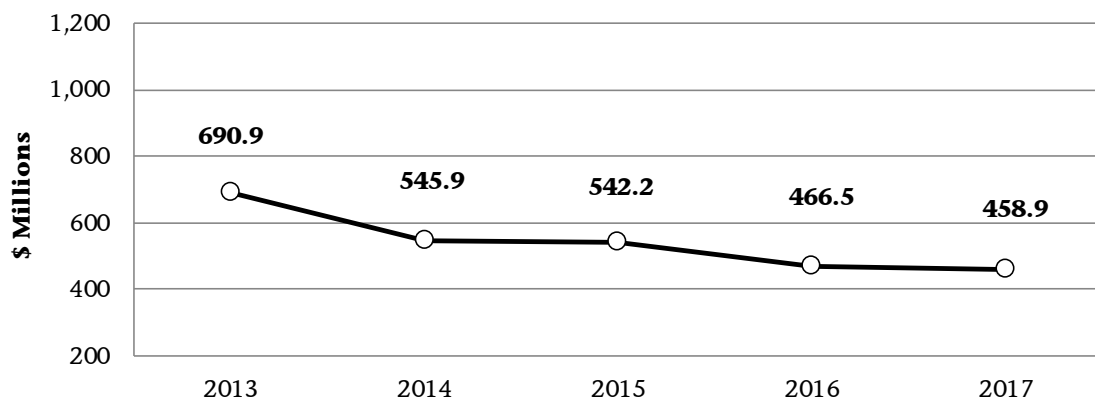


Acquisition of Tangible Capital Assets

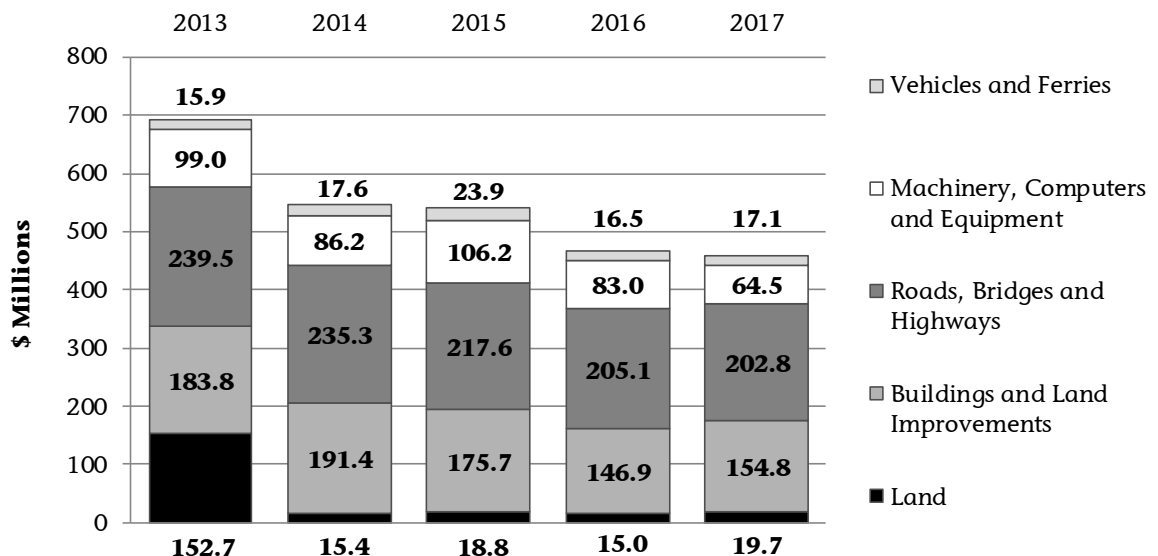
Acquisitions and transfers of tangible capital assets (TCA) totaled \$458.9 million in 2017, which was \$7.6 million less than the prior year and \$186.1 million less than estimate. The variance from estimate is primarily due to the Halifax Convention Centre not being complete by March 31, 2017, as originally expected. Additions to buildings and land improvements totaled \$154.8 million (2016 – \$146.9 million), of which \$108.7 million related to the construction and improvement of buildings in the General Revenue Fund, \$40.5 million related to the Health Authorities, \$3.1 million related to social housing, and \$2.5 million related to net transfers and other additions made by the other governmental units.

New land totaling \$19.7 million (2016 – \$15.0 million) was acquired during the year, and additions to roads, bridges and highways totaled \$202.8 million (2016 – \$205.1 million). Additions to machinery, computers and equipment were \$64.5 million (2016 – \$83.0 million), of which \$37.1 million was attributable to the General Revenue Fund, \$22.4 million to the Health Authorities, and \$4.9 million to other governmental units. Over the past five years, TCA acquisitions ranged from \$458.9 million in 2017 to \$690.9 million in 2013.

TCA Acquisitions at Gross Cost - 5 Year Trend



TCA Acquisitions by Asset Class - 5 Year Trend

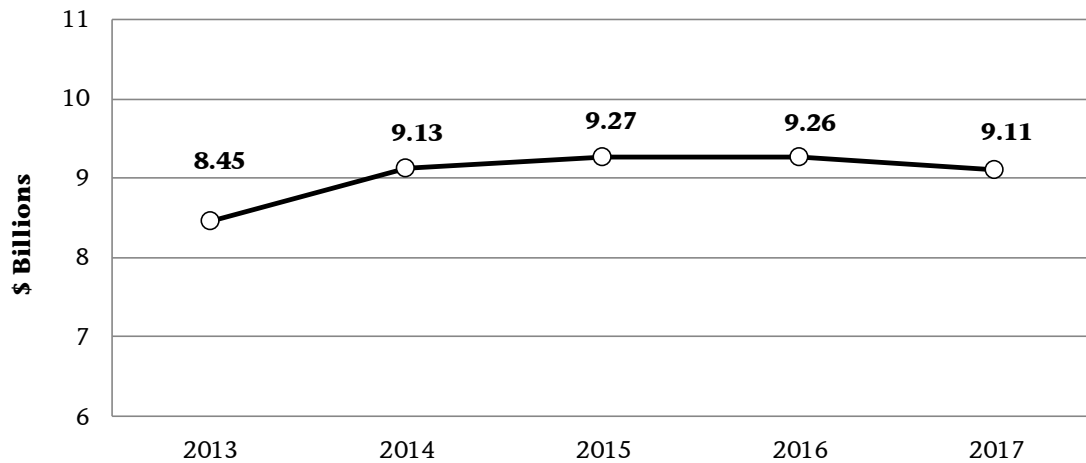


Accumulated Deficits

Accumulated deficits represent the difference between the Province's liabilities and both financial and non-financial assets. Further, they are the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. Accumulated deficits are a secondary measure of the Province's financial position.

The accumulated deficits were \$9.11 billion at year-end, \$149.6 million lower compared to 2016 as a result of the current year's surplus. The Province reported accumulated deficits in the past five years as follows:

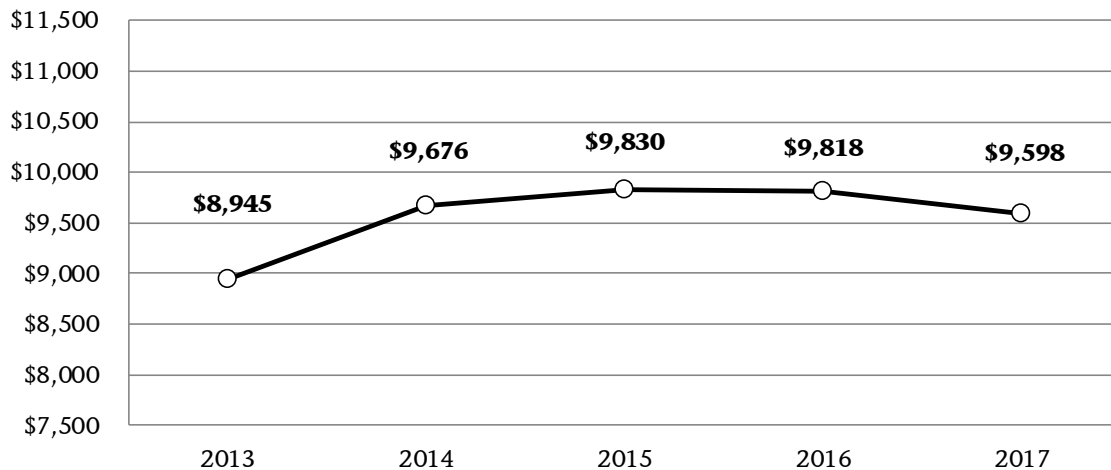
Accumulated Deficits - 5 Year Trend



Accumulated Deficits per Capita

Accumulated deficits decreased \$220 on a per capita basis from \$9,818 in 2016 to \$9,598 in 2017. Since 2013, accumulated deficits per capita have increased overall by \$653.

Accumulated Deficits per Capita - 5 Year Trend

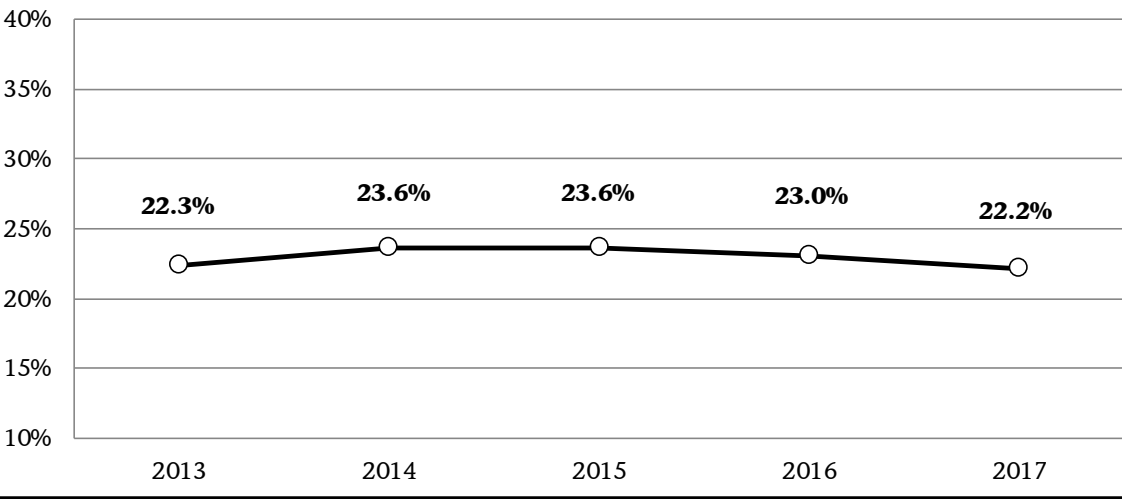




Accumulated Deficits to Gross Domestic Product

Accumulated deficits expressed as a percentage of GDP decreased 0.8 percentage points from 23.0 per cent in 2016 to 22.2 per cent in 2017 mainly due to the current year’s surplus and the slight growth in GDP from the prior year. Over the past five years, accumulated deficits to GDP ranged from a low of 22.2 per cent in 2017 to a high of 23.6 per cent in 2014 and 2015. The overall decrease in this ratio was 0.1 of a percentage point since 2013.

Accumulated Deficits to GDP - 5 Year Trend



Financial Highlights of the Consolidated Financial Statements

Cash Flows

The Province records its transactions on an accrual basis in accordance with Canadian public sector accounting standards, the timing of which may vary from when actual cash is paid or received. The Consolidated Statement of Cash Flow (Statement 4) on page 74 of this publication summarizes the increases and decreases in the Province's cash flows in terms of the sources and uses of cash identified within the following activities: operating, investing, capital, and financing.

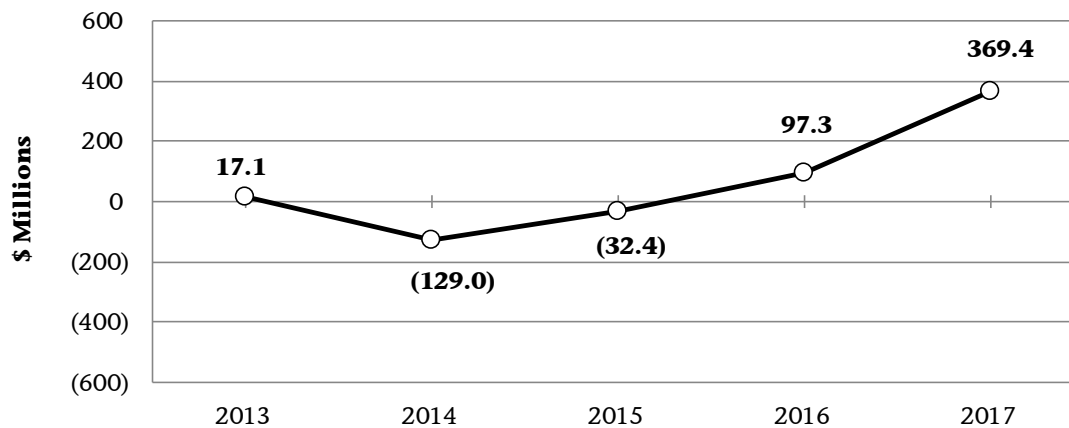
During 2017, the Province's cash position increased by \$369.4 million. Net cash inflows of \$1,205.0 million were generated from operating activities, \$675.0 million from the issuance of debentures, and \$358.2 million from the repayment of loans receivable. Cash outflows were used to purchase \$458.9 million in TCA, repay debt obligations of \$1,010.3 million, \$397.7 million to finance loans and investments, and \$1.9 million in other net cash outflows.

Cash Flows by Activity

(\$ thousands)

| | Actual 2017 | Actual 2016 | Variance Increase (Decrease) |
|--------------------|----------------|----------------|------------------------------------|
| Operating | 1,204,998 | 405,714 | 799,284 |
| Investing | 276 | 3,789 | (3,513) |
| Capital | (453,452) | (458,530) | 5,078 |
| Financing | (382,432) | 146,306 | (528,738) |
| Net Inflows | 369,390 | 97,279 | 272,111 |

Net Cash Flows - 5 Year Trend



Risk

The Province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets. Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 1(e) of the consolidated financial statements on page 79 of this publication. Financial risks, including foreign currency risk and interest rate risk, were discussed on page 27, as well as in Note 11 of the Public Accounts on page 91.



Presentation of Estimates

The annual budget, referred to as “the Estimates,” represents the financial plan of the Province of Nova Scotia in a format that facilitates departmental management of the revenue and expense transactions of the General Revenue Fund, as well as the debate and appropriations process thereon in the House of Assembly.

In order to present comparative Estimates on the Consolidated Statement of Operations and Accumulated Deficits, as well as in the preceding pages of variance analyses, the original Estimates have been adjusted on a line-by-line basis for consolidation purposes. The table on the subsequent page illustrates how the Consolidation and Accounting Adjustments for Government Units from the original Estimates are reallocated to gross up the related revenue and expense lines for presentation on the Consolidated Statement of Operations and Accumulated Deficits.

When consolidating the government controlled entities into these financial statements, the Province adjusts the entities’ accounting policies to conform with its own so the amounts can be added together on a consistent basis. Also, significant inter-entity transactions are eliminated. For example, grant expenses recorded in departmental expenses are eliminated with the corresponding grant revenue in the related entity. This transfer between the two related entities does not increase or decrease the net financial position of the Province on a consolidated basis. After eliminations, the remaining revenues and expenses represent transactions with external parties not controlled by the Province. Only transactions with these outside parties represent the increase and decrease in the Province’s financial position.

Financial Highlights of the Consolidated Financial Statements

Reconciliation of Estimates

Adjusted Estimates of the Consolidated Financial Statements

For the year ended March 31, 2017

(\$ thousands)

| | Estimate 2017 | Adjustments | Adjusted Estimate 2017 |
|---|------------------|-------------|------------------------------|
| Revenue | | | |
| Provincial Sources | | | |
| Tax Revenue | 5,610,312 | — | 5,610,312 |
| Other Provincial Revenue | 732,083 | 754,083 | 1,486,166 |
| Net Income from Government Business Enterprises | 382,228 | — | 382,228 |
| Investment Income | 175,261 | 6,856 | 182,117 |
| | 6,899,884 | 760,939 | 7,660,823 |
| Federal Sources | 3,364,368 | 140,738 | 3,505,106 |
| Total Revenue | 10,264,252 | 901,677 | 11,165,929 |
| Expenses | | | |
| Departmental Expenses | | | |
| Agriculture | 60,217 | 3,960 | 64,177 |
| Business | 137,450 | 16,714 | 154,164 |
| Communities, Culture and Heritage | 81,689 | 2,339 | 84,028 |
| Community Services | 929,957 | 127,895 | 1,057,852 |
| Education and Early Childhood Development | 1,279,532 | 328,044 | 1,607,576 |
| Energy | 29,597 | 1,130 | 30,727 |
| Environment | 36,800 | 49,257 | 86,057 |
| Finance and Treasury Board | 22,782 | — | 22,782 |
| Fisheries and Aquaculture | 12,464 | 301 | 12,765 |
| Health and Wellness | 4,132,209 | 274,078 | 4,406,287 |
| Internal Services | 185,447 | — | 185,447 |
| Justice | 330,388 | 783 | 331,171 |
| Labour and Advanced Education | 364,271 | 54,438 | 418,709 |
| Assistance to Universities | 380,605 | — | 380,605 |
| Municipal Affairs | 184,383 | 7,406 | 191,789 |
| Natural Resources | 76,487 | 5,374 | 81,861 |
| Public Service | 205,869 | 2,432 | 208,301 |
| Seniors | 1,598 | — | 1,598 |
| Transportation and Infrastructure Renewal | 460,766 | 2,554 | 463,320 |
| Restructuring Costs | 187,538 | — | 187,538 |
| | 9,100,049 | 876,705 | 9,976,754 |
| Refundable Tax Credits | 137,602 | — | 137,602 |
| Pension Valuation Adjustment | 66,251 | — | 66,251 |
| Debt Servicing Costs | 841,712 | 16,199 | 857,911 |
| Total Expenses | 10,145,614 | 892,904 | 11,038,518 |
| | 118,638 | 8,773 | 127,411 |
| Consolidation and Accounting Adjustments | | | |
| General Revenue Fund Consolidation Adjustments | 12,553 | (12,553) | — |
| Special Purpose Funds | 81 | (81) | — |
| Other Organizations | (3,861) | 3,861 | — |
| Total Adjustments | 8,773 | (8,773) | — |
| Provincial Surplus | 127,411 | — | 127,411 |

Selected Highlights of the General Revenue Fund

Selected Highlights of the General Revenue Fund

(\$ thousands)

| | Estimate 2017 | Actual 2017 | Actual 2016 |
|--|-------------------|-------------------|----------------------|
| General Revenue Fund * | | | <i>(as restated)</i> |
| Revenues | | | |
| Ordinary Revenue | 9,329,495 | 9,185,477 | 8,976,199 |
| Ordinary Recoveries | 552,529 | 627,939 | 570,230 |
| Net Income from Government Business Enterprises | 382,228 | 394,591 | 387,757 |
| | <u>10,264,252</u> | <u>10,208,007</u> | <u>9,934,186</u> |
| Expenses | | | |
| Departmental Expenses | 9,100,049 | 9,111,597 | 8,829,007 |
| Refundable Tax Credits | 137,602 | 133,738 | 120,644 |
| Pension Valuation Adjustment | 66,251 | 17,191 | 140,582 |
| Debt Servicing Costs | 841,712 | 823,759 | 853,956 |
| | <u>10,145,614</u> | <u>10,086,285</u> | <u>9,944,189</u> |
| | 118,638 | 121,722 | (10,003) |
| Consolidation and Accounting Adjustments for Government Units | | | |
| General Revenue Fund | | | |
| Consolidation Adjustments | 12,553 | 10,907 | 10,356 |
| Special Purpose Funds | 81 | 2,106 | 891 |
| Other Organizations | (3,861) | 14,829 | (14,445) |
| | <u>8,773</u> | <u>27,842</u> | <u>(3,198)</u> |
| Provincial Surplus (Deficit) | <u>127,411</u> | <u>149,564</u> | <u>(13,201)</u> |

* The General Revenue Fund (GRF) is comprised of the Province's departments, public service units and special operating agencies only. The GRF excludes the governmental units and government business enterprises owned or controlled by the Province, as well as the Province's share of government partnership arrangements.



NOVA SCOTIA

Public Accounts Volume 1 – Consolidated Financial Statements

General Revenue Fund – Revenue

In total, revenue of the General Revenue Fund for the fiscal year ending March 31, 2017 was \$56.2 million or 0.5 per cent lower than estimate and \$273.8 million or 2.8 per cent higher than the prior year. The table below shows the current year estimate, current and prior year actual revenue, and current year variances compared to estimate and prior year. The analysis that follows this table includes explanations, by source, for the more significant variances.

| Revenue | | | | | |
|--|-------------------|-------------------|------------------|-------------------|-------------------|
| <i>(\$ thousands)</i> | | | | | |
| | Estimate | Actual | Actual | Actual vs | Actual vs |
| | 2017 | 2017 | 2016 | Estimate | Actual |
| | | | | Increase | Increase |
| | | | | (Decrease) | (Decrease) |
| Provincial Sources | | | | | |
| Tax Revenue | | | | | |
| Personal Income Tax | 2,671,599 | 2,636,616 | 2,562,544 | (34,983) | 74,072 |
| Corporate Income Tax | 466,644 | 513,038 | 461,661 | 46,394 | 51,377 |
| Harmonized Sales Tax | 1,814,007 | 1,778,545 | 1,760,221 | (35,462) | 18,324 |
| Tobacco Tax | 227,252 | 222,234 | 217,009 | (5,018) | 5,225 |
| Motive Fuel Tax | 271,718 | 258,501 | 254,011 | (13,217) | 4,490 |
| Other Tax Revenue | 159,092 | 165,337 | 164,760 | 6,245 | 577 |
| Other Provincial Revenue | | | | | |
| Registry of Motor Vehicles | 127,534 | 133,077 | 130,317 | 5,543 | 2,760 |
| Petroleum Royalties | 10,508 | 9,870 | 14,068 | (638) | (4,198) |
| Other Provincial Sources | 138,689 | 133,835 | 144,105 | (4,854) | (10,270) |
| TCA Cost Shared Revenue | 59,900 | 2,653 | 2,080 | (57,247) | 573 |
| Prior Years' Adjustments | – | (5,803) | (68,403) | (5,803) | 62,600 |
| Other Fees and Charges | 61,978 | 62,511 | 61,626 | 533 | 885 |
| Ordinary Recoveries | 332,074 | 363,797 | 354,699 | 31,723 | 9,098 |
| Gain (Loss) on Disposal of Crown Assets | 1,400 | 5,804 | (273) | 4,404 | 6,077 |
| Net Income from Government | | | | | |
| Business Enterprises | 382,228 | 394,591 | 387,757 | 12,363 | 6,834 |
| Investment Income | | | | | |
| Interest Revenue | 83,601 | 88,621 | 89,549 | 5,020 | (928) |
| Sinking Fund Earnings | 91,660 | 90,475 | 95,982 | (1,185) | (5,507) |
| Total Provincial Sources | 6,899,884 | 6,853,702 | 6,631,713 | (46,182) | 221,989 |
| Federal Sources | | | | | |
| Equalization Payments | 1,738,321 | 1,732,893 | 1,777,759 | (5,428) | (44,866) |
| Canada Health Transfer | 942,770 | 944,419 | 895,694 | 1,649 | 48,725 |
| Canada Social Transfer | 348,901 | 349,511 | 341,134 | 610 | 8,377 |
| Crown Share | 1,427 | 2,176 | (2,716) | 749 | 4,892 |
| Offshore Accord | 33,255 | 33,255 | 36,779 | – | (3,524) |
| Other Federal Sources | 6,115 | 2,328 | 2,083 | (3,787) | 245 |
| TCA Cost Shared Revenue | 73,124 | 24,337 | 32,410 | (48,787) | (8,073) |
| Ordinary Recoveries | 220,455 | 264,142 | 215,531 | 43,687 | 48,611 |
| Prior Years' Adjustments | – | 1,244 | 3,799 | 1,244 | (2,555) |
| Total Federal Sources | 3,364,368 | 3,354,305 | 3,302,473 | (10,063) | 51,832 |
| Total Revenue | 10,264,252 | 10,208,007 | 9,934,186 | (56,245) | 273,821 |

General Revenue Fund – Revenue Variance Analysis

Personal Income Tax

Personal Income Tax (PIT) revenue was \$35.0 million or 1.3 per cent lower than estimate due to both lower taxable income and projected yield rates. Taxable income was 0.6 per cent lower for 2016 and 0.4 per cent lower for 2017 while the yield rate was 0.065 percentage points or 0.7 per cent lower in 2016 and 0.055 percentage points or 0.6 per cent lower in 2017. The decline in taxable income was largely attributable to lower growth in compensation of employees, which is now 1.7 per cent for 2016 compared to the initial estimate of 2.5 per cent.

PIT revenue was \$74.1 million or 2.9 per cent higher than the prior year.

Corporate Income Tax

Corporate Income Tax (CIT) revenue was \$46.4 million or 9.9 per cent higher than estimate because the Province's share of national taxable income was higher and its small business share was lower. Provincial taxable income was 3.9 per cent higher in 2016 and 1.5 per cent higher in 2017 due to an increase in the share of national corporate taxable income. The small business share of taxable income fell, but a greater portion of taxable income was subject to the higher general tax rate of 16 per cent. National corporate taxable income declined in both 2016 and 2017 based on federal estimates; however, the growth in the Province's share more than offset this decline.

CIT revenue was \$51.4 million or 11.1 per cent higher than the prior year.

Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was \$35.5 million or 2.0 per cent lower than estimate due to lower taxable expenditures overall. The tax base was \$500 million lower in 2016 and \$420 million lower in 2017. The primary reason was lower levels of residential housing investment, which were 7.2 per cent lower in 2016 and 3.0 per cent lower in 2017. Tax revenue reductions due to the lower tax base were partially offset by lower HST rebates. The Public Sector Body rebates were \$3.6 million lower than estimate while The Your Energy Rebate was \$7.9 million lower than estimate.

HST revenue was \$18.3 or 1.0 per cent higher than the prior year.

Tobacco Tax

Tobacco Tax revenue was \$5.0 million or 2.2 per cent lower than estimate. Consumption of cigarettes was 0.3 per cent higher and fine cut tobacco was 4.3 per cent higher than estimate despite prices being 0.7 per cent greater. The revenue increase attributable to slight increases in tobacco consumption was more than offset by reductions due to refunds, audit assessments, interest, penalties, and year-end adjustments.

Tobacco Tax revenue was \$5.2 million or 2.4 per cent higher than the prior year.

Motive Fuel Tax

Motive Fuel Tax revenue was \$13.2 million or 4.9 per cent lower than estimate. Consumption of gasoline and diesel oil were both lower by 3.4 per cent and 4.2 per cent, respectively. Compared to initial estimates, the price for gasoline was 16.1 per cent higher and diesel oil was 13.5 per cent higher.

Motive Fuel Tax revenue was \$4.5 million or 1.8 per cent higher than the prior year.



Petroleum Royalties

Petroleum Royalties were \$0.6 million or 6.1 per cent lower than estimate based upon marginally lower than expected natural gas prices and production levels.

Petroleum Royalties were \$4.2 million or 29.8 per cent lower than the prior year.

TCA Cost Shared Revenue — Provincial Sources

TCA Cost Shared Revenue from Provincial Sources was \$57.2 million or 95.6 per cent lower than estimate. Due to a change in the timing of substantial completion of the new convention centre in Halifax, TCA Cost Shared Revenue of \$58.9 million from provincial sources, specifically Halifax Regional Municipality, will be recognized in 2018.

TCA Cost Shared Revenue from Provincial Sources was \$0.6 million or 27.5 per cent higher than the prior year.

Prior Years’ Adjustments — Provincial Sources

Prior Years’ Adjustments (PYAs) from Provincial Sources were a negative \$5.8 million reflecting updates to the Province’s economic forecast and federal government information on forecasted tax yields of PIT and CIT, revisions to HST forecasts for open years, and revenue forecast updates to large corporations’ tax and offshore petroleum royalties.

Since specific revenues are calculated using model-based estimates, PYAs are not budgeted. As actual or more current information becomes available for prior years, PYAs are recorded in the current year. The provincial PYA revenues were attributable to: \$97.3 million for CIT, \$1.3 million for Large Corporations Tax, and \$5.0 million for miscellaneous other sources. There were negative PYAs of -\$19.7 million for PIT, -\$81.6 million for HST, and -\$8.1 million for offshore petroleum royalties. The current year revenues and corresponding PYAs are reported on Schedule 1 of the Public Accounts on page 94 as follows:

| (\$ thousands) | 2017 | | | 2016 | | |
|--------------------------|-----------|----------------|-----------|-----------|-----------------|-----------|
| | Current | PYA | Total | Current | PYA | Total |
| Personal Income Tax | 2,636,616 | (19,738) | 2,616,878 | 2,562,544 | 85,613 | 2,648,157 |
| Corporate Income Tax | 513,038 | 97,269 | 610,307 | 461,661 | (63,552) | 398,109 |
| Harmonized Sales Tax | 1,778,545 | (81,644) | 1,696,901 | 1,760,221 | 9,859 | 1,770,080 |
| Petroleum Royalties | 9,870 | (8,071) | 1,799 | 14,068 | (105,820) | (91,752) |
| Miscellaneous * | — | 5,032 | 5,032 | — | 6,354 | 6,354 |
| Large Corporations Tax * | — | 1,349 | 1,349 | — | (857) | (857) |
| | | <u>(5,803)</u> | | | <u>(68,403)</u> | |

* Included in Other Tax Revenue on Schedule 1 of the Consolidated Financial Statements

Ordinary Recoveries – Provincial Sources

Ordinary Recoveries from Provincial Sources were \$31.7 million or 9.6 per cent higher than estimate mainly due to the receipt of unbudgeted prior year recoveries of \$10.5 million from various initiatives. Department of Health and Wellness recoveries were \$8.6 million higher than estimate due to physician reciprocal billings, Auto Levy charges, and insurance recoveries from other provinces for treatment of out-of-province patients. Department of Internal Services recoveries were \$4.2 million higher than estimate due to insurance claims for the Nova Scotia Housing Authorities, and increased SAP and information technology recoverable work. Other recoveries amounted to a net increase of \$8.4 million across remaining departments.

Ordinary Recoveries from Provincial Sources were \$9.1 million or 2.6 per cent higher than the prior year mainly due to slight increases in various departments, including \$4.9 million in the Department of Health and Wellness and \$3.2 million in the Department of Labour and Advanced Education.

Net Income from Government Business Enterprises

Net Income from Government Business Enterprises (GBEs) was \$12.4 million or 3.2 per cent higher than estimate primarily due to favourable variances in the sales of Nova Scotia Liquor Corporation (NSLC). Net income of NSLC was \$5.2 million higher than estimate mainly due to higher than planned gross margins of \$3.7 million and reduced expenses of \$1.5 million. Net income of NSPLCC was \$3.1 million higher than estimate mainly due to lower depreciation expense partially offset by lower revenue. Halifax-Dartmouth Bridge Commission (HDBC) and Highway 104 Western Alignment Corporation (H104) combined for a total of \$4.1 million higher than estimate mainly due to increased traffic volumes.

Net income from GBEs was \$6.8 million or 1.8 per cent higher than the prior year primarily due to a \$6.0 million decrease in H104 depreciation expense as a result of an extension to the useful lives of its capital assets. Net income of the other GBEs combined was \$0.8 million higher than the prior year.

Interest Revenue

Interest Revenue was \$5.0 million or 6.0 per cent higher than estimate mainly due to higher revenues of \$2.7 million from the Nova Scotia Jobs Fund, \$1.1 million from the student loans direct-lending program, and a net increase of \$1.2 million from other on-lending activities and interest earned on the proceeds from debt issuances prior to when they were required.

Interest Revenue was \$1.0 million or 1.0 per cent lower than the prior year.

Sinking Fund Earnings

Sinking Fund Earnings were \$1.2 million or 1.3 per cent lower than estimate due to lower short-term interest rates applicable to the floating interest rate notes held in the sinking funds portfolio.

Sinking Fund Earnings were \$5.5 million or 5.7 per cent lower than the prior year.



Equalization Payments

Equalization payments were \$5.4 million or 0.3 per cent lower than estimate. Equalization is based upon the Province's election to receive payments calculated according to the Expert Panel approach. This is a one-estimate, one-payment approach. The Province receives a cumulative best-of guarantee (CBOG) payment pursuant to the clarification reached with the federal government in October 2007. The CBOG payment was \$5.4 million or 33.9 per cent lower than estimate due to the entitlement from the Expert Panel formula growing faster in 2016-17 relative to the Interim Approach formula.

Equalization payments were \$44.9 million or 2.5 per cent lower than the prior year.

Canada Health Transfer

Canada Health Transfer (CHT) revenue was \$1.6 million or 0.2 per cent higher than estimate. This was based on revised federal estimates of the Province's share of the national population released by the federal government in the fall of 2016.

CHT revenue was \$48.7 million or 5.4 per cent higher than the prior year.

Canada Social Transfer

Canada Social Transfer (CST) revenue was \$0.6 million or 0.2 per cent higher than estimate. This was based on revised federal estimates of the Province's share of the national population released by the federal government in the fall of 2016.

CST revenues were \$8.4 million or 2.5 per cent higher than the prior year.

Crown Share

Crown Share Adjustment Payments were \$0.7 million or 52.5 per cent higher than estimate as a result of positive prior year adjustments of \$1.4 million, offset by an in-year decrease due to lower than projected profitability.

Crown Share Adjustment Payments were \$4.9 million or 180.1 per cent higher than the prior year.

Offshore Accord

Offshore Accord Payments are also based upon a one-estimate, one-payment approach and as a result, the final payment is equal to the estimate.

Offshore Accord Payments were \$3.5 million or 9.6 per cent lower than the prior year.

TCA Cost Shared Revenue — Federal Sources

TCA Cost Shared Revenue from Federal Sources was \$48.8 million or 66.7 per cent lower than estimate mainly due to a change in timing of substantial completion of the new convention centre in Halifax resulting in \$51.4 million of federal cost shared revenue not being recorded in 2017. Other sources of Federal TCA Cost Shared Revenue combined for a net increase of \$2.6 million over estimate.

TCA Cost Shared Revenue from Federal Sources was \$8.1 million or 24.9 per cent lower than the prior year due to reductions in funding from the Building Canada plan as projects start to wind down prior to the end of the funding program in March 2018.

Selected Highlights of the General Revenue Fund

Ordinary Recoveries — Federal Sources

Ordinary Recoveries from Federal Sources were \$43.7 million or 19.8 per cent higher than estimate primarily due to a \$16.6 million increase in Assistance to Universities for capital university projects approved as part of the Post-Secondary Strategic Investment Fund (SIF), increases in the Department of Municipal Affairs of \$12.1 million for disaster assistance payments, \$6.5 million for investments under the Clean Water and Waste Water Fund, and \$1.5 million under the Public Transit Infrastructure Fund, and increases in the Department of Labour and Advanced Education of \$7.0 million for Labour Market Programs and \$3.0 million for the Centre for Ocean Ventures and Entrepreneurship (COVE) through SIF. Other recoveries amounted to a net decrease of \$3.0 million relating to various other departments.

Ordinary Recoveries from Federal Sources were \$48.6 million or 22.6 per cent higher than the prior year primarily due to a \$16.6 million increase in Assistance to Universities for capital university projects approved as part of SIF, increases in the Department of Municipal Affairs of \$11.5 million for disaster assistance payments, \$6.5 million for investments under the Clean Water and Waste Water Fund, \$3.6 million under the New Building Canada Fund, \$1.5 million under the Public Transit Infrastructure Fund, and a \$2.7 million increase to the Federal Gas Tax Transfer, and increases in the Department of Labour and Advanced Education including \$7.0 million for Labour Market Programs and \$3.0 million for the COVE project through SIF. The remaining offsetting variance of \$3.8 million was attributable to various other departments including a \$3.3 million decrease in the Department of Health and Wellness for funding received from Canadian Partnerships Against Cancer that is now reported as part of the Nova Scotia Health Authority.

Prior Years' Adjustments — Federal Sources

Prior Years' Adjustments (PYAs) from Federal Sources were \$1.2 million reflecting additional revenues from revisions to federal population estimates of open years for the Canada Health Transfer (CHT) and Canada Social Transfer (CST) payments.

PYAs are not budgeted. As actual or more current information becomes available for prior years, PYAs are recorded in the current year. The federal PYA revenues were attributable to: \$1.1 million for CHT due to revised estimates for the open years 2013-14, 2014-15, and 2015-16, as well as a \$0.1 million adjustment for CST related to the open year 2015-16. The related current year federal revenues and PYAs are reported on Schedule 1 of the Public Accounts on page 94 as follows:

| <i>(\$ thousands)</i> | 2017 | | | 2016 | | |
|------------------------|----------------|--------------|--------------|----------------|--------------|--------------|
| | Current | PYA | Total | Current | PYA | Total |
| Canada Health Transfer | 944,419 | 1,120 | 945,539 | 895,694 | 3,899 | 899,593 |
| Canada Social Transfer | 349,511 | 124 | 349,635 | 341,134 | (100) | 341,034 |
| | | <u>1,244</u> | | | <u>3,799</u> | |



NOVA SCOTIA

General Revenue Fund – Departmental Expenses

Overall, departmental expenses of the General Revenue Fund for the fiscal year ended March 31, 2017 were \$11.5 million or 0.1 per cent higher than estimate and \$282.6 million or 3.2 percent higher than the prior year. The table below shows the current year estimate, current and prior year actual expenses, and current year variances compared to estimate and prior year. The analysis that follows this table includes explanations, by department, for the more significant variances.

| Departmental Expenses | | | | | |
|------------------------------------|------------------|------------------|------------------|-------------------|-------------------|
| <i>(\$ thousands)</i> | | | | | |
| | Estimate | Actual | Actual | Actual vs | Actual vs |
| | 2017 | 2017 | 2016 | Estimate | Actual |
| | | | | Increase | Increase |
| | | | | (Decrease) | (Decrease) |
| Agriculture | 60,217 | 65,135 | 60,929 | 4,918 | 4,206 |
| Business | 137,450 | 131,689 | 113,731 | (5,761) | 17,958 |
| Communities, Culture and Heritage | 81,689 | 97,925 | 77,657 | 16,236 | 20,268 |
| Community Services | 929,957 | 932,731 | 921,312 | 2,774 | 11,419 |
| Education and Early Childhood | | | | | |
| Development | 1,279,532 | 1,274,121 | 1,240,731 | (5,411) | 33,390 |
| Energy | 29,597 | 36,736 | 29,962 | 7,139 | 6,774 |
| Environment | 36,800 | 36,381 | 24,801 | (419) | 11,580 |
| Finance and Treasury Board | 22,782 | 26,911 | 20,728 | 4,129 | 6,183 |
| Fisheries and Aquaculture | 12,464 | 12,289 | 9,871 | (175) | 2,418 |
| Health and Wellness | 4,132,209 | 4,104,616 | 4,090,614 | (27,593) | 14,002 |
| Internal Services | 185,447 | 186,051 | 144,182 | 604 | 41,869 |
| Justice | 330,388 | 329,559 | 326,509 | (829) | 3,050 |
| Labour and Advanced Education | 364,271 | 381,635 | 358,158 | 17,364 | 23,477 |
| Assistance to Universities | 380,605 | 441,622 | 374,715 | 61,017 | 66,907 |
| Municipal Affairs | 184,383 | 198,435 | 158,800 | 14,052 | 39,635 |
| Natural Resources | 76,487 | 79,478 | 82,034 | 2,991 | (2,556) |
| Public Service | 205,869 | 198,838 | 191,235 | (7,031) | 7,603 |
| Seniors | 1,598 | 1,526 | 1,493 | (72) | 33 |
| Transportation and | | | | | |
| Infrastructure Renewal | 460,766 | 522,279 | 502,906 | 61,513 | 19,373 |
| Restructuring Costs | 187,538 | 53,640 | 98,639 | (133,898) | (44,999) |
| Total Departmental Expenses | 9,100,049 | 9,111,597 | 8,829,007 | 11,548 | 282,590 |

Request for final additional appropriations for year-end adjustments must be submitted to the Governor in Council no later than 15 days after the date of the tabling of these Public Accounts. These amounts are summarized by appropriation on pages 52 and 53.

The consolidation of departmental expenses with that of governmental units provides the total expenses for which government is accountable. The table above provides the expenses by department prior to consolidation for comparison to the budget and prior fiscal year, on the same basis as the Estimates, as approved by the Legislature in the annual *Appropriations Act*.

Departmental Expenses Compared To Estimate

Agriculture

Department of Agriculture expenses were \$4.9 million or 8.2 per cent higher than estimate mainly due to a \$4.8 million increase in the allowance for bad debts on loans issued by the Nova Scotia Farm Loan Board and Nova Scotia Fisheries and Aquaculture Loan Board.

Business

Department of Business expenses were \$5.8 million or 4.2 per cent lower than estimate mainly due to \$5.2 million related to the delayed opening of the Halifax Convention Centre, \$4.5 million from fewer than anticipated project approvals by the Invest Nova Scotia Board, \$3.6 million from a change in direction on planned spending for internet initiatives, \$1.9 million from a Canada Revenue Agency ruling on the treatment of HST for Tourism Nova Scotia, and \$1.4 million in operational and vacancy savings.

These lower than estimated amounts were partially offset by increased investments, including \$6.6 million to support innovation districts in our urban centres and encourage innovation and entrepreneurship in rural areas, \$1.2 million in increased costs for the Queen's Marque project due to changes in scope of work, \$0.8 million in renovations for COVE, and \$1.9 million to Nova Scotia Business Inc. for payroll rebates through its Strategic Investment Fund.

Communities, Culture and Heritage

Department of Communities, Culture and Heritage expenses were \$16.2 million or 19.9 per cent higher than estimate primarily due to investments of \$12.3 million in community infrastructure, contributions of \$2.0 million for Canada 150 Forward celebrations, increased expenses of \$0.5 million relating to recoveries, support for Regional Library Boards of \$0.5 million, and net contributions of \$0.9 million for cultural and community activities.

Community Services

Department of Community Services expenses were \$2.8 million or 0.3 per cent higher than estimate. The Disability Support Program was \$4.4 million over estimate primarily due to increased client care costs and utilization growth in the Flex program. The department also experienced salary overages of \$1.4 million reflecting, in large part, lower savings than projected from expected vacancies.

These overages were partially offset by lower than estimated spending of \$2.3 million in the Employment Support and Income Assistance program due to lower caseloads and lower than anticipated expenses in Employment Support Programs. Child, Youth and Family Support was \$0.7 million lower than estimate as a result of fewer children in care.

Education and Early Childhood Development

Department of Education and Early Childhood Development expenses were \$5.4 million or 0.4 per cent lower than estimate primarily due to a \$5.3 million decrease in action plan initiatives impacted by the Nova Scotia Teachers Union (NSTU) job action, \$1.7 million decrease in transition funding supplement to school boards, \$1.7 million in vacancy savings, and a \$1.3 million decrease in class cap funding.

These lower than estimated amounts were partially offset by increased costs of \$2.7 million for a NSTU long-term disability rate increase and \$2.1 million for health and dental premiums.



Energy

Department of Energy expenses were \$7.1 million or 24.1 per cent higher than estimate primarily due to \$7.5 million for energy efficiency programs for low income households.

Finance and Treasury Board

Department of Finance and Treasury Board expenses were \$4.1 million or 18.1 per cent higher than estimate mainly due to the recognition of a \$7.0 million provincial guarantee partially offset by \$2.9 million in temporary vacancy and operational related savings.

Health and Wellness

Department of Health and Wellness expenses were \$27.6 million or 0.7 per cent lower than estimate primarily due to \$15.7 million in lower capital grants and amortization as a result of project delays and changes in cash flow requirements, \$7.7 million in salaries and administrative reductions, a \$6.1 million decrease caused by delays in information technology projects, \$4.6 million in home care savings associated with lower than expected utilization, and net savings of \$8.0 million in various other program budgets.

These lower than estimated amounts were partially offset by \$8.8 million in additional funding to the Health Authorities for various health care services and an increase of \$5.7 million for Canadian Blood Services due to growing utilization.

Labour and Advanced Education

Department of Labour and Advanced Education expenses were \$17.4 million or 4.8 per cent higher than estimate primarily due to a \$10.0 million investment in the Centre for Employment Innovation, \$7.0 million related to federally funded Labour Market Programs, \$2.7 million for participation in the SIF for the COVE project, and \$2.5 million for the launch of the provincial cost-shared Apprenticeship Management System, fully recoverable from other jurisdictions.

These increases were partially offset by savings of \$2.6 million due to lower than anticipated uptake in the Workplace Innovation and Productivity Skills Incentive program and \$2.2 million in other operational and vacancy savings.

Assistance to Universities

Assistance to Universities expenses were \$61.0 million or 16.0 per cent higher than estimate mainly due to a \$25.0 million investment in the Nova Scotia Research Trust, a \$19.7 million contribution towards specified university capital projects approved as part of SIF, of which \$16.6 million was recoverable from the federal government, a \$4.5 million investment in the Ocean Frontier Institute led by Dalhousie University, a \$4.0 million investment in St. Francis Xavier Mulroney Institute, \$4.3 million in various other investments to support post-secondary research and innovation infrastructure, and a \$3.5 million increase in university operating grant funding.

Selected Highlights of the General Revenue Fund

Municipal Affairs

Department of Municipal Affairs expenses were \$14.1 million or 7.6 per cent higher than estimate mainly due to \$15.8 million for the October 2016 Disaster Flood Relief and the Canada-Nova Scotia Bilateral Agreement resulting in \$9.6 million for the Clean Water and Wastewater Fund and \$1.5 million for the Public Transit Infrastructure Fund.

These overages were partially offset by New Building Canada Fund project delays of \$7.0 million for National and Regional projects and \$2.3 million for Small Communities Fund projects, along with \$3.5 million in net grant, operating, and temporary staff vacancy savings.

Natural Resources

Department of Natural Resources expenses were \$3.0 million or 3.9 per cent higher than estimate primarily due to \$3.5 million in additional costs to fight the August 2016 wildfires, partially offset by \$0.5 million in operational savings.

Public Service

In total, Public Service expenses were \$7.0 million or 3.4 per cent lower than estimate. The significant variances, which total \$5.8 million, were as follows:

Executive Council

Executive Council expenses were \$0.8 million or 11.3 per cent lower than estimate due to vacancy savings and lower than anticipated operating costs.

Government Contributions to Benefit Plans

Government Contributions to Benefit Plans expenses were \$1.7 million or 19.7 per cent higher than estimate primarily as a result of the liability for banked overtime being recorded for the first time.

Legislative Services

Legislative Services expenses were \$1.7 million or 7.2 per cent lower than estimate primarily due to savings in MLA (Member of the Legislative Assembly) allowances and constituency expenses.

Nova Scotia Home for Colored Children Restorative Inquiry

Nova Scotia Home for Colored Children Restorative Inquiry expenses were \$1.5 million or 58.0 per cent lower than budget primarily due to realignment of program spending.

Office of Immigration

Office of Immigration expenses were \$0.6 million or 7.2 per cent lower than estimate due to \$0.4 million in lower than anticipated consulting fees resulting in a delay of various research projects and \$0.2 million in vacancy savings.

Public Service Commission

Public Service Commission expenses were \$0.7 million or 3.8 per cent lower than estimate due to vacancy savings and lower than anticipated operating costs.

Service Nova Scotia

Service Nova Scotia expenses were \$2.2 million or 2.8 per cent lower than estimate primarily due to savings of \$1.9 million resulting from a delay in the Petroleum Product Volume Tracking project.



Transportation and Infrastructure Renewal

Department of Transportation and Infrastructure Renewal expenses were \$61.5 million or 13.4 per cent higher than estimate primarily due to a \$44.5 million increase to the accrual for the Boat Harbour remediation project, \$9.3 million for increased snow and ice removal costs and equipment repairs, \$5.0 million for damages from the October rain storm, \$5.1 million for injurious affection costs related to land purchases, and \$1.9 million in additional third party recoverable work. These overages were partially offset by savings in amortization expense of \$4.0 million due to later than expected completion dates of capital infrastructure projects.

Restructuring Costs

Overall, Restructuring expenses were \$133.9 million or 71.4 per cent lower than estimate due to lower than anticipated budget requirements for corporate initiatives.

Departmental Expenses Compared To Prior Year

Business

Department of Business expenses were \$18.0 million or 15.8 per cent higher than the prior year primarily due to investments of \$10.4 million in the Nova Scotia Film and Television Production Fund, \$6.6 million in the Innovation Ecosystem, \$2.4 million in Rural Highspeed Internet, \$6.2 million more in Capital Rebate program claims, \$4.7 million in increased payroll rebates to Nova Scotia Business Inc., \$3.5 million in increased funding to Waterfront Development Corporation Limited for capital projects, and \$2.0 million for pre-opening operating grants to the Halifax Convention Centre.

These costs were offset by reductions related to Tourism Nova Scotia due to a one-time transfer of Signature Resort assets of \$8.5 million in the prior year and a CRA ruling regarding HST of \$1.4 million, a \$7.4 million decrease to the Nova Scotia Jobs Fund bad debt and incentive reserves, and the transfer of \$0.9 million in costs pertaining to Regulatory Affairs and Service Effectiveness.

Communities, Culture and Heritage

Department of Communities, Culture and Heritage expenses were \$20.3 million or 26.1 per cent higher than the prior year primarily due to the investments in community infrastructure of \$12.3 million, contributions towards Canada 150 Forward celebrations of \$4.0 million, funding for Creative Economy initiatives of \$2.9 million, and \$0.5 million in support of Regional Library Boards.

Environment

Department of Environment expenses were \$11.6 million or 46.7 per cent higher than the prior year due to the transfer of inspection and enforcement functions from other departments.

Selected Highlights of the General Revenue Fund

Internal Services

Department of Internal Services expenses were \$41.9 million or 29.0 per cent higher than the prior year primarily due to \$29.5 million in costs for Health Information Technology transferred from the Nova Scotia Health Authority and Izaak Walton Killam Health Centre, \$7.1 million in increased amortization expense, a \$4.1 million increase in operating costs, and \$1.2 million in miscellaneous program transfers from other departments.

Labour and Advanced Education

Department of Labour and Advanced Education expenses were \$23.5 million or 6.6 per cent higher than the prior year primarily due to a \$10.0 million investment in the Center for Employment Innovation, \$7.0 million related to federally funded Labour Market Programs, \$2.7 million for participation in the SIF for the COVE project, and \$2.5 million for the launch of the provincial cost-shared Apprenticeship Management System, fully recoverable from other jurisdictions.

Assistance to Universities

Assistance to Universities expenses were \$66.9 million or 17.9 per cent higher than the prior year due to a \$25.0 million investment in the Nova Scotia Research Trust, \$19.7 million contribution toward specified university capital projects approved as part of SIF, of which \$16.6 million was recoverable from the federal government, \$6.7 million increase in university operating grant funding, \$4.5 million investment in the Ocean Frontier Institute led by Dalhousie University, \$4.0 million investment in St. Francis Xavier Mulroney Institute, \$1.0 million increase for graduate scholarships related to research and innovation, \$1.0 million in nursing seat funding transferred from the Department of Health and Wellness, and \$5.0 million in various other investments to support post-secondary research and innovation infrastructure.

Municipal Affairs

Department of Municipal Affairs expenses were \$39.6 million or 25.0 per cent higher than the prior year primarily due to \$15.8 million for the October 2016 Disaster Flood Relief, the Canada-Nova Scotia Bilateral Agreement resulting in \$9.6 million for the Clean Water and Wastewater Fund and \$1.5 million for the Public Transit Infrastructure Fund, \$14.0 million towards the New Building Canada Fund as a result of project startups of \$7.3 million in the Small Communities Fund and \$6.7 million in National and Regional Projects. These increases were slightly offset by a net \$1.2 million in grant, operating, and temporary staff vacancy savings.



NOVA SCOTIA

General Revenue Fund – Tangible Capital Assets

Gross Capital Purchases

The Province’s policy is to capitalize the gross cost of its tangible capital assets (TCA). Capital contributions received from external sources are recognized as revenue in the year the asset is purchased or constructed. Under the Province’s TCA policy, a percentage of the original cost of an asset is charged to expenses in each year of the useful life of the asset. This charge, called amortization, does not commence until the asset is available for use.

Departments are required to budget for TCA purchases and the resulting amortization from the acquisition of these assets. The costs of the gross capital purchases are appropriated as the Capital Purchase Requirements in the annual Estimates, and the departmental details are noted below.

Spending on gross capital purchases was \$202.2 million or 34.6 per cent lower than estimate primarily due to the \$169.2 million Halifax Convention Centre not being complete by year-end, as originally expected. Other amounts lower than estimate included the unused contingency of \$36.6 million and \$12.2 million on information technology projects, which were partially offset by increased capital purchases of \$6.0 million on highways and structures, \$4.9 million on buildings, and \$4.9 million on vehicles, ferries, and equipment.

Gross Capital Purchases

(\$ thousands)

| | Estimate 2017 | Actual 2017 | Variance Increase (Decrease) |
|---|--------------------------|------------------------|---|
| Agriculture | 2,000 | 1,997 | (3) |
| Business | 169,200 | — | (169,200) |
| Communities, Culture and Heritage | — | 321 | 321 |
| Education and Early Childhood Development | 87,900 | 92,925 | 5,025 |
| Environment | 835 | 625 | (210) |
| Fisheries and Aquaculture | — | 328 | 328 |
| Health and Wellness | 5,725 | 4,080 | (1,645) |
| Internal Services | 20,425 | 14,140 | (6,285) |
| Justice | 5,492 | 1,785 | (3,707) |
| Labour and Advanced Education | 1,100 | 5,959 | 4,859 |
| Municipal Affairs | 1,074 | 1,005 | (69) |
| Natural Resources | 8,300 | 11,956 | 3,656 |
| Public Service | 6,884 | 2,049 | (4,835) |
| Transportation and Infrastructure Renewal | | | |
| Highways and Bridges | 220,000 | 225,610 | 5,610 |
| Buildings and Infrastructure | 18,111 | 18,644 | 533 |
| Cash Flow Contingency | 36,605 | — | (36,605) |
| Total Gross Capital Purchases | 583,651 | 381,424 | (202,227) |

Selected Highlights of the General Revenue Fund

Amortization

The schedule below reflects the current year's estimate and actual amortization charged to operations of the General Revenue Fund for tangible capital assets acquired in 2017 and prior years. Annual amortization expense is calculated on a declining balance basis for most assets of the General Revenue Fund. Capital leases are amortized on a straight-line basis over the length of each lease.

Amortization

(\$ thousands)

| | Estimate | Actual | Variance |
|---|-----------------|----------------|-------------------|
| | 2017 | 2017 | Increase |
| | | | (Decrease) |
| Agriculture | 539 | 547 | 8 |
| Business | 1,128 | — | (1,128) |
| Communities, Culture and Heritage | 2,960 | 2,944 | (16) |
| Community Services | 322 | 323 | 1 |
| Education and Early Childhood Development | 71,714 | 72,114 | 400 |
| Energy | — | — | — |
| Environment | 276 | 117 | (159) |
| Fisheries and Aquaculture | 196 | 99 | (97) |
| Health and Wellness | 13,994 | 12,982 | (1,012) |
| Internal Services | 22,759 | 19,776 | (2,983) |
| Justice | 2,651 | 2,455 | (196) |
| Labour and Advanced Education | 5,395 | 5,395 | — |
| Municipal Affairs | 158 | 100 | (58) |
| Natural Resources | 2,643 | 2,122 | (521) |
| Public Service | 3,406 | 3,359 | (47) |
| Transportation and Infrastructure Renewal | 197,927 | 192,203 | (5,724) |
| Total Amortization | 326,068 | 314,536 | (11,532) |



NOVA SCOTIA

Public Accounts Volume 1 – Consolidated Financial Statements

**Additional Appropriations by Resolution
Relative to the Appropriations Act, 2016
For the fiscal year ended March 31, 2017**

(\$ thousands)

| Res # | Appropriation Area | Original Estimate | Additional Approved | Actual | Variance | Final Additional Appropriation Required |
|------------------------------------|---|-------------------|---------------------|------------------|------------------|---|
| Departmental Expenses | | | | | | |
| 1 | Agriculture | 60,217 | 3,900 | 65,135 | 1,018 | 1,020 |
| 2 | Business | 137,450 | 3,053 | 131,689 | (8,814) | — |
| 3 | Communities, Culture and Heritage | 81,689 | 16,236 | 97,925 | — | — |
| 4 | Community Services | 929,957 | 3,045 | 932,731 | (271) | — |
| 5 | Education and Early Childhood Development | 1,279,532 | — | 1,274,121 | (5,411) | — |
| 6 | Energy | 29,597 | 7,400 | 36,736 | (261) | — |
| 7 | Environment | 36,800 | — | 36,381 | (419) | — |
| 8 | Finance and Treasury Board | 22,782 | — | 26,911 | 4,129 | 4,130 |
| 10 | Fisheries and Aquaculture | 12,464 | — | 12,289 | (175) | — |
| 11 | Health and Wellness | 4,132,209 | — | 4,104,616 | (27,593) | — |
| 12 | Internal Services | 185,447 | — | 186,051 | 604 | 604 |
| 13 | Justice | 330,388 | — | 329,559 | (829) | — |
| 14 | Labour and Advanced Education | 364,271 | 20,772 | 381,635 | (3,408) | — |
| 15 | Assistance to Universities | 380,605 | 57,321 | 441,622 | 3,696 | 3,696 |
| 16 | Municipal Affairs | 184,383 | 46,096 | 198,435 | (32,044) | — |
| 17 | Natural Resources | 76,487 | 3,500 | 79,478 | (509) | — |
| Public Service | | | | | | |
| 18 | Aboriginal Affairs | 3,467 | — | 3,467 | — | — |
| 19 | Communications Nova Scotia | 6,417 | — | 6,215 | (202) | — |
| 20 | Elections Nova Scotia | 4,579 | — | 4,701 | 122 | 123 |
| 21 | Executive Council | 7,055 | — | 6,259 | (796) | — |
| 22 | Office of the Information and Privacy Commissioner | 603 | — | 620 | 17 | 17 |
| 23 | Government Contributions to Benefit Plans | 8,805 | — | 10,538 | 1,733 | 1,733 |
| 24 | Human Rights Commission | 2,532 | — | 2,400 | (132) | — |
| 25 | Intergovernmental Affairs | 3,825 | — | 3,363 | (462) | — |
| 26 | Legislative Services | 23,289 | — | 21,622 | (1,667) | — |
| 27 | Nova Scotia Home for Colored Children Restorative Inquiry | 2,500 | — | 1,049 | (1,451) | — |
| 28 | Nova Scotia Police Complaints Commissioner | 390 | — | 356 | (34) | — |
| 29 | Nova Scotia Securities Commission | 2,595 | — | 2,555 | (40) | — |
| 30 | Nova Scotia Utility and Review Board | 1,970 | — | 1,970 | — | — |
| 31 | Office of Immigration | 8,432 | — | 7,823 | (609) | — |
| 32 | Office of the Auditor General | 3,833 | — | 3,442 | (391) | — |
| 33 | Office of the Ombudsman | 1,724 | — | 1,543 | (181) | — |
| 34 | Public Prosecution Service | 23,015 | — | 23,203 | 188 | 189 |
| 35 | Public Service Commission | 19,216 | — | 18,478 | (738) | — |
| 36 | Regulatory Affairs and Service Effectiveness | 1,670 | — | 1,517 | (153) | — |
| 37 | Service Nova Scotia | 79,952 | — | 77,717 | (2,235) | — |
| 38 | Seniors | 1,598 | — | 1,526 | (72) | — |
| 39 | Transportation and Infrastructure Renewal | 460,766 | 59,663 | 522,279 | 1,850 | 1,851 |
| 40 | Restructuring Costs | 187,538 | — | 53,640 | (133,898) | — |
| Total Departmental Expenses | | 9,100,049 | 220,986 | 9,111,597 | (209,438) | 13,363 |

Selected Highlights of the General Revenue Fund

Additional Appropriations by Resolution *(continued)* Relative to the Appropriations Act, 2016 For the fiscal year ended March 31, 2017

(\$ thousands)

| Res # | Appropriation Area | Original Estimate | Additional Approved | Actual | Variance | Final Additional Appropriation Required |
|--|--|-------------------|---------------------|----------------|------------------|---|
| Other Appropriations | | | | | | |
| 9 | Debt Servicing Costs | 841,712 | — | 823,759 | (17,953) | — |
| 41 | Refundable Tax Credits | 137,602 | — | 133,738 | (3,864) | — |
| 42 | Pension Valuation Adjustment | 66,251 | — | 17,191 | (49,060) | — |
| Total Other Appropriations | | <u>1,045,565</u> | <u>—</u> | <u>974,688</u> | <u>(70,877)</u> | <u>—</u> |
| Statutory Capital | | | | | | |
| 43 | Capital Purchase Requirements | 583,651 | — | 381,424 | (202,227) | — |
| 44 | Sinking Fund Installments and Serial Retirements | 58,896 | — | 57,072 | (1,824) | — |
| Total Statutory Capital | | <u>642,547</u> | <u>—</u> | <u>438,496</u> | <u>(204,051)</u> | <u>—</u> |
| Total Additional Appropriations | | | <u>220,986</u> | | | <u>13,363</u> |

Note: Section 28(4) of the *Finance Act* requires that any final additional appropriation required for year-end adjustments be made to Governor in Council no later than 15 days after the date of the tabling of the Public Accounts.

Additional Appropriations Approved During 2017

Additional appropriations, as indicated in the table above, were approved during the year. The details of these additional requests were as follows:

(\$ thousands)

| | Order in Council | Amount |
|---|------------------|----------------|
| Business | 2016-228 | 3,053 |
| Labour and Advanced Education | 2016-228 | 7,492 |
| Assistance to Universities | 2016-228 | 19,666 |
| Municipal Affairs | 2016-228 | 46,096 |
| Natural Resources | 2016-228 | 3,500 |
| Community Services | 2016-307 | 3,045 |
| Labour and Advanced Education | 2016-307 | 5,435 |
| Transportation and Infrastructure Renewal | 2016-307 | 3,094 |
| Agriculture | 2017-140 | 3,900 |
| Communities, Culture and Heritage | 2017-140 | 16,236 |
| Energy | 2017-140 | 7,400 |
| Labour and Advanced Education | 2017-140 | 7,845 |
| Assistance to Universities | 2017-140 | 37,655 |
| Transportation and Infrastructure Renewal | 2017-140 | 56,569 |
| Total Additional Appropriations Approved | | <u>220,986</u> |



General Revenue Fund – Debt Servicing Costs

Gross debt servicing costs of the General Revenue Fund were \$823.8 million in 2017, which was \$18.0 million or 2.1 per cent lower than estimate and \$30.2 million or 3.5 per cent lower than the prior year. The reduction in debt servicing costs from estimate was primarily due to a decrease of \$19.7 million in interest on long-term debt associated with the Department of Finance and Treasury Board borrowing at lower than anticipated interest rates in 2017 and the decrease in debentures outstanding net of sinking funds as a result of the budgetary surplus. These savings were slightly offset by an increase of \$2.6 million over estimate in interest on pension, retirement and other obligations due to slight changes in external valuations from updated member data and actuarial assumptions.

Debt Servicing Costs

(\$ thousands)

| | Estimate 2017 | Actual 2017 | Actual 2016 <i>(as restated)</i> | Actual vs Estimate Increase (Decrease) |
|--|------------------|----------------|--|---|
| Interest on Long-Term Debt | 707,844 | 688,096 | 712,199 | (19,748) |
| General Interest | 9,708 | 8,864 | 9,398 | (844) |
| Interest on Pension, Retirement and Other Obligations | 124,160 | 126,799 | 132,359 | 2,639 |
| Debt Servicing Costs – Gross | 841,712 | 823,759 | 853,956 | (17,953) |
| Less: Sinking Fund Earnings | 91,660 | 90,475 | 95,982 | (1,185) |
| Debt Servicing Costs – Net | 750,052 | 733,284 | 757,974 | (16,768) |

Debenture Debt

The General Revenue Fund's net debenture debt (outstanding debentures less Sinking Fund and Public Debt Management Fund assets) was \$12.77 billion in Canadian dollar equivalents at March 31, 2017 (2016 – \$13.10 billion).

The Province provides sinking fund installments for certain term debt issues. Annual sinking fund installments generally range from 1.0 to 3.0 per cent of the original issue, but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Installments are designed to fully fund the issue over the life of the debt. Sinking Fund and Public Debt Management Fund assets are used solely for debt retirement.

Outstanding Debentures – (CDN\$ Equivalents)

(\$ thousands)

| | Actual 2017 | Actual 2016 |
|--|-------------------|-------------------|
| Debentures Payable in Canadian Dollars | | |
| Canada Pension Plan Investment Fund | 1,079,352 | 1,079,352 |
| Other Issues | 14,407,433 | 14,619,903 |
| Less: Sinking Funds and Public Debt Management Funds | (2,712,532) | (2,595,750) |
| Net Debenture Debt | 12,774,253 | 13,103,505 |

General Revenue Fund – Annual Borrowing Plan

Section 35 of the *Finance Act* provides for Governor in Council approval of an annual borrowing plan submitted by the Minister of Finance and Treasury Board. In 2017, the Minister was granted approval for a \$1,250.0 million borrowing plan. The requested authority was larger than the borrowing program stated in the 2017 Estimates in the event that circumstances arose requiring the Province to borrow monies in excess of projected requirements, or financial markets were favourable and the Province deemed it prudent to pre-borrow for future years.

The Province established a new 10-year benchmark domestic public issue and one CORRA floating interest rate note, borrowing a total of \$750.0 million in 2017.

Economic Highlights

In advance of receiving results of actual tax revenues collected, the Department of Finance and Treasury Board relies on economic forecasts and known relationships with historical administrative tax data to estimate tax revenues. Nominal Gross Domestic Product (GDP) is the broadest measure of the potential tax base, and subcomponents of nominal GDP provide indications of growth in specific tax bases including household income, consumer expenditures, and residential construction.

The Province's previous economic outlook was prepared as part of the April 2017 forecast presented in the Estimates tabled April 27, 2017. Those Estimates used data and information up to January 6, 2017 but were not approved by the Legislature due to the provincial election call on April 30, 2017. The 2016-17 Public Accounts incorporate a revised economic outlook based on data up to May 17, 2017. Information revealed beyond this date may not be fully reflected in this forecast and will be incorporated in future economic outlooks.

Provincial Economic Outlook: 2016 and 2017

(Per cent change, except where noted)

| | 2016-17 Forecast | | 2016-17 Public Accounts | |
|---|---------------------|-------|----------------------------|-------|
| | 2016 | 2017 | 2016 | 2017 |
| Real GDP (\$ 2007 chained) | 1.0% | 1.1% | 0.9% | 0.9% |
| Nominal GDP | 2.2% | 2.8% | 2.2% | 2.9% |
| Compensation of Employees | 2.0% | 2.3% | 1.8% | 2.2% |
| Household Income | 2.4% | 2.4% | 2.2% | 2.5% |
| Household Final Consumption | 3.6% | 3.0% | 3.6% | 2.9% |
| Retail Sales | 4.1% | 2.2% | ^A 4.6% | 2.2% |
| Consumer Price Index | 1.2% | 1.9% | ^A 1.2% | 1.8% |
| Investment in Residential Structures | -6.5% | -1.5% | 2.6% | 1.0% |
| Net Operating Surplus: Corporations | 1.8% | 3.7% | 2.5% | 5.2% |
| Exports of Goods to Other Countries | -2.0% | 2.6% | -2.3% | 0.6% |
| Population at July 1 (<i>thousands</i>) | ^A 949.5 | 952.2 | ^A 949.5 | 952.2 |
| Employment (<i>thousands</i>) | ^A 446.2 | 447.4 | ^A 446.2 | 448.4 |
| Unemployment Rate (<i>annual average</i>) | ^A 8.3% | 8.0% | ^A 8.3% | 8.0% |

^A ~ Actual

External Conditions

After the financial crisis of 2007-08, the global economy has generated only moderate growth, routinely falling below forecasts and expectations. Global real GDP growth is estimated by the International Monetary Fund to have been 3.1 per cent in 2016, with projected growth of 3.5 per cent in 2017.

China's economy is undertaking a structural transition away from building industrial and export capacity and towards growth generated through services, consumer spending, and productivity gains.

The United Kingdom (UK) has commenced negotiations to leave the European Union. Despite this uncertainty, the UK economy has continued to grow with annualized GDP growth of 1.8 per cent overall for 2016. The Bank of England expects a slowdown in household demand in 2017 as the depreciated pound weighs on real income, but this may be offset with more growth in exports.



The Euro Area has maintained a moderate pace of growth through its accommodative monetary policy, rising consumption and employment, and progress with household deleveraging processes. Japan’s economy is continuing with a moderate recovery, as it faces structural and demographic issues that weigh on potential growth.

Economic growth in the United States (US) slowed in 2016 to 1.6 per cent growth (from 2.6 per cent in 2015) and 1.4 per cent in the first quarter of 2017. Inventory adjustments and lower non-residential investments weighed on growth, however the pace of growth has recently accelerated. US personal consumption continues to drive growth, as improving labour markets and confidence indicators drive sales. A rising US dollar during the past year kept real export growth to 0.4 per cent while imports rose 1.2 per cent. US residential investment increased 4.9 per cent in real terms during 2016 with housing starts at their highest level since 2007. The US labour market continues to generate employment growth and the unemployment rate fell to 4.3 per cent in May 2017. With improving conditions in the United States, the US Federal Reserve, raised its target range for the federal funds interest rates by 0.25 percentage points in December 2016, March 2017, and again in June 2017.

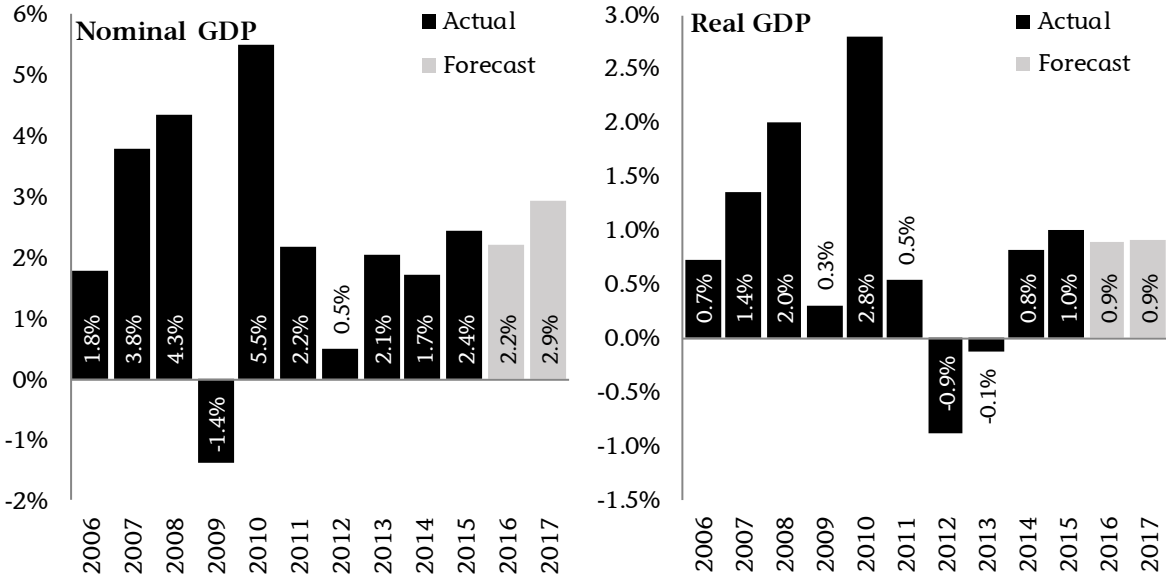
Canada’s GDP grew 1.5 per cent in 2016 as consumption expenditure grew. Housing investments were up 3.0 per cent while investment in non-residential structures and machinery fell 8.6 per cent. The pace of export growth slowed to 1.0 per cent in 2016. Real GDP growth in Canada picked up in the second half of 2016 after disruption from the Alberta wildfires, growing at an annualized 4.2 per cent in the third quarter and 2.7 per cent in the fourth quarter. This trend continued in the first quarter of 2017 with growth of 3.7 per cent on rising household consumption and residential investment.

Nova Scotia Economic Performance and Outlook

The preliminary data for 2016 real GDP growth (by industry at basic prices) shows the Nova Scotia economy expanded by 0.9 per cent, similar to the pace over the previous two years.

Nova Scotia Economic Outlook

(Gross Domestic Product growth)



Source: Statistics Canada, CANSIM table 384-0038; Nova Scotia Department of Finance and Treasury Board projections

Economic Highlights

Both goods and service sectors grew in 2016. Gains in construction and manufacturing offset lower real output in resource sectors, particularly in declining natural gas output. Most service sectors reported positive real growth, with notable declines only in wholesale trade, information/cultural industries, company management, administrative/support services, and personal/repair services. Nominal growth in 2016, measured by income and expenditure at market prices, is estimated to have grown by 2.2 per cent.

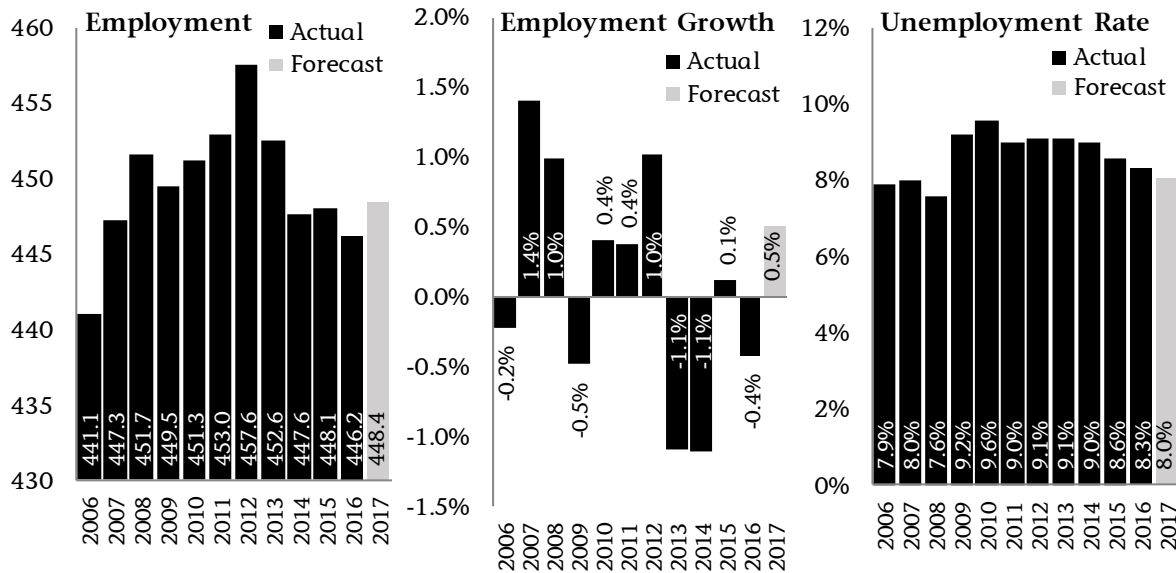
In 2017, Nova Scotia's economy is expected to increase by 0.9 per cent in real terms while higher price growth lifts nominal expansion to 2.9 per cent.

Nova Scotia Employment and Labour Force

In 2016, Nova Scotia's labour markets reported another year of decline of the labour force, as a larger share of the population has aged into cohorts with lower participation rates. Although employment fell 0.4 per cent, this is slower than the pace of labour force decline. As a result, the unemployment rate fell for the third consecutive year in 2016, reaching 8.3 per cent. This demographic trend is expected to pause in 2017 with higher labour force and employment. With declining labour supply, Nova Scotia's growth has depended on rising productivity, which rose for the fourth consecutive year in 2016.

Labour Markets

(Employment, Employment growth, Unemployment Rate)



Source: Statistics Canada, CANSIM table 282-0002; Nova Scotia Department of Finance and Treasury Board projections



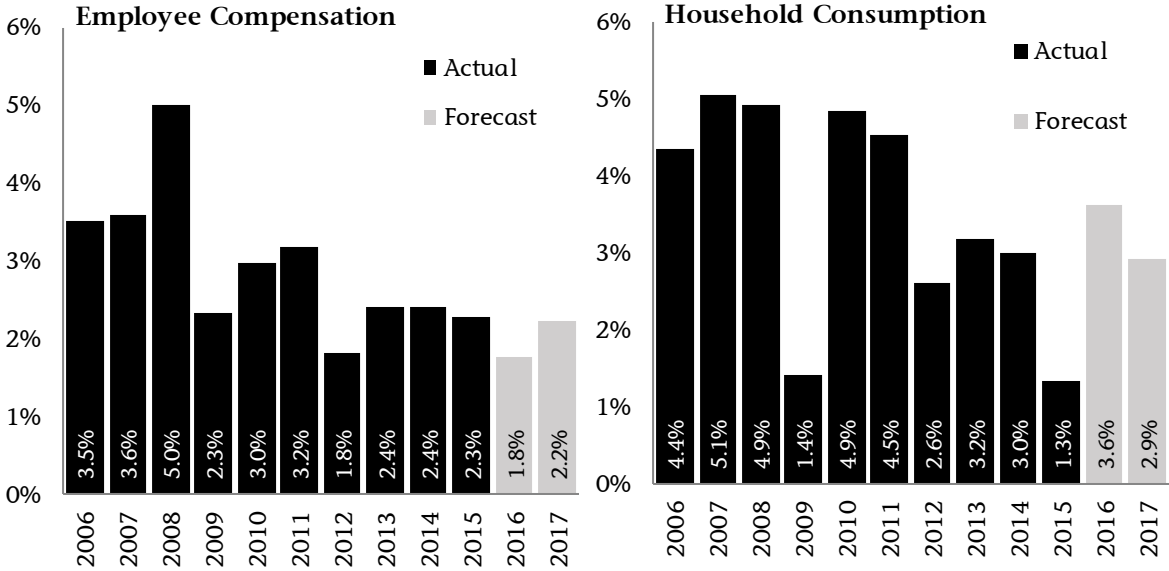
Nova Scotia Employee Compensation and Household Consumption

Employee compensation increased by 1.8 per cent in 2016, slower than in any year since 2012. Declines in compensation were concentrated in: mining/oil/gas, manufacturing, transportation/storage, and military. In the first quarter of 2017, employee compensation grew by 1.4 per cent from the same period in 2016. Although compensation growth has slowed, other sources of income, notably pension earnings and child benefits, are contributing more to household income growth. Compensation growth in 2017 is anticipated to be 2.2 per cent.

Consumer spending is the key driver of HST revenue. Stronger growth in retail sales, partially the result of stabilizing oil prices, suggest that household spending recovered after slow growth in 2015. For 2017, household consumption is expected to grow by 2.9 per cent.

Compensation and Consumption

(Growth rate, nominal)



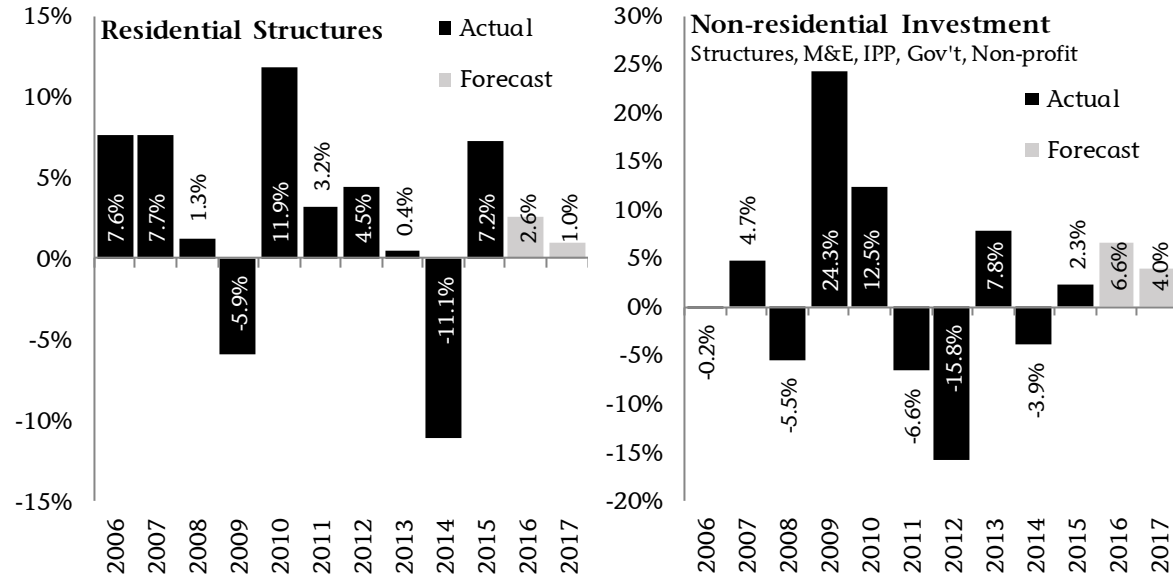
Source: Statistics Canada, CANSIM tables 384-0037, 384-0038; Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia Construction Investments

Although preliminary data had suggested that residential construction spending fell in 2016 on lower renovation activity, revised results actually show an increase of 2.6 per cent in housing investments. However, there is expected to be slower growth of 1.0 per cent in 2017 as demographic conditions weigh on housing investments.

Investment

(Growth rate, nominal)



Source: Statistics Canada, CANSIM table 384-0038; Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia’s non-residential investments, including government expenditures, are estimated to have grown by 6.6 per cent in 2016 due to shipbuilding and other major project expenditures. Further growth of 4.0 per cent is anticipated for 2017 with new government stimulus spending.



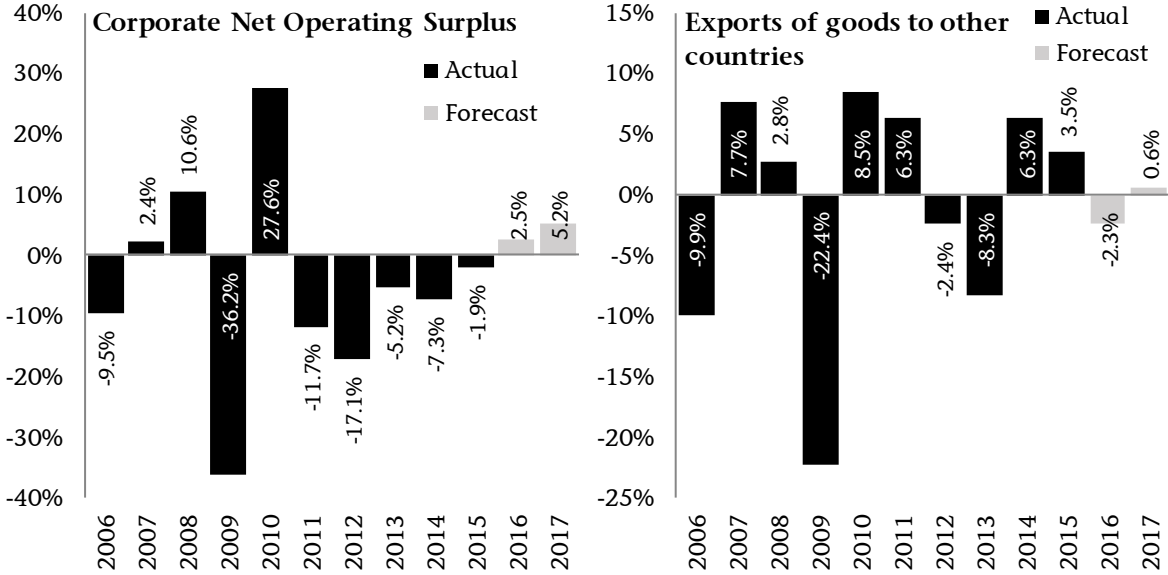
Nova Scotia Exports and Profits

Nova Scotia’s goods exports enjoyed strong growth in non-energy categories since 2012. Natural gas shipments have declined in recent years, resulting in lower overall exports for 2016. In addition, during 2016 the pace of growth in Nova Scotia’s non-energy exports slowed as the foreign exchange rate stabilized and paper shipments were reduced. For 2017, export growth is expected to rise slowly by 0.6 per cent.

After five years of decline, Nova Scotia’s corporate net operating surplus is estimated to have grown by 2.5 per cent in 2016 with further growth of 5.2 per cent projected for 2017.

Profits and Exports

(Growth rate, nominal)



Source: Statistics Canada, CANSIM tables 384-0037, 384-0038; Nova Scotia Department of Finance and Treasury Board projections

Risks and Adjustments

Although these economic indicators for 2016 and 2017 form the basis for the final revenues presented in the 2016-17 Public Accounts, they are still projections. Further economic and administrative data relating to 2016 and 2017 are expected in the future. New data may result in adjusted revenues in respect to the taxation years reported in this document. Such changes will be reflected in subsequent fiscal years as prior years’ adjustments. As a result, differences may arise between the estimated and actual tax revenues for PIT, CIT, and HST reported in these Public Accounts.

Economic Highlights

Nova Scotia Key Economic Indicators

(\$ millions current, unless otherwise indicated)

| | ACTUAL | | | | FORECAST | |
|--|--------|--------|--------|--------|----------|--------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Nominal Gross Domestic Product (GDP) at Market Prices | 37,835 | 38,614 | 39,271 | 40,225 | 41,108 | 42,309 |
| % Change | 0.5% | 2.1% | 1.7% | 2.4% | 2.2% | 2.9% |
| Real GDP at Market Prices (\$ millions, chained 2007) | 35,567 | 35,524 | 35,812 | 36,168 | 36,488 | 36,817 |
| % Change | -0.9% | -0.1% | 0.8% | 1.0% | 0.9% | 0.9% |
| Compensation of Employees | 20,346 | 20,838 | 21,342 | 21,829 | 22,214 | 22,710 |
| % Change | 1.8% | 2.4% | 2.4% | 2.3% | 1.8% | 2.2% |
| Household Income | 36,687 | 37,690 | 38,695 | 39,924 | 40,820 | 41,829 |
| % Change | 2.9% | 2.7% | 2.7% | 3.2% | 2.2% | 2.5% |
| Household Final Consumption Expenditure | 26,909 | 27,762 | 28,595 | 28,977 | 30,030 | 30,912 |
| % Change | 2.6% | 3.2% | 3.0% | 1.3% | 3.6% | 2.9% |
| Retail Sales | 13,239 | 13,663 | 14,038 | 14,063 | 14,703 | 15,024 |
| % Change | 1.1% | 3.2% | 2.7% | 0.2% | 4.6% | 2.2% |
| Consumer Price Index (all items, Index 2002 = 100) | 125.1 | 126.6 | 128.8 | 129.3 | 130.9 | 133.3 |
| % Change | 2.0% | 1.2% | 1.7% | 0.4% | 1.2% | 1.8% |
| Investment in Residential Structures | 2,711 | 2,723 | 2,420 | 2,595 | 2,663 | 2,689 |
| % Change | 4.5% | 0.4% | -11.1% | 7.2% | 2.6% | 1.0% |
| Investment in Non-Residential, Machinery and Equipment, Intellectual Property Products, Government, and Non-Profit | 4,773 | 5,144 | 4,941 | 5,053 | 5,387 | 5,601 |
| % Change | -15.8% | 7.8% | -3.9% | 2.3% | 6.6% | 4.0% |
| Net Operating Surplus: Corporations | 2,284 | 2,165 | 2,007 | 1,969 | 2,019 | 2,124 |
| % Change | -17.1% | -5.2% | -7.3% | -1.9% | 2.5% | 5.2% |
| Exports of Goods and Services | 15,197 | 15,226 | 15,538 | 15,940 | 16,116 | 16,416 |
| % Change | -1.2% | 0.2% | 2.0% | 2.6% | 1.1% | 1.9% |
| Exports of Goods to Other Countries | 5,727 | 5,250 | 5,580 | 5,776 | 5,641 | 5,678 |
| % Change | -2.4% | -8.3% | 6.3% | 3.5% | -2.3% | 0.6% |
| Imports of Goods and Services | 25,618 | 26,444 | 26,550 | 27,200 | 28,205 | 28,762 |
| % Change | -1.4% | 3.2% | 0.4% | 2.4% | 3.7% | 2.0% |
| Population (all ages, thousands at July 1) | 944.9 | 943.5 | 943.3 | 943.4 | 949.5 | 952.2 |
| % Change | 0.1% | -0.1% | — | — | 0.6% | 0.3% |
| Population (ages 18-64, thousands at July 1) | 615.11 | 609.78 | 605.66 | 601.3 | 601.3 | 599.1 |
| % Change | -0.6% | -0.9% | -0.7% | -0.7% | — | -0.4% |
| Labour Force (thousands) | 503.5 | 497.7 | 491.6 | 490.2 | 486.6 | 487.57 |
| % Change | 1.1% | -1.2% | -1.2% | -0.3% | -0.7% | 0.2% |
| Participation Rate (per cent) | 64.4% | 63.7% | 62.8% | 62.4% | 61.7% | 61.6% |
| Change | 0.5% | -0.7% | -0.9% | -0.4% | -0.7% | -0.1% |
| Employment (thousands) | 457.6 | 452.6 | 447.6 | 448.1 | 446.2 | 448.4 |
| % Change | 1.0% | -1.1% | -1.1% | 0.1% | -0.4% | 0.5% |
| Employment Rate (per cent) | 58.5% | 57.9% | 57.2% | 57.0% | 56.6% | 56.7% |
| Change | 0.4% | -0.6% | -0.7% | -0.2% | -0.4% | 0.1% |
| Unemployment Rate (per cent) | 9.1% | 9.1% | 9.0% | 8.6% | 8.3% | 8.0% |
| Change | 0.1% | — | -0.1% | -0.4% | -0.3% | -0.3% |

Unless otherwise indicated, the analysis included in the Economic Highlights section is based on the calendar year, not the fiscal year.



CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year ended March 31, 2017

Statement of Responsibility for the Consolidated Financial Statements of the Province of Nova Scotia

Responsibility for the integrity, objectivity, and fair presentation of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared on behalf of the Minister and Deputy Minister of Finance and Treasury Board by the Controller in accordance with Canadian public sector accounting standards.

The consolidated financial statements include a Consolidated Statement of Financial Position, Consolidated Statement of Operations and Accumulated Deficits, Consolidated Statement of Changes in Net Debt, and Consolidated Statement of Cash Flow. They present fairly, in all material respects, the financial position and the results of operations for the year ended March 31, 2017. The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained.

Under the mandate in Section 19 of the *Auditor General Act*, the Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.



Geoffrey Gatien, CPA, CA
Associate Deputy Minister and Controller



5161 George Street
Royal Centre, Suite 400
Halifax, Nova Scotia
B3J 1M7

Auditor General of Nova Scotia

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Province of Nova Scotia, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of operations and accumulated deficits, consolidated statement of changes in net debt and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Government's Responsibility for the Consolidated Financial Statements

The Government of Nova Scotia is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Province of Nova Scotia as at March 31, 2017, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Michael A. Pickup, CPA, CA
Auditor General of Nova Scotia

July 20, 2017
Halifax, Nova Scotia



Consolidated Financial Statements

Statement 1

Province of Nova Scotia Consolidated Statement of Financial Position

As at March 31, 2017

(\$ thousands)

| | 2017 | 2016 |
|---|---------------------|----------------------|
| | | <i>(as restated)</i> |
| Financial Assets | | |
| Cash and Short-Term Investments | 1,079,431 | 710,041 |
| Accounts Receivable | 913,349 | 840,380 |
| Inventories for Resale | 3,469 | 6,890 |
| Loans Receivable (Schedule 3) | 2,308,943 | 2,400,924 |
| Investments (Schedule 3) | 183,286 | 91,581 |
| Investment in Government Business Enterprises (Schedule 6) | 215,071 | 189,795 |
| Assets Held for Sale | 1,552 | — |
| | 4,705,101 | 4,239,611 |
| Liabilities | | |
| Bank Advances and Short-Term Borrowings | 1,171,011 | 576,210 |
| Accounts Payable and Accrued Liabilities | 2,064,145 | 1,937,188 |
| Deferred Revenue (Note 4) | 258,881 | 235,049 |
| Accrued Interest | 214,953 | 216,798 |
| Unmatured Debt (Schedules 4 and 5) | 13,089,820 | 13,524,557 |
| Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts | 69,724 | 107,466 |
| Pension, Retirement and Other Obligations (Note 5) | 2,791,435 | 2,718,345 |
| | 19,659,969 | 19,315,613 |
| Net Debt | (14,954,868) | (15,076,002) |
| Non-Financial Assets | | |
| Tangible Capital Assets (Schedule 7) | 5,754,331 | 5,724,134 |
| Inventories of Supplies | 72,634 | 70,504 |
| Prepaid Expenses | 14,813 | 18,710 |
| | 5,841,778 | 5,813,348 |
| Accumulated Deficits | (9,113,090) | (9,262,654) |

Accounting Changes (Note 2)
 Restricted Assets (Note 3)
 Contingencies and Contractual Obligations (Note 10)
 Trust Funds under Administration (Note 12)



NOVA SCOTIA

Statement 2

Province of Nova Scotia
Consolidated Statement of Operations and Accumulated Deficits
For the fiscal year ended March 31, 2017
(\$ thousands)

| | Adjusted Estimate 2017 | Actual 2017 | Actual 2016 <i>(as restated)</i> |
|---|---------------------------------------|------------------------|--|
| Revenue (Schedule 1) | | | |
| Provincial Sources | | | |
| Tax Revenue | 5,610,312 | 5,576,539 | 5,457,623 |
| Other Provincial Revenue | 1,486,166 | 1,571,227 | 1,471,931 |
| Net Income from Government Business Enterprises (Schedule 6) | 382,228 | 394,591 | 387,757 |
| Investment Income | 182,117 | 185,547 | 190,125 |
| | <u>7,660,823</u> | <u>7,727,904</u> | <u>7,507,436</u> |
| Federal Sources | <u>3,505,106</u> | <u>3,500,366</u> | <u>3,430,114</u> |
| Total Revenue | <u>11,165,929</u> | <u>11,228,270</u> | <u>10,937,550</u> |
| Expenses (Schedule 2) | | | |
| Agriculture | 64,177 | 68,997 | 63,673 |
| Business | 154,164 | 152,639 | 135,589 |
| Communities, Culture and Heritage | 84,028 | 98,342 | 79,456 |
| Community Services | 1,057,852 | 1,078,629 | 1,047,601 |
| Education and Early Childhood Development | 1,607,576 | 1,619,279 | 1,585,062 |
| Energy | 30,727 | 36,821 | 30,450 |
| Environment | 86,057 | 87,938 | 74,282 |
| Finance and Treasury Board | 22,782 | 23,431 | 20,723 |
| Fisheries and Aquaculture | 12,765 | 12,226 | 9,928 |
| Health and Wellness | 4,406,287 | 4,462,231 | 4,478,850 |
| Internal Services | 185,447 | 180,180 | 136,969 |
| Justice | 331,171 | 328,134 | 328,116 |
| Labour and Advanced Education | 418,709 | 436,490 | 404,666 |
| Assistance to Universities | 380,605 | 441,585 | 374,125 |
| Municipal Affairs | 191,789 | 200,148 | 160,564 |
| Natural Resources | 81,861 | 83,347 | 86,448 |
| Public Service | 208,301 | 203,345 | 195,608 |
| Seniors | 1,598 | 1,526 | 1,483 |
| Transportation and Infrastructure Renewal | 463,320 | 521,856 | 507,515 |
| Restructuring Costs | 187,538 | 53,619 | 98,639 |
| Pension Valuation Adjustment (Note 5) | 66,251 | 17,191 | 141,828 |
| Refundable Tax Credits | 137,602 | 133,738 | 120,644 |
| Debt Servicing Costs (Note 6) | 857,911 | 837,014 | 868,532 |
| Total Expenses (Note 7) | <u>11,038,518</u> | <u>11,078,706</u> | <u>10,950,751</u> |
| Provincial Surplus (Deficit) | 127,411 | 149,564 | (13,201) |
| Accumulated Deficits, Beginning of Year | | | |
| As Previously Reported | | (9,283,586) | (9,272,928) |
| Accounting Changes (Note 2) | | 20,932 | 23,475 |
| As Restated | | <u>(9,262,654)</u> | <u>(9,249,453)</u> |
| Accumulated Deficits, End of Year | | <u>(9,113,090)</u> | <u>(9,262,654)</u> |

Province of Nova Scotia
Consolidated Statement of Changes in Net Debt
For the fiscal year ended March 31, 2017
(\$ thousands)

| | Adjusted Estimate 2017 | Actual 2017 | Actual 2016 <i>(as restated)</i> |
|--|---------------------------------------|------------------------|--|
| Net Debt, Beginning of Year | | | |
| As Previously Reported | (15,096,934) | (15,096,934) | (15,030,615) |
| Accounting Changes (Note 2) | — | 20,932 | 23,475 |
| As Restated | <u>(15,096,934)</u> | <u>(15,076,002)</u> | <u>(15,007,140)</u> |
| Changes in the Year | | | |
| Provincial Surplus (Deficit) | 127,411 | 149,564 | (13,201) |
| Acquisitions and Transfers of Tangible Capital Assets | (645,000) | (458,854) | (466,459) |
| Amortization of Tangible Capital Assets | 442,204 | 427,416 | 424,332 |
| Disposals of Tangible Capital Assets | — | 1,241 | 4,599 |
| Acquisitions of Inventories of Supplies | — | (2,130) | (14,661) |
| Use (Acquisitions) of Prepaid Expenses | — | 3,897 | (3,472) |
| Total Changes in the Year | <u>(75,385)</u> | <u>121,134</u> | <u>(68,862)</u> |
| Net Debt, End of Year | <u>(15,172,319)</u> | <u>(14,954,868)</u> | <u>(15,076,002)</u> |



NOVA SCOTIA

Statement 4

Province of Nova Scotia
Consolidated Statement of Cash Flow
For the fiscal year ended March 31, 2017
(\$ thousands)

| | 2017 | 2016 |
|---|------------------|----------------------|
| | | <i>(as restated)</i> |
| Operating Transactions | | |
| Provincial Surplus (Deficit) | 149,564 | (13,201) |
| Sinking Fund and Public Debt Management Fund Earnings | (90,475) | (95,982) |
| Amortization of Premiums and Discounts on Unmatured Debt | 426 | (781) |
| Amortization of Tangible Capital Assets | 427,416 | 424,332 |
| Net Income from Government Business Enterprises | (394,591) | (387,757) |
| Profit Distributions from Government Business Enterprises | 369,317 | 356,550 |
| Gain on Disposal of Tangible Capital Assets | (4,161) | (3,330) |
| Net Change in Other Items (Note 8) | 747,502 | 125,883 |
| | 1,204,998 | 405,714 |
| Investing Transactions | | |
| Repayment of Loans | 358,222 | 468,975 |
| Advances and Investments | (397,716) | (502,123) |
| Write-offs | 39,770 | 36,937 |
| | 276 | 3,789 |
| Capital Transactions | | |
| Acquisition of Tangible Capital Assets | (458,854) | (466,459) |
| Proceeds from Disposal of Tangible Capital Assets | 5,402 | 7,929 |
| | (453,452) | (458,530) |
| Financing Transactions | | |
| Debentures Issued | 675,049 | 1,039,848 |
| Repayment of Federal Equalization Repayable Loan | — | (12,032) |
| Amortization of Foreign Exchange Gains | (20,866) | (27,175) |
| Sinking Fund Withdrawals (Installments) | (26,309) | 177,719 |
| Repayment of Debentures and Other Long-Term Obligations | (1,010,306) | (1,032,054) |
| | (382,432) | 146,306 |
| Cash Inflows | 369,390 | 97,279 |
| Cash Position, Beginning of Year | 710,041 | 612,762 |
| Cash Position, End of Year | 1,079,431 | 710,041 |
| Cash Position Represented by: | | |
| Cash and Short-Term Investments | 1,079,431 | 710,041 |

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017

1. Financial Reporting and Accounting Policies

The Province's consolidated financial statements are prepared in accordance with Canadian public sector accounting standards using the following significant accounting policies:

(a) Government Reporting Entity

The government reporting entity (GRE) is comprised of the General Revenue Fund, other governmental units (GUs), government business enterprises (GBEs), and the Province's share of government partnership arrangements (GPAs). GUs and GBEs represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. GPAs represent entities for which decision making and significant risks and benefits are shared with other parties outside of the GRE.

Trusts administered by the Province are excluded from the GRE and are disclosed in Note 12 for information purposes only.

(b) Principles of Consolidation

A GBE is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. GBEs are accounted for on the modified equity basis. Their accounting principles are not adjusted to conform with those of the Province. The total net assets of all GBEs are reported as Investment in Government Business Enterprises on the Consolidated Statement of Financial Position. The total net income from all GBEs is reported as a separate item on the Consolidated Statement of Operations and Accumulated Deficits.

A GPA is a contractual arrangement between the government and a party or parties outside the GRE. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. The Province's interest in partnerships is accounted for using the modified equity method as GPAs do not meet the threshold of materiality and cost-benefit to use the proportionate consolidation method.

A GU is a government organization that is not a GBE or GPA. GUs include government departments, public service units, funds, agencies, boards, commissions, and government not-for-profit organizations and service organizations. The accounts of GUs are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1(d). Significant inter-organization balances and transactions are eliminated.

A complete listing of the organizations within the Province's GRE is provided in Schedule 10.



Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017

1. Financial Reporting and Accounting Policies (continued)

(c) Presentation of Estimates

Each year, the Province prepares an annual budget, referred to as “the Estimates,” which represents the financial plan of the Province presented by the government to the House of Assembly for the fiscal year commencing April 1. The Estimates, forming the basis of the *Appropriations Act*, are prepared primarily for the management and oversight of the General Revenue Fund based upon the government’s policies, programs, and priorities. Impacts of consolidation are summarized in the Estimates and included on a net basis as Consolidation and Accounting Adjustments.

For consolidation purposes, the Estimates were adjusted on a line-by-line basis to gross up the associated revenues and expenses of the consolidated entities in order to be comparative with these consolidated financial statements.

(d) Significant Accounting Policies

Revenues

Revenues are recorded on the accrual basis. The main components of revenue are various taxes, legislated levies, program recoveries, user fees, and investment income. Revenues from Personal and Corporate Income Taxes, as well as Harmonized Sales Tax and Petroleum Royalties, are accrued in the year earned based upon estimates using statistical models. Tax revenues are recorded at the amount estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues. Petroleum Royalties are recorded at the amount estimated and may be reduced by a portion of estimated abandonment costs for the future decommissioning or restoration of offshore field assets.

Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Expenses

Expenses are recorded on the accrual basis and are reported in more detail in Note 7, Expenses by Object. Grants and other government transfers are recognized as expenses in the period at the earlier of: 1) the transfer being authorized and all eligibility criteria are met by the recipients, and 2) time of the payment.

Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Financial Assets

Cash and Short-Term Investments are recorded at cost, which approximate market value, and include R-1 (low, middle, high) rated federal and provincial government bills or promissory notes, bankers’ acceptances, term deposits, and commercial paper. Terms of investments are generally 1 to 90 days. The weighted average interest rate of short-term investments was 0.64 per cent at year-end.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017

1. Financial Reporting and Accounting Policies (continued)

Accounts Receivable are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Loans Receivable are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the loan. 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.

Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of investment. Any write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Liabilities

Bank Advances and Short-Term Borrowings have initial maturities of one year or less and are recorded at cost, which approximates market value. At year-end, short-term Canadian dollar borrowings had a weighted average interest rate of 0.57 per cent.

Liabilities for Contaminated Sites are recognized when an existing environmental standard is exceeded, the Province is directly responsible or accepts responsibility, the Province expects to remediate and give up future economic benefits, and a reasonable estimate of the amounts can be made. The liability is measured based on the best estimate of the expenditures required to complete the remediation, net of any expected recoveries. Contaminated sites are a result of any chemical, organic, radioactive material or live organism being introduced directly or via the air into soil, water, or sediment that exceeds an environmental standard.

Deferred Revenue is recorded when funds received are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized into revenue over time as the recognition criteria are achieved or is drawn down to reimburse third parties as conditions are met.

Unmatured Debt is comprised of debentures and various loans in Canadian and foreign currencies, as well as capital leases. Debt is recorded at par, net of sinking funds, which include the Public Debt Management Funds.

Hedge accounting is used when financial instruments form a hedging relationship, the relationship is highly effective, and it is considered to be consistent with the Province's financial risk management goals. To have reasonable assurance of the effectiveness of a hedging relationship, the Province must expect the relationship to be effective in achieving offsetting changes in the fair value or cash flows of the hedged item and the hedging item. Effectiveness requires a high correlation of changes in fair values or cash flows. To ensure hedge effectiveness, the Province employs non-speculative derivatives that match the critical terms of the underlying hedged item.



Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017

1. Financial Reporting and Accounting Policies (continued)

Hedging relationships include synthetic instruments, which involve relationships between two or more assets or liabilities with matching terms for the purpose of emulating the net cash flows or other characteristics of a single asset or liability. Synthetic instrument accounting is used to account for the assets and liabilities in a synthetic instrument relationship as though they were the item being emulated.

Sinking Fund and Public Debt Management Fund investments are recorded at cost and consist primarily of debentures of the Province of Nova Scotia, other provincial governments, and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are netted against sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31 and upon entering into derivative contracts. Foreign exchange gains and losses on the translation of foreign currency are amortized on a straight-line basis over the remaining term of the related monetary item.

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances, serial retirements, sinking fund balances, and installments are charged to debt servicing costs except as noted above.

Pension, Retirement and Other Obligations include various employee future benefit plans, including accumulated sick leave benefits, where responsibility for the provision of benefits rests with the Province. Liabilities for these plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the Province's best estimates of performance over the long term. The projected benefit actuarial method attributes the estimated cost of benefits to the periods of employee service. The net liability represents accrued employee benefits less the market related value of plan assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period.

Contingent Liabilities, including provisions for losses on loan guarantees, are potential obligations that may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements. In cases where an accrual is made, but exposure exists beyond the amount accrued, this excess exposure would also be disclosed, unless the impact is immaterial or the disclosure would have an adverse effect on the outcome of the contingency.

Net Debt

Net Debt represents the total liabilities of the Province less its financial assets. Net debt is the accumulation of current and past annual surpluses and deficits and net investments in non-financial assets.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017

1. Financial Reporting and Accounting Policies (continued)

Non-Financial Assets

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services, and are not intended for sale in the ordinary course of operations. They are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development, and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges.

Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water, and mineral resources, or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates applied by the other governmental units are not adjusted to the methods and rates used by the General Revenue Fund.

Inventories of Supplies are held for consumption or use by the Province in the course of its operations and are recorded at the lower of cost and current replacement cost.

Prepaid Expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated Deficits

Accumulated Deficits represent the total liabilities of the Province less financial assets and non-financial assets. This represents the cumulative balance of net surpluses and deficits arising from the operations of the Province.

(e) Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because it is reasonably possible that there could be a material difference between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in the accruals for such items as pension, retirement and other obligations, liabilities for contaminated sites, and federal and provincial source revenues. The nature of the uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the Province's various assumptions about plan members and economic conditions in the marketplace. Uncertainty exists in the liabilities for contaminated sites because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans. Uncertainty related to Income and Sales Taxes, petroleum royalties, Canada Health Transfer, and Canada Social Transfer arises because of the possible differences between the estimated and actual economic growth and other assumptions used in statistical models to accrue these revenues.



Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017

1. Financial Reporting and Accounting Policies (continued)

(f) Future Changes in Accounting Policies

The Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada has issued new accounting standards with the following effective dates:

Effective April 1, 2017

- *PS 2200 Related Party Disclosures* - defines related parties and establishes disclosure requirements for related party transactions
- *PS 3210 Assets* - provides guidance for applying the definition of assets and establishes general disclosure requirements for assets
- *PS 3320 Contingent Assets* - defines and establishes disclosure requirements for contingent assets
- *PS 3380 Contractual Rights* - defines and establishes disclosure requirements for contractual rights
- *PS 3420 Inter-Entity Transactions* - provides guidance for accounting and reporting transactions between public sector entities within a government's reporting entity

Effective April 1, 2018

- *PS 3430 Restructuring Transactions* - defines restructuring transactions and provides guidance on recognition and measurement of assets and liabilities transferred in a restructuring transaction

Effective April 1, 2019

- *PS 1201 Financial Statement Presentation* - replaces PS 1200 with general reporting principles for disclosure of information and is effective in the period PS 2601 and PS 3450 are adopted
- *PS 2601 Foreign Currency Translation* - replaces PS 2600 with revised accounting and reporting principles for transactions that are denominated in a foreign currency
- *PS 3041 Portfolio Investments* - replaces PS 3040 with revised accounting and reporting principles for portfolio investments and is effective in the period PS 2601 and PS 3450 are adopted
- *PS 3450 Financial Instruments* - defines and provides guidance for accounting and reporting all types of financial instruments including derivatives

PSAB has agreed to review certain sections of PS 1201 and PS 3450, including a potential option for hedge accounting, by April 1, 2019.

These new accounting standards have not been applied in preparing the Province's consolidated financial statements. The Province is currently assessing the impact of these standards, and the extent of the impact of the adoption of the standards on the consolidated financial statements has not yet been determined.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017

2. Accounting Changes

During the year, the Province discovered that the retirement health benefit liabilities for three of its entities were overstated in past years as part of Pension, Retirement and Other Obligations on the Consolidated Statement of Financial Position. The employee population data for the Nova Scotia Utility and Review Board, Nova Scotia Innovation Corporation, and Nova Scotia Liquor Corporation were inadvertently included in the Province's actuarial calculations in addition to being included as part of the consolidation of those separate entities. As a result of this correction, the opening accumulated deficits in 2016 decreased by \$23.5 million, pension valuation adjustment increased by \$3.3 million, debt servicing costs decreased by \$0.8 million, and the provincial deficit increased by \$2.5 million. The current year impact was a decrease of \$20.9 million to opening accumulated deficits with a corresponding decrease in net debt.

| | 2017 | | 2016 | | |
|--|----------------------|-----------------------------|---------------------------|----------------------|-----------------------------|
| | Net Debt | Accumulated Deficits | Provincial Deficit | Net Debt | Accumulated Deficits |
| | April 1, 2016 | April 1, 2016 | | April 1, 2015 | April 1, 2015 |
| Correction to Retirement Health Benefits Liability | 20,932 | 20,932 | (2,543) | 23,475 | 23,475 |

3. Restricted Assets

As at March 31, 2017, assets of \$70.7 million (2016 – \$56.7 million) were designated for restricted purposes by parties external to the Province. Restricted cash and short-term investments totaled \$9.9 million (2016 – \$18.7 million) and comprised: \$2.6 million (2016 – \$13.7 million) for Nova Scotia Health Authority (NSHA) Centre for Clinical Research, \$4.3 million (2016 – \$3.1 million) for gas market development as part of the Nova Scotia Market Development Initiative Fund, \$1.5 million (2016 – \$1.0 million) for endowment and scholarship funds, and \$1.5 million (2016 – \$0.9 million) for various other purposes.

Restricted investments totaled \$60.8 million (2016 – \$38.0 million) and comprised: \$44.9 million (2016 – \$24.6 million) for NSHA Centre for Clinical Research and other NSHA purposes, \$13.1 million (2016 – \$10.7 million) for endowment funds, and \$2.8 million (2016 – \$2.7 million) for various other purposes.

Externally restricted inflows not spent by year-end create a liability that will be settled by using the restricted assets for their intended purposes. The restricted assets described in this note are segregated from other assets and will be used as prescribed in a future period.



NOVA SCOTIA

**Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017**

4. Deferred Revenue

(\$ thousands)

| | 2017 | 2016 |
|---|----------------|----------------|
| Housing Nova Scotia – Social Housing Agreement and Other Federal Funding | 57,506 | 49,486 |
| Nova Scotia Health Authority – Capital and Research Funds | 48,513 | 47,141 |
| Provincial-Territorial Base Funding Agreement – Infrastructure and Highways | 36,200 | 41,210 |
| Izaak Walton Killam Health Centre – Capital and Research Funds | 35,673 | 31,732 |
| Resource Recovery Fund Board Inc. – Unearned Revenue from Container Deposits, Paint Levies, and Tire Deposits | 19,592 | 17,974 |
| Nova Scotia Community College | 17,069 | 13,294 |
| Halifax Regional School Board | 7,274 | 5,017 |
| Seniors Pharmacare | 6,965 | 5,029 |
| Elmworth Energy Corporation – Kennetcook Project | 4,025 | — |
| Annapolis Valley Regional School Board | 3,755 | 2,263 |
| Waterfront Development Corporation Limited | 3,097 | 3,427 |
| Trade Centre Limited | 2,958 | 3,029 |
| Public Archives of Nova Scotia | 2,314 | 2,296 |
| Other Externally Restricted Funds | 13,940 | 13,151 |
| Total Deferred Revenue | 258,881 | 235,049 |

5. Pension, Retirement and Other Obligations

The Province offers a variety of pension and other retirement, post-employment, compensated absences (accumulated sick leave), and special termination benefits. Most plans are unfunded and are economically dependent on the Province. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Province to pay benefits occurs.

(a) Description of Obligations

Pension Benefit Plans

The Province participates in two funded pension plans, the Nova Scotia Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers’ Pension Plan (TPP). Both plans are defined benefit plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures, secured mortgages, and real estate. The plans are jointly funded with contributions from employees being matched by the Province. Benefits paid upon retirement are based on an employee’s length of service, rate of pay, and inflation adjustments.

On April 1, 2013, the PSSP transitioned to a joint governance structure where the Minister of Finance transferred responsibility for the PSSP to the Public Service Superannuation Plan Trustee Inc. (PSSPTI), the new trustee of the PSSP. PSSPTI is a body corporate comprised of 13 board members – six representing the Province as the employer, six representing the employees, and an independent chairperson. Due to this change, the Province no longer has any residual liability for the PSSP and therefore does not record PSSP assets or liabilities in these consolidated financial statements. The Province’s pension expense for the PSSP is limited to the employer contributions paid to the PSSP, which are equal to the employee contributions. The contribution rate is set by PSSPTI pursuant to the legislated funding policy and is set for a five-year cycle.

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017

5. Pension, Retirement and Other Obligations (continued)

As at December 31, 2016, the PSSP was 102.8 per cent funded. Indexing of 0.85 per cent per year was previously approved for January 1, 2016 to December 31, 2020 and no changes to member and employer plan contributions were made. The Province's employer contributions to the PSSP in 2017 were \$81.8 million (2016 – \$82.2 million).

On April 1, 2006, the Minister of Finance transferred responsibility for the governance of the Nova Scotia Teachers' Pension Plan to the Teachers' Pension Plan Trustee Inc. (TPPTI). TPPTI is a body corporate comprised of nine board members – four nominated by the Nova Scotia Teachers' Union, four nominated by the Province, and one Chair agreed to by both parties. As a result of this transfer, the Province and Union agreed to share all surpluses and deficits of the plan equally. The Province accounts for one-half of all components of the accrued benefit liability associated with this plan in these consolidated financial statements. In addition, the Province recognizes one-half of components associated with the net benefit plans expense associated with this plan. As at March 31, 2017, the total accrued benefit liability associated with this plan was \$638.5 million (2016 – \$590.6 million).

As at December 31, 2016, the TPP's funded ratio was 77.7 per cent. Section 27B(3)(a) of the TPP Regulations stipulates that when the most recent actuarial valuation shows an actuarial deficit of more than 10.0 per cent, no indexing shall be provided to those pensioners under the variable indexing provision (those who retire on or after August 1, 2006, and those who retired prior to August 1, 2006 but elected to participate in the variable indexing provision). In accordance with Regulation 27C(1), the Province contributed an additional \$10.1 million to the TPP in 2017 based on the actuarial present value of the forgone indexing as determined by the Plan's actuary. During the year, the weighted average actual rate of return on plan assets of the TPP was 11.2 per cent (2016 – -1.2 per cent). The total market value of plan assets at March 31, 2017 was \$4.9 billion (2016 – \$4.7 billion). The liability for TPP benefits recorded in 2017 was based on the most recent actuarial valuation performed at December 31, 2015 and extrapolated to March 31, 2017.

The Province has several other unfunded defined benefit pension plans. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments. The liabilities for these other pension benefit plans recorded in 2017 were based on the most recent actuarial valuations performed between September 30, 2014 and December 31, 2015 and extrapolated to March 31, 2017.

Employees in the health sector are members of a multi-employer defined benefit pension plan. As the Province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these consolidated financial statements. The most recent actuarial valuation was performed at July 1, 2014 and extrapolated to December 31, 2016, which indicated a funding surplus of \$1.72 billion (2016 – \$1.60 billion). The Province's employer contributions to this multi-employer plan in 2017 were \$96.8 million (2016 – \$97.1 million).

Other Retirement Benefits

The Province sponsors two other unfunded retirement benefits: retirement allowances and retirement health plan benefits. Benefits paid upon retirement for retirement allowances are based on an employee's length of service and rate of pay. Retirement health plan benefits vary depending on the collective agreements negotiated with each group. The Province pays 65.0 per cent and 100.0 per cent of the cost of retirement health plan benefits for the PSSP and TPP retirees, respectively.



Province of Nova Scotia
Notes to the Consolidated Financial Statements
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5. Pension, Retirement and Other Obligations (continued)

Effective April 1, 2015, the Province discontinued its retirement allowance plans for non-bargaining unit staff. As part of contract negotiations, the Province proposed the withdrawal of its retirement allowance plans for unionized staff effective April 1, 2015, and no new members will be admitted into the plans. The payment of retirement allowances will be deferred until retirement and will be calculated based on accumulated service as of April 1, 2015, or as of the first day of a new collective agreement for those contracts expiring after that date, and salary upon retirement. The Province reflected the discontinuation of these retirement allowances for both unionized and non-bargaining unit staff in the previous year. The Province expects these benefit changes for unionized staff to be ratified in the near future during contract negotiations. The discontinuation does not apply to a person who is entitled to receive a service award under the Public Service Award Regulations made under the *Provincial Court Act*.

The liabilities for these other retirement benefit plans recorded in 2017 were based on the most recent actuarial valuations performed between March 31, 2014 and September 30, 2016 and extrapolated to March 31, 2017.

Post-Employment Benefits

The Province offers a Self-Insured Workers' Compensation Plan. For this plan, the amount recorded in these financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments based on claims ongoing at year-end. The liability for this post-employment benefit plan recorded in 2017 was based on an actuarial valuation performed at March 31, 2017.

The Province also participates in the Nova Scotia Public Service Long Term Disability Plan (LTD Plan). The Province has no residual responsibility to the LTD Plan for any shortfalls in funding. As a result, the Province does not account for any net position of the LTD Plan in these consolidated financial statements. The LTD Plan is managed and administered, under joint trusteeship, by a Board of Trustees appointed by the two plan Sponsors: the Province and the Nova Scotia Government and General Employees Union (NSGEU). The LTD Plan is funded equally by employer and employee contributions and all liability for benefits resides exclusively with the LTD Plan's trust fund. The most recent actuarial valuation was performed at December 31, 2016, which indicated a funded ratio of 186.0 per cent. The Province's employer contributions to this plan in 2017 were \$6.5 million (2016 – \$6.5 million).

Accumulated Sick Leave Benefits

The Province's Regional School Boards, Health Authorities, and Nova Scotia Community College have collective agreements containing sick leave provisions that accumulate but do not vest. Under Public Sector Accounting Standards, governments must measure and record an obligation associated with the accumulated sick leave benefits (ASLBs) that are anticipated to be used in future years. The Province's ASLBs are unfunded, meaning there are no assets set aside to cover the related costs of these benefits in the future.

Due to the nature of these benefits, a liability and expense are measured using actuarial valuations to estimate their financial value. An actuarial assumption must be developed to reflect the probability of employees actually using ASLB "banked days". This involves a detailed analysis of several years of data to determine historical usage. A historical usage pattern is not based on the data group as a whole but must take into account a number of specific factors such as, but not limited to, gender, age, and type of contract or job functions, each of which may impact the anticipated amount of accumulated sick leave time to be taken in the future. As a result, the anticipated usage assumption may involve a number of criteria and circumstances that then must be applied to the data in coordination with other actuarial

Notes to the Consolidated Financial Statements

Province of Nova Scotia Notes to the Consolidated Financial Statements As at March 31, 2017

5. Pension, Retirement and Other Obligations (continued)

assumptions such as discount rate, retirement assumptions, future salary increases, mortality rates, etc.

The liabilities for ASLBs recorded in 2017 were based on the most recent actuarial valuations performed between March 31, 2014 and March 31, 2015 and extrapolated to March 31, 2017.

Special Termination Benefits

The Province has offered early retirement incentive programs to members of the PSSP and TPP at various times commencing in 1986 and 1994, respectively. Qualified members were offered additional years of pensionable service if they elected to retire early. The cost of these benefits was accrued in the year the employee accepted the early retirement option and continue to be calculated using actuarial valuations. The liabilities for special termination benefits recorded in 2017 were based on the most recent actuarial valuations performed at December 31, 2015 and extrapolated to March 31, 2017.

(b) Summary of Balances at Year-End

(\$ thousands)

| | | | 2017 | 2016 |
|---|------------------|--------------------|--------------------|----------------------|
| | Pension Benefits | Other Benefits | Total | Total |
| | | | | <i>(as restated)</i> |
| Projected Benefit Obligation, | | | | |
| Beginning of Year | 3,480,753 | 2,061,496 | 5,542,249 | 5,422,536 |
| Current Benefit Cost | 72,021 | 71,789 | 143,810 | 142,726 |
| Interest Cost | 213,456 | 74,393 | 287,849 | 293,704 |
| Actuarial (Gains) Losses | 68,252 | (23,228) | 45,024 | (9,449) |
| Benefit/Premium Payments | (226,017) | (96,068) | (322,085) | (330,735) |
| Other | 693 | 1,475 | 2,168 | (218) |
| Curtailment | — | — | — | 24,207 |
| Plan Amendments | — | — | — | (522) |
| Projected Benefit Obligation, End of Year | 3,609,158 | 2,089,857 | 5,699,015 | 5,542,249 |
| Market Related Value of Plan Assets, | | | | |
| Beginning of Year | 2,545,296 | — | 2,545,296 | 2,475,230 |
| Expected Return on Plan Assets | 160,137 | — | 160,137 | 160,212 |
| Actuarial Gains | 49,880 | — | 49,880 | 3,179 |
| Benefit Payments | (226,017) | — | (226,017) | (331,151) |
| Other | 794 | — | 794 | 899 |
| Employer Contributions | 81,662 | — | 81,662 | 188,280 |
| Employee Contributions | 52,484 | — | 52,484 | 48,647 |
| Market Related Value of Plan Assets, End of Year | 2,664,236 | — | 2,664,236 | 2,545,296 |
| Funded Status, End of Year | (944,922) | (2,089,857) | (3,034,779) | (2,996,953) |
| Unamortized Net Actuarial (Gains) Losses | 274,246 | (30,902) | 243,344 | 278,608 |
| Accrued Benefit Liability, End of Year | (670,676) | (2,120,759) | (2,791,435) | (2,718,345) |



NOVA SCOTIA

**Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017**

5. Pension, Retirement and Other Obligations (continued)

(c) Actuarial Assumptions

The table below shows significant assumptions used to measure pension and other benefit plan obligations.

| | 2017 | | 2016 | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | Pension Benefits | Other Benefits | Pension Benefits | Other Benefits |
| Long-term inflation rates | 2.00% | 2.00% | 2.00% | 2.00% |
| Expected real rate of return on plan assets: TPP | 4.41% | | 4.61% | |
| Rate of compensation increase | 0.00% to 2.00% + merit | 0.00% to 2.00% + merit | 0.00% to 2.00% + merit | 0.00% to 2.00% + merit |
| Discount rates: | | | | |
| TPP | 6.50% | | 6.70% | |
| Other Plans | | 3.59% | | 3.71% |

Other assumptions

- 7.0 per cent annual rate increase in the cost per person for covered healthcare benefits in 2016-17, decreasing to an ultimate rate of 4.5 per cent per year over 15 years.
- 7.0 per cent annual rate increase in the cost per person for covered prescription drugs in 2016-17, decreasing to an ultimate rate of 4.5 per cent per year over 15 years.

Actuarial assumptions are reviewed and assessed on a regular basis to ensure that the accounting assumptions take into account various changing conditions and reflect the Province’s best estimate of performance over the long term.

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 5 years to 17 years. The Province’s weighted-average EARSL is 15 years.

Notes to the Consolidated Financial Statements

Province of Nova Scotia Notes to the Consolidated Financial Statements As at March 31, 2017

5. Pension, Retirement and Other Obligations (continued)

(d) Net Benefit Plans Expense

The table below shows the components of the net benefit plans expense.

(\$ thousands)

| | | | 2017 | 2016 |
|--|---------------------|-------------------|----------------|-------------------------------|
| | Pension Benefits | Other Benefits | Total | Total <i>(as restated)</i> |
| Current Benefit Cost | 72,021 | 71,789 | 143,810 | 142,726 |
| Employee Contributions | (52,484) | (15) | (52,499) | (48,662) |
| Employer Contributions * | 51,202 | — | 51,202 | 48,990 |
| Plan Amendments | — | — | — | (522) |
| Curtailement | — | — | — | 24,207 |
| Amortization of Net Actuarial (Gains) Losses | 32,626 | (715) | 31,911 | 41,719 |
| Recognition of Actuarial Losses on | | | | |
| Plan Amendments | — | — | — | 554 |
| Curtailement | — | — | — | 73,103 |
| Settlement | — | — | — | (129) |
| Other | 244 | (283) | (39) | (501) |
| Interest Cost | 213,456 | 74,393 | 287,849 | 293,704 |
| Expected Return on Plan Assets | (160,137) | — | (160,137) | (160,212) |
| Employer Contributions to Multi-Employer Plan | 178,661 | 6,511 | 185,172 | 185,751 |
| Net Benefit Plans Expense | 335,589 | 151,680 | 487,269 | 600,728 |
| Recorded as: | | | | |
| Fringe Benefits Expense | 277,637 | 64,729 | 342,366 | 325,408 |
| Pension Valuation Adjustment | 4,633 | 12,558 | 17,191 | 141,828 |
| Net Pension Interest Cost | 53,319 | 74,393 | 127,712 | 133,492 |
| Net Benefit Plans Expense | 335,589 | 151,680 | 487,269 | 600,728 |

* This represents one-half of the employer contributions made by the Province to the TPP. Included in the figures above are one-half of all transactions associated with TPP to reflect the Province's share of this plan under joint trusteeship.



NOVA SCOTIA

Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017

6. Debt Servicing Costs

| <i>(\$ thousands)</i> | 2017 | 2016 <i>(as restated)</i> |
|--|----------------|-------------------------------------|
| CDN\$ Denominated Debt | 711,646 | 737,341 |
| Pension, Retirement and Other Obligations | 127,712 | 133,492 |
| Capital Leases | 9,386 | 11,262 |
| Other Debt | 8,438 | 10,175 |
| Amortization of Premiums and Discounts on Unmatured Debt | 426 | (781) |
| Amortization of Foreign Exchange Gains | (20,594) | (22,957) |
| Total Debt Servicing Costs | 837,014 | 868,532 |

Total debt servicing costs for the Province's government business enterprises were \$7.2 million (2016 – \$7.3 million) for the year ended March 31, 2017.

7. Expenses by Object

| <i>(\$ thousands)</i> | 2017 | 2016 <i>(as restated)</i> |
|---------------------------------|-------------------|-------------------------------------|
| Grants and Subsidies | 3,961,168 | 3,715,025 |
| Salaries and Employee Benefits | 3,907,170 | 4,043,023 |
| Operating Goods and Services | 1,674,484 | 1,622,327 |
| Professional Services | 267,307 | 275,293 |
| Amortization | 427,416 | 424,332 |
| Debt Servicing Costs | 837,014 | 868,532 |
| Other | 4,147 | 2,219 |
| Total Expenses by Object | 11,078,706 | 10,950,751 |

8. Cash Flow — Net Change in Other Items

| <i>(\$ thousands)</i> | 2017 | 2016 <i>(as restated)</i> |
|--|----------------|-------------------------------------|
| Increase in Receivables from Government Business Enterprises | (1,999) | (4,054) |
| Increase in Accounts Receivable | (70,970) | (58,895) |
| Increase in Short-Term Borrowings and Accounts Payable | 721,758 | 31,845 |
| Decrease in Inventories for Resale | 3,421 | 313 |
| Increase in Assets Held for Sale | (1,552) | — |
| Increase in Inventories of Supplies | (2,130) | (14,661) |
| Decrease (Increase) in Prepaid Expenses | 3,897 | (3,472) |
| Increase (Decrease) in Deferred Revenue | 23,832 | (3,718) |
| Increase (Decrease) in Accrued Interest | (1,845) | 978 |
| Increase in Pension, Retirement and Other Obligations | 73,090 | 177,547 |
| Total Net Change in Other Items | 747,502 | 125,883 |

Province of Nova Scotia
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9. Contaminated Sites

Various provincially owned properties throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded when it is determined a liability exists and a reasonable estimate of the remediation costs can be made. As at March 31, 2017, a total liability for contaminated sites of \$212.2 million (2016 - \$171.7 million) has been recorded in Accounts Payable and Accrued Liabilities.

Engineering and environmental studies generated estimates for the cost of remediation of the Sydney Steel Corporation (SYSCO) and adjacent sites as well as the Sydney Tar Ponds/Coke Ovens site. As a result, the Province recorded liabilities totaling \$318.5 million in 2000 for environmental site clean-up. At March 31, 2017, \$68.1 million (2016 - \$70.8 million) remains unspent. This provision will continue to be utilized for future decommissioning, demolition, and remediation of SYSCO's and adjacent sites, including the long-term maintenance and monitoring of the Sydney Tar Ponds/Coke Ovens site. Based on currently available information, the provision, in aggregate, appears sufficient to cover the future estimated costs to remediate these sites.

Other remediation liabilities amounting to \$144.2 million (2016 - \$100.9 million) have also been recognized, and include \$130.2 million (2016 - \$88.5 million) for the remediation of Boat Harbour in Pictou County. The Province's estimate for the removal of effluent is based on environmental studies, engineering reports, and extrapolation techniques similar to those that have been used at other contaminated sites with which the Province was involved. At this stage in the process, the Province continues to test and refine its current remediation strategy, and as a result there is still significant measurement uncertainty related to this estimate. A comprehensive remediation plan is expected to be finalized within the next three to four years.

The Province has identified various other sites where contamination is known or expected to exceed an environmental standard, and those which may contain certain levels of contamination but the extent is unknown. No liability for remediation of these sites has been recognized in these consolidated financial statements as there is either no basis for a reasonable estimate or the Province does not expect to give up any future economic benefits. In some cases, a risk-based remediation plan is being pursued to address any known safety hazards. Studies are ongoing to assess the nature and extent of damage and to develop remediation plans, if necessary. The Province may record a liability in the future if contamination at any of these sites is determined to exceed an environmental standard and a reasonable estimate of the related remediation costs can be made.

10. Contingencies and Contractual Obligations

(a) Contingent Liabilities

Lawsuits

The Province is involved in various legal proceedings arising from government activities. These disputes have resulted from breaches of contract, damages suffered by individuals or property, and related elements. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions may be significant, their outcomes are not certain.

When a liability is determined to likely exist and the amount can be reasonably estimated, the amount is recorded as an accrued liability and an expense. The accrued liability for pending litigation in process at March 31, 2017 was \$29.9 million (2016 - \$32.2 million).



NOVA SCOTIA

**Province of Nova Scotia
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10. Contingencies and Contractual Obligations (continued)

Guarantees

Guarantees by the Province are authorized by various acts of legislature and provided through specific agreements and programs to repay promissory notes, bank loans, lines of credit, mortgages, and other securities. Provisions for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provisions represents the Province’s best estimate of future payments. Estimates take into consideration the nature of the loan guarantees, loss experience, and current conditions. The provisions are reviewed on an ongoing basis and changes in the provisions are recorded as expenses in the year they become known. Details on guarantees authorized, utilized, and accrued are presented in Schedule 8.

Other Contingent Liabilities

The Province also has contingent liabilities in the form of indemnities. The Province’s potential liability, if any, cannot be determined at this time.

(b) Contingent Gains

The Province may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded once the contingent events occur, are measurable, and collectability is reasonably assured.

(c) Contractual Obligations

As at March 31, 2017, the Province has contractual obligations as follows:

(\$ thousands)

| Fiscal Year | Governmental Units | Government Business Enterprises | Total Contractual Obligations |
|---------------------|---------------------------|--|--------------------------------------|
| 2018 | 1,132,615 | 27,816 | 1,160,431 |
| 2019 | 855,699 | 5,498 | 861,197 |
| 2020 | 464,680 | 1,739 | 466,419 |
| 2021 | 562,816 | 1,722 | 564,538 |
| 2022 | 399,787 | 1,600 | 401,387 |
| 2023 to 2027 | 1,819,513 | — | 1,819,513 |
| 2028 to 2032 | 1,848,386 | — | 1,848,386 |
| 2033 to 2037 | 800,716 | — | 800,716 |
| 2038 and thereafter | 65,724 | — | 65,724 |
| | 7,949,936 | 38,375 | 7,988,311 |

These contractual obligations are comprised of \$7,632.4 million from the General Revenue Fund, \$317.5 million from the Province’s governmental units, and \$38.4 million from the government business enterprises. Included are contractual obligations from the Department of Health and Wellness of \$3,485.7 million for service agreements with long-term care facilities and \$124.1 million for the management of the ground ambulance fleet, \$2,197.5 million from the Department of Justice for Royal Canadian Mounted Police (RCMP) policing services, \$656.5 million from the Department of Labour and Advanced Education for university assistance, \$162.7 million from the Department of Education and Early Childhood Development for their commitment to exercise the purchase option on several P3 schools, \$134.3 million from Halifax Regional School Board for transportation services, and \$128.8 million from Nova Scotia Business Inc. for projects approved under various programs.

Province of Nova Scotia
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As at March 31, 2017

10. Contingencies and Contractual Obligations (continued)

Leases

As at March 31, 2017, the Province was contractually obligated under various operating leases. Future minimum annual lease payments are as follows:

| Fiscal Year | Governmental Units | Government Business Enterprises | Total Lease Payments |
|--------------|-----------------------|---------------------------------------|----------------------------|
| 2018 | 75,453 | 11,115 | 86,568 |
| 2019 | 60,201 | 13,402 | 73,603 |
| 2020 | 49,854 | 12,554 | 62,408 |
| 2021 | 37,879 | 11,306 | 49,185 |
| 2022 | 26,770 | 9,554 | 36,324 |
| 2023 to 2027 | 39,941 | 17,780 | 57,721 |
| 2028 to 2032 | 2,245 | — | 2,245 |
| | <u>292,343</u> | <u>75,711</u> | <u>368,054</u> |

11. Risk Management and Use of Derivative Financial Instruments

As a result of borrowing in both Canadian and foreign financial markets and being a party to financial instruments, the Province is exposed to interest rate risk, foreign exchange risk, credit risk, and liquidity risk. The Province employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments (derivatives). Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to mitigate foreign exchange risk and interest rate risk. The Province does not use derivatives for speculative purposes.

Interest rate risk

Interest rate risk is the risk that debt servicing costs will vary unfavourably due to fluctuations in interest rates. To reduce its exposure to interest rate risk, the Province uses derivatives to manage the fixed and floating interest rate mix of its debt portfolio. Interest rate contracts include swap agreements and options on swaps. These contracts are used to vary the amounts and periods for which interest rates on borrowings are fixed or floating.

As at March 31, 2017, the Province has executed 38 interest rate swap contracts to convert certain interest payments from fixed to floating. These swaps have terms remaining of 0.2 years to 14.6 years, a notional principal value of \$1.1 billion, and a negative mark to market value of -\$10.2 million.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations. The Province manages its credit risk exposure from derivatives by, among other activities, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. The Province's policy requires that a minimum credit rating for counterparties to derivative transactions be "A" with a stable outlook as determined by the major credit rating agencies.



NOVA SCOTIA

**Province of Nova Scotia
Notes to the Consolidated Financial Statements
As at March 31, 2017**

11. Risk Management and Use of Derivative Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Province will not be able to meet its financial commitments over the short term. To reduce liquidity risk, the Province maintains liquid reserves (cash and cash equivalents) at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has a short-term note program, uncommitted bank lines, and discretionary sinking funds as alternative sources of liquidity. This risk is also managed by distributing debt maturities over many years and having up to 50.0 per cent of long-term debt with a maturity of over 15 years.

Foreign exchange risk

Foreign exchange risk is the risk that the cash flows needed to repay the interest and principal on loans in foreign currencies will vary due to fluctuations in foreign exchange rates. To manage this risk, the Province uses derivative contracts to convert foreign currency principal and interest cash flows into Canadian dollar denominated cash flows. Derivative contracts hedge the underlying debt by matching the critical terms to achieve effectiveness. Foreign exchange contracts include swap agreements that are used to convert the liability for foreign currency borrowing and associated costs into Canadian dollars.

The Province has currency swap contracts which convert foreign denominated debt into Canadian dollar denominated debt as follows:

(\$ thousands)

| Termination Date | Original Currency | Original Principal | Current Currency | Current Principal | Mark to Market¹ |
|-------------------------|--------------------------|---------------------------|-------------------------|--------------------------|-----------------------------------|
| April 16, 2019 | UK£ | 60,000 | CDN\$ | 114,387 | (17,046) |
| February 1, 2019 | US\$ | 200,000 | CDN\$ | 198,000 | 64,922 |
| July 1, 2019 | US\$ | 200,000 | CDN\$ | 199,900 | 56,923 |
| November 15, 2019 | US\$ | 244,000 | CDN\$ | 246,318 | 71,359 |
| March 1, 2020 | US\$ | 300,000 | CDN\$ | 409,200 | (17,109) |
| May 1, 2021 | US\$ | 300,000 | CDN\$ | 312,002 | 85,395 |
| April 1, 2022 | US\$ | 300,000 | CDN\$ | 379,517 | 18,122 |
| July 30, 2022 | US\$ | 300,000 | CDN\$ | 329,310 | 58,664 |
| Total | US\$ | 1,844,000 | CDN\$ | 2,074,247 | 338,276 |

¹ Mark to Market is an indication of the swap's market value as at March 31, 2017. It is also the equivalent of the present value of future cash flows based on market conditions at March 31, 2017.

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12. Trust Funds Under Administration

Trust fund assets solely administered by the Province are as follows:

(\$ thousands)

| | 2017 | 2016 |
|---|----------------|----------------|
| Nova Scotia Credit Union Deposit Insurance Corporation ¹ | 28,280 | 25,387 |
| Public Trustee ² | 59,307 | 56,830 |
| Miscellaneous Trusts ³ | 26,960 | 26,110 |
| Total Trust Funds Under Administration | 114,547 | 108,327 |

¹ - Represents trust with December 31 year-end

² - Financial statements of these funds are available in Public Accounts –Volume 2

³ - Miscellaneous trusts include a large number of relatively small funds

Other

The Nova Scotia Teachers' Union and the Province agreed to joint trusteeship of the Nova Scotia Teachers' Pension Plan (TPP) effective April 1, 2006. Under joint trusteeship, the Trustee of the Plan is the Nova Scotia Teachers' Pension Plan Trustee Inc., of which the Province has four of nine members. The Trustee is responsible for the administration of the Fund and investment management of fund assets. The total net assets available for benefits as at December 31, 2016 were \$4.9 billion (2015 – \$4.7 billion).

Effective April 1, 2013, the Minister of Finance transferred responsibility of the Public Service Superannuation Plan to a new trustee, Public Service Superannuation Plan Trustee Inc. As a result of this transfer, the Province no longer has any responsibility for this plan. Total net assets available for benefits as at March 31, 2017 were \$6.0 billion (2016 – \$5.5 billion).

The Nova Scotia Public Service Long Term Disability Plan (LTD Plan) operates as a joint trusteeship. As such, the Board of Trustees is appointed by the two plan Sponsors: the Province and the Nova Scotia Government and General Employees Union (NSGEU). The Trustee is responsible for the administration of the Fund and investment management of fund assets. The LTD Plan is funded equally by employer and employee contributions and all liability for benefits resides exclusively with the LTD Plan's trust fund. Total net assets available for benefits as of December 31, 2016 were \$154.0 million (2015 – \$149.1 million).

13. Related Party Transactions

Included in these consolidated financial statements are insignificant transactions with various provincial crown corporations, agencies, boards, and commissions. Significant related party transactions have been offset and eliminated for purposes of consolidated reporting. Parties are deemed to be related to the General Revenue Fund due to common control or ownership by the Province of Nova Scotia.

The most significant unadjusted related party transactions are described in more detail in Schedule 6 – Government Business Enterprises.

14. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the presentation format adopted in the current year.



Revenue
For the fiscal year ended March 31, 2017
(\$ thousands)

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Provincial Sources | | |
| Tax Revenue | | |
| Personal Income Tax | 2,616,878 | 2,648,157 |
| Corporate Income Tax | 610,307 | 398,109 |
| Harmonized Sales Tax | 1,696,901 | 1,770,080 |
| Tobacco Tax | 222,234 | 217,009 |
| Motive Fuel Tax | 258,501 | 254,011 |
| Other Tax Revenue | 171,718 | 170,257 |
| | <u>5,576,539</u> | <u>5,457,623</u> |
| Other Provincial Revenue | | |
| Recoveries | 417,921 | 438,681 |
| Other Revenue from Governmental Units | 543,132 | 530,594 |
| Municipal Contributions to School Boards | 258,083 | 249,018 |
| Petroleum Royalties | 1,799 | (91,752) |
| Registry of Motor Vehicles | 133,077 | 130,317 |
| Other Government Charges | 62,511 | 61,626 |
| Miscellaneous | 149,176 | 149,945 |
| Net Gain on Disposal of Crown Assets | 5,528 | 3,502 |
| | <u>1,571,227</u> | <u>1,471,931</u> |
| Net Income from Government Business Enterprises | 394,591 | 387,757 |
| Investment Income | | |
| Interest Revenue | 95,072 | 94,143 |
| Sinking Fund and Public Debt Management Fund Earnings | 90,475 | 95,982 |
| | <u>185,547</u> | <u>190,125</u> |
| Total Provincial Sources | <u>7,727,904</u> | <u>7,507,436</u> |
| Federal Sources | | |
| Equalization Payments | 1,732,893 | 1,777,759 |
| Canada Health Transfer | 945,539 | 899,593 |
| Canada Social Transfer | 349,635 | 341,034 |
| Recoveries | 264,142 | 215,531 |
| Offshore Accord | 33,255 | 36,779 |
| TCA Cost Shared Revenue | 24,337 | 32,410 |
| Crown Share | 2,176 | (2,716) |
| Other Federal Transfers | 148,389 | 129,724 |
| Total Federal Sources | <u>3,500,366</u> | <u>3,430,114</u> |
| Total Revenue | <u>11,228,270</u> | <u>10,937,550</u> |

Schedules to the Consolidated Financial Statements

Schedule 2

Expenses

For the fiscal year ended March 31, 2017

(\$ thousands)

| | 2017 | 2016 |
|---|------------------|------------------|
| Agriculture | | |
| Department of Agriculture | 60,688 | 55,033 |
| Nova Scotia Crop and Livestock Insurance Commission | 2,377 | 3,282 |
| Nova Scotia Harness Racing Fund | 1,034 | 983 |
| Perennia Food & Agriculture Incorporated | 4,898 | 4,375 |
| | 68,997 | 63,673 |
| Business | | |
| Department of Business | 58,250 | 46,033 |
| Bioscience Enterprise Centre Incorporated | — | 28 |
| Film and Creative Industries Nova Scotia | — | 381 |
| Nova Scotia Business Inc. | 39,714 | 28,957 |
| Nova Scotia Innovation Corporation | 15,721 | 14,999 |
| Nova Scotia Strategic Opportunities Fund Incorporated | 12 | 10 |
| Renova Scotia Bioenergy Inc. | — | 18 |
| Tourism Nova Scotia | 20,683 | 25,306 |
| Trade Centre Limited | 12,777 | 14,845 |
| Waterfront Development Corporation Limited | 5,482 | 5,012 |
| | 152,639 | 135,589 |
| Communities, Culture and Heritage | | |
| Department of Communities, Culture and Heritage | 92,774 | 73,460 |
| Art Gallery of Nova Scotia | 3,226 | 3,672 |
| Public Archives of Nova Scotia | 169 | 109 |
| Schooner Bluenose Foundation | 13 | 31 |
| Sherbrooke Restoration Commission | 2,127 | 2,154 |
| Vive l'Acadie Community Fund | 33 | 30 |
| | 98,342 | 79,456 |
| Community Services | | |
| Department of Community Services | 891,878 | 885,110 |
| Housing Nova Scotia | 186,751 | 162,491 |
| | 1,078,629 | 1,047,601 |
| Education and Early Childhood Development | | |
| Department of Education and Early Childhood Development | 351,735 | 329,829 |
| Annapolis Valley Regional School Board | 133,137 | 134,890 |
| Cape Breton-Victoria Regional School Board | 147,695 | 153,077 |
| Chignecto-Central Regional School Board | 204,676 | 200,536 |
| Conseil scolaire acadien provincial | 68,993 | 65,592 |
| Halifax Regional School Board | 474,149 | 465,896 |
| Nova Scotia School Boards Association | 937 | 586 |
| Nova Scotia School Insurance Program | 4,377 | 4,237 |
| South Shore Regional School Board | 78,092 | 75,317 |
| Strait Regional School Board | 83,808 | 84,791 |
| Tri-County Regional School Board | 71,680 | 70,311 |
| | 1,619,279 | 1,585,062 |



Expenses (continued)
For the fiscal year ended March 31, 2017
(\$ thousands)

| | 2017 | 2016 |
|--|-----------|-----------|
| Energy | | |
| Department of Energy | 36,716 | 29,920 |
| Nova Scotia Market Development Initiative Fund | — | 411 |
| Pengrowth Nova Scotia Energy Scholarship Fund | 105 | 119 |
| | 36,821 | 30,450 |
| Environment | | |
| Department of Environment | 36,214 | 24,783 |
| Resource Recovery Fund Board Inc. | 51,724 | 49,499 |
| | 87,938 | 74,282 |
| Finance and Treasury Board | | |
| Department of Finance and Treasury Board | 23,431 | 20,723 |
| Fisheries and Aquaculture | | |
| Department of Fisheries and Aquaculture | 11,910 | 9,543 |
| Nova Scotia Sportfish Habitat Fund | 316 | 385 |
| | 12,226 | 9,928 |
| Health and Wellness | | |
| Department of Health and Wellness | 2,097,002 | 2,112,858 |
| Gambling Awareness Foundation of Nova Scotia | 118 | 42 |
| Izaak Walton Killam Health Centre | 260,721 | 281,859 |
| Nova Scotia Health Authority | 2,097,866 | 2,077,848 |
| Nova Scotia Health Research Foundation | 6,524 | 6,243 |
| | 4,462,231 | 4,478,850 |
| Internal Services | | |
| Department of Internal Services | 180,180 | 136,969 |
| Justice | | |
| Department of Justice | 302,861 | 301,316 |
| CorFor Capital Repairs and Replacement Fund | 43 | — |
| Law Reform Commission of Nova Scotia | 277 | 277 |
| Nova Scotia Legal Aid Commission | 24,953 | 26,523 |
| | 328,134 | 328,116 |

Schedules to the Consolidated Financial Statements

Schedule 2

Expenses (continued)

For the fiscal year ended March 31, 2017

(\$ thousands)

| | 2017 | 2016 |
|---|----------------|----------------|
| Labour and Advanced Education | | |
| Department of Labour and Advanced Education | 221,054 | 198,083 |
| Nova Scotia Community College | 215,396 | 206,583 |
| Occupational Health and Safety Trust Fund | 40 | — |
| | 436,490 | 404,666 |
| Assistance to Universities | 441,585 | 374,125 |
| Municipal Affairs | | |
| Department of Municipal Affairs | 194,898 | 155,111 |
| Nova Scotia E911 Cost Recovery Fund | 4,599 | 4,712 |
| Nova Scotia Municipal Finance Corporation | 651 | 741 |
| | 200,148 | 160,564 |
| Natural Resources | | |
| Department of Natural Resources | 78,550 | 81,930 |
| Acadia Coal Company Limited Fund | — | 1 |
| Crown Land Mine Remediation Fund | 30 | 45 |
| Crown Land Silviculture Fund | 3,319 | 2,730 |
| Habitat Conservation Fund | 234 | 186 |
| Nova Scotia Primary Forest Products Marketing Board | 50 | 99 |
| Off-Highway Vehicle Infrastructure Fund | 1,162 | 1,454 |
| Species at Risk Conservation Fund | 2 | 3 |
| | 83,347 | 86,448 |
| Public Service | | |
| Public Service | 194,984 | 187,188 |
| Nova Scotia Utility and Review Board | 8,361 | 8,420 |
| | 203,345 | 195,608 |
| Seniors | | |
| Department of Seniors | 1,526 | 1,483 |
| Transportation and Infrastructure Renewal | | |
| Department of Transportation and Infrastructure Renewal | 517,911 | 502,166 |
| Harbourside Commercial Park Inc. | 911 | 1,060 |
| Nova Scotia Lands Inc. | 3,027 | 4,289 |
| Sydney Steel Corporation | 7 | — |
| | 521,856 | 507,515 |
| Restructuring Costs | 53,619 | 98,639 |



Expenses (continued)
For the fiscal year ended March 31, 2017
(\$ thousands)

| | 2017 | 2016 |
|---|-------------------|----------------------|
| | | <i>(as restated)</i> |
| Pension Valuation Adjustment | 17,191 | 141,828 |
| Refundable Tax Credits | 133,738 | 120,644 |
| Debt Servicing Costs | | |
| General Revenue Fund | 794,718 | 823,390 |
| Annapolis Valley Regional School Board | 745 | 788 |
| Cape Breton-Victoria Regional School Board | 853 | 916 |
| Chignecto-Central Regional School Board | 1,188 | 1,250 |
| Conseil scolaire acadien provincial | 358 | 340 |
| Halifax Regional School Board | 3,566 | 3,710 |
| Housing Nova Scotia | 13,753 | 14,517 |
| Izaak Walton Killam Health Centre | 1,768 | 2,006 |
| Nova Scotia Community College | 2,334 | 2,171 |
| Nova Scotia Health Authority | 13,936 | 14,640 |
| Nova Scotia Innovation Corporation | 73 | 81 |
| Nova Scotia Legal Aid Commission | 412 | 413 |
| Nova Scotia Municipal Finance Corporation | 176 | 164 |
| Nova Scotia Strategic Opportunities Fund Incorporated | 1,611 | 2,169 |
| Nova Scotia Utility and Review Board | 33 | 36 |
| Renova Scotia Bioenergy Inc. | — | 500 |
| Resource Recovery Fund Board Inc. | 11 | 8 |
| Sherbrooke Restoration Commission | 38 | 40 |
| South Shore Regional School Board | 367 | 304 |
| Strait Regional School Board | 520 | 552 |
| Tourism Nova Scotia | 77 | 77 |
| Trade Centre Limited | 66 | 65 |
| Tri-County Regional School Board | 402 | 381 |
| Waterfront Development Corporation Limited | 9 | 14 |
| | 837,014 | 868,532 |
| Total Expenses | 11,078,706 | 10,950,751 |

Schedules to the Consolidated Financial Statements

Schedule 3

Loans and Investments

As at March 31, 2017

(\$ thousands)

| | Loans and Investments | Provisions | Net 2017 | Net 2016 |
|--------------------------------------|----------------------------------|-------------------|---------------------|---------------------|
| Loans Receivable | | | | |
| Agriculture and Rural Credit Act | 183,226 | 15,567 | 167,659 | 169,980 |
| Educational & Services | | | | |
| Products (NS) Limited | 15 | — | 15 | 15 |
| Labour and Advanced Education – | | | | |
| Student Loans Direct Lending | 222,657 | 111,846 | 110,811 | 107,852 |
| Fisheries Development Act | 103,951 | 2,317 | 101,634 | 102,685 |
| Halifax-Dartmouth Bridge Commission | 160,000 | — | 160,000 | 160,000 |
| Nova Scotia Business Inc. | 33,440 | 11,185 | 22,255 | 28,969 |
| Housing Nova Scotia | 560,941 | 4,499 | 556,442 | 573,415 |
| Nova Scotia Innovation Corporation | 9,067 | 4,627 | 4,440 | 3,738 |
| Nova Scotia Jobs Fund | 597,041 | 216,200 | 380,841 | 419,174 |
| Nova Scotia Market Development | | | | |
| Initiative Fund | — | — | — | 1,120 |
| Nova Scotia Municipal | | | | |
| Finance Corporation | 792,573 | — | 792,573 | 813,386 |
| Nova Scotia Strategic Opportunities | | | | |
| Fund Incorporated | 12,073 | — | 12,073 | 20,141 |
| Perennia Food & Agriculture | | | | |
| Incorporated | — | — | — | 273 |
| Resource Recovery Fund Board Inc. | 178 | — | 178 | 164 |
| Venture Corporations Act | 559 | 559 | — | — |
| Waterfront Development | | | | |
| Corporation Limited | 22 | — | 22 | 12 |
| Total Loans Receivable | 2,675,743 | 366,800 | 2,308,943 | 2,400,924 |
| Investments | | | | |
| Art Gallery of Nova Scotia | 3,878 | — | 3,878 | 3,594 |
| Gambling Awareness Foundation | | | | |
| of Nova Scotia | 3,858 | — | 3,858 | 3,782 |
| Nova Scotia Business Inc. | 29,572 | 16,746 | 12,826 | 13,055 |
| Nova Scotia Community College | 10,107 | — | 10,107 | 8,872 |
| Nova Scotia Health Authority | 44,912 | — | 44,912 | 24,557 |
| Nova Scotia Innovation Corporation | 42,915 | 15,365 | 27,550 | 23,806 |
| Nova Scotia Jobs Fund | 25,712 | 22,712 | 3,000 | 3,000 |
| Nova Scotia School Insurance Program | 8,372 | — | 8,372 | 8,381 |
| Nova Scotia Strategic Opportunities | | | | |
| Fund Incorporated | 64,986 | — | 64,986 | — |
| Perennia Food & Agriculture | | | | |
| Incorporated | 1,770 | — | 1,770 | 1,488 |
| Public Archives of Nova Scotia | 2,027 | — | 2,027 | 1,046 |
| Total Investments | 238,109 | 54,823 | 183,286 | 91,581 |

The provisions listed above include \$1.3 million (2016 – \$0.3 million) for possible guarantee payouts from the *Nova Scotia Jobs Fund Act*. Also included in the provisions is \$8.2 million (2016 – \$8.5 million) for the Debt Reduction Assistance Program of the Department of Labour and Advanced Education Student Loans, of which \$0.2 million (2016 – \$0.4 million) relates to the student loans guaranteed by the Province.



Unmatured Debt
As at March 31, 2017
 (\$ thousands)

| | | | 2017 | 2016 |
|---|----------------------------|--|--------------------------|--------------------------|
| | Gross Unmatured Debt | Sinking Funds and Defeasance Assets | Net Unmatured Debt | Net Unmatured Debt |
| General Revenue Fund | 15,639,409 | 2,712,532 | 12,926,877 | 13,346,366 |
| Housing Nova Scotia | 152,915 | — | 152,915 | 168,053 |
| Nova Scotia Health Authority | — | — | — | 194 |
| Nova Scotia Municipal Finance Corporation | 8,038 | — | 8,038 | 8,919 |
| Nova Scotia Power Finance Corporation | 749,300 | 749,300 | — | — |
| Waterfront Development Corporation Limited | 1,990 | — | 1,990 | 1,025 |
| Total Unmatured Debt | 16,551,652 | 3,461,832 | 13,089,820 | 13,524,557 |

Gross Unmatured Debt

All debt is presented in Canadian dollar equivalents and after giving effect to currency swap contracts itemized in Note 11.

Gross Unmatured Debt consists of the outstanding current and long-term debt of the Province's General Revenue Fund and governmental units. Current and long-term debt of the government business enterprises is reflected on the Consolidated Statement of Financial Position as part of Investment in Government Business Enterprises and further detailed in Schedule 6.

Sinking Fund Assets

As at March 31, 2017, the General Revenue Fund held Sinking Funds and Public Debt Management Funds of \$2,712.5 million (2016 – \$2,595.8 million). These funds were comprised of \$1,836.0 million in Sinking Funds and \$876.5 million in Public Debt Management Funds. The total market value of both funds was \$2,979.5 million at year-end. During the year, contributions were \$26.3 million, total earnings were \$90.5 million, and there were no redemptions.

Sinking fund assets are recorded at cost, which include premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The net unamortized portion of the premiums and discounts relating to sinking fund assets as at March 31, 2017 was \$22.4 million (2016 – \$28.9 million) and is included as part of the value of the sinking funds.

Unmatured Debt (continued)

As at March 31, 2017

(\$ thousands)

Sinking fund assets consist primarily of debentures of the provincial governments and Government of Canada with fixed interest rates ranging from 2.0 to 9.6 per cent. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over the relevant period to maturity. The Province held a carrying value of \$493.9 million (2016 – \$493.9 million) of its own debentures in Sinking Funds as active investments at March 31, 2017.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other provincial governments and utilities, and Federal US bonds, coupons, and residuals. This debt is shown net of defeasance assets on the Consolidated Statement of Financial Position.

Debt Repayments

Projected net principal repayments, capital lease payments, and sinking fund requirements for the next five years and thereafter are as follows:

| | Net Principal Repayments | Capital Lease Payments | Sinking Fund Payments | Total Payments |
|---------------------|-------------------------------------|-----------------------------------|----------------------------------|---------------------------|
| 2018 | 424,195 | 34,657 | 26,309 | 485,161 |
| 2019 | 1,023,488 | 33,921 | 24,048 | 1,081,457 |
| 2020 | 1,091,411 | 26,996 | 17,899 | 1,136,306 |
| 2021 | 1,161,109 | 20,414 | 17,899 | 1,199,422 |
| 2022 | 1,202,460 | 5,321 | 10,017 | 1,217,798 |
| 2023 and thereafter | 7,956,716 | 12,960 | — | 7,969,676 |
| | 12,859,379 | 134,269 | 96,172 | 13,089,820 |

Net principal repayments are comprised of the principal amounts due on loans and debentures less available designated sinking funds to retire the debentures.

In addition, the Province has approximately \$876.5 million (2016 – \$866.8 million) in unrestricted sinking funds that can be used towards the retirement of any unmaturing debt. The use of these funds is evaluated each year based on a detailed analysis of cash requirements and market conditions. These unrestricted sinking funds consist of cash and cash equivalents, primarily of Canadian financial institution bankers' acceptances and provincial commercial paper, and longer term investments of fixed and/or floating federal, federal agency, and provincial term credits.

| | 2017 | 2016 |
|-------------------------------------|----------------|----------------|
| Term to Maturity | | |
| Cash and Cash Equivalents | 40,787 | 11,435 |
| 1 to 3 years | 477,556 | 181,277 |
| 3 to 5.5 years | 358,200 | 674,132 |
| Public Debt Management Funds | 876,543 | 866,844 |



Gross Unmatured Debt
As at March 31, 2017
(\$ thousands)

| | Foreign Exchange Rate | CDN \$ Amount | Maturity Dates | Interest Rates |
|--|--------------------------------------|--------------------------|---------------------------|-----------------------|
| Debentures | | | | |
| General Revenue Fund (CDN\$) | | 15,486,785 | 2017 to 2062 | 1.6% to 11.8% |
| General Revenue Fund (US\$) | 0.751 | — | 2017 to 2032 | 5.1% to 9.5% |
| General Revenue Fund (UK£) | 0.601 | — | 2019 | 11.8% |
| Nova Scotia Municipal Finance Corporation | | 8,038 | 2017 to 2032 | 1.8% to 2.2% |
| Nova Scotia Power Finance Corporation (CDN\$) | | 350,000 | 2020 to 2031 | 10.3% to 11.0% |
| Nova Scotia Power Finance Corporation (US\$) | 0.751 | 399,300 | 2021 | 9.4% |
| Total Debentures | | 16,244,123 | | |
| Loans | | | | |
| General Revenue Fund – Other Debt | | 18,355 | 2017 to 2022 | 0.6% to 2.2% |
| Housing Nova Scotia Waterfront Development Corporation Limited | | 152,915 | 2017 to 2042 | 1.9% to 6.6% |
| | | 1,990 | Demand loan | — |
| Total Loans | | 173,260 | | |
| Capital Leases | | | | |
| General Revenue Fund | | 134,269 | 2018 to 2027 | 6.0% to 7.3% |
| Total Capital Leases | | 134,269 | | |
| Gross Unmatured Debt | | 16,551,652 | | |

Call, Redemption and Other Features

General Revenue Fund

Canadian debentures include \$1,079.4 million in Canada Pension Plan (CPP) debentures, which are redeemable in whole or in part before maturity, on six months notice, at the option of the Minister of Finance of Canada.

The interest rates shown for the Canadian and US debentures reflect the fixed interest rates only. There are debentures that have floating interest rates. Floating interest rates are adjusted on a daily or quarterly basis.

Housing Nova Scotia

Mortgages and notes payable are secured by investments in social housing.

Schedules to the Consolidated Financial Statements

Schedule 6

Government Business Enterprises

As at March 31, 2017

(\$ thousands)

| | | | | | 2017 | 2016 |
|-------------------------------------|---|--|---|--|------------------|------------------|
| | Halifax- Dartmouth Bridge Commission | Highway 104 Western Alignment Corporation | Nova Scotia Nova Scotia Liquor Corporation | Nova Scotia Provincial Lotteries and Casino Corporation | Total | Total |
| Cash | 11,172 | 614 | 5,492 | 21,968 | 39,246 | 47,131 |
| Accounts Receivable | 910 | 913 | 3,321 | 54,964 | 60,108 | 56,111 |
| Inventory | — | 8 | 54,100 | 2,260 | 56,368 | 54,306 |
| Investments | 49,542 | 56,303 | — | 10,560 | 116,405 | 151,683 |
| Tangible Capital Assets | 248,379 | 28,599 | 40,637 | 75,974 | 393,589 | 338,948 |
| Other Assets | 344 | 497 | 5,292 | 9,761 | 15,894 | 14,823 |
| Total Assets | 310,347 | 86,934 | 108,842 | 175,487 | 681,610 | 663,002 |
| Accounts Payable | 17,995 | 5,107 | 42,778 | 118,694 | 184,574 | 175,445 |
| Unmatured Debt | 175,551 | 37,024 | — | 25,711 | 238,286 | 249,365 |
| Other Liabilities | 3,725 | 4,875 | 27,318 | 7,761 | 43,679 | 48,397 |
| Total Liabilities | 197,271 | 47,006 | 70,096 | 152,166 | 466,539 | 473,207 |
| Equity | 113,076 | 39,928 | 38,746 | 23,321 | 215,071 | 189,795 |
| Total Liabilities and Equity | 310,347 | 86,934 | 108,842 | 175,487 | 681,610 | 663,002 |
| Total Revenue | 31,431 | 23,188 | 616,880 | 436,177 | 1,107,676 | 1,121,893 |
| Debt Servicing | 1,255 | 3,920 | 944 | 1,102 | 7,221 | 7,327 |
| Other Expenses | 15,670 | 9,212 | 376,715 | 304,267 | 705,864 | 726,809 |
| Total Expenses | 16,925 | 13,132 | 377,659 | 305,369 | 713,085 | 734,136 |
| Net Income | 14,506 | 10,056 | 239,221 | 130,808 | 394,591 | 387,757 |



NOVA SCOTIA

Government Business Enterprises (continued)
As at March 31, 2017

Halifax-Dartmouth Bridge Commission

The Halifax-Dartmouth Bridge Commission (HDBC), operating as Halifax Harbour Bridges, was created in 1950 by a special statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*). The purpose of HDBC is to construct, maintain, and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

HDBC currently operates and maintains two toll bridges across the Halifax Harbour: the Angus L. Macdonald Bridge and A. Murray MacKay Bridge. In accordance with the *Halifax-Dartmouth Bridge Commission Act*, the Nova Scotia Utility and Review Board, a provincially controlled public sector entity, sets the rates, tolls, and charges to be paid for the use of the two bridges operated by HDBC.

In the spring of 2015, HDBC embarked on a significant and necessary project known as “The Big Lift”. This involves replacing the road deck, floor beams, stiffening trusses, and suspender ropes on the suspended spans of the Angus L. Macdonald Bridge. When the project is complete, a significant amount of the bridge infrastructure will be new. This will help to extend the life of the bridge and reduce future maintenance. At the end of February 2017, 46 out of 46 segments had been replaced, marking a major milestone in the project. As at March 31, 2017, work was still ongoing with the overall project scheduled to be complete by the fall of 2017.

Long-Term Loan Agreements with the Province

2007 Loan Agreement — On July 25, 2007, HDBC entered into a long-term unsecured loan agreement with the Province for \$60.0 million with a final maturity date of December 4, 2019. This agreement requires annual principal repayments of \$3.0 million plus interest, with a final principal repayment of \$9.6 million along with all accrued and unpaid interest thereon due on the final maturity date. At March 31, 2017, HDBC had a balance of \$15.6 million (2016 – \$18.6 million) repayable on the loan, of which \$3.0 million is due within a year. HDBC made a \$17.4 million prepayment of the principal on October 22, 2014, which was applied against the final payment on maturity due in 2019.

Interest is payable semi-annually on June 4 and December 4 of each year. The average interest rate over the life of the loan is 5.19 per cent. Interest expense on the long-term debt for the current year was \$0.9 million (2016 – \$1.1 million), of which \$258.0 thousand (2016 – \$310.0 thousand) was accrued at year-end.

2015 Loan Agreement — On February 6, 2015, HDBC entered into a long-term unsecured loan agreement with the Province for \$160.0 million in relation to the capital project to replace the suspended span of the Angus L. Macdonald Bridge. This loan is to be repaid over twenty years starting June 1, 2019 with annual principal repayments of between \$4.0 million and \$10.0 million. Interest is paid semi-annually on June 1 and December 1 of each year. The average interest rate over the life of the loan is 2.8 per cent. A portion of the interest charges related to this loan are capitalized and included as part of capital assets. Capitalized interest on the loan for the current year was \$4.3 million (2016 – \$4.3 million), of which \$1.4 million (2016 – \$1.4 million) was accrued at year-end.

Restricted Reserve Funds

The 2007 and 2015 Loan Agreements require that HDBC maintain three reserve funds: an Operating, Maintenance & Administrative Fund, Debt Service Fund, and Capital Fund. At year-end, restricted assets for these funds totaled \$14.6 million (2016 – \$10.8 million) and were invested in GICs, bankers’ acceptances, and term deposits with rates between 0.87 and 1.65 per cent. Interest income on restricted assets for the year totaled \$466.0 thousand (2016 – \$925.0 thousand), of which \$348.0 thousand (2016 – \$853.0 thousand) was included as part of capital assets.

Government Business Enterprises (continued)
As at March 31, 2017**Halifax-Dartmouth Bridge Commission (continued)***Big Lift Fund*

The Big Lift Fund consists of proceeds from the 2015 loan not yet expended on the Macdonald Bridge suspended span replacement project. Under the terms of the loan agreement, these amounts have been invested in term promissory notes issued by the Province of Nova Scotia. The promissory notes mature monthly, through September 2017, in various amounts to enable HDDB to make payments to third parties within the following 30 days in respect of capital improvements to the Macdonald Bridge.

Line of Credit Agreement with the Province

On June 30, 2008, HDDB entered into an agreement with the Province for a \$60.0 million revolving, unsecured line of credit, which is available until December 5, 2019. At year-end, HDDB had no advances outstanding against this line of credit (2016 - \$nil) and no draws or accrued interest for the year (2016 - \$nil).

Highway 104 Western Alignment Corporation

The Highway 104 Western Alignment Corporation (H104) was established for the purpose of financing, designing, constructing, operating, and maintaining a 45 km stretch of highway (referred to as the Cobequid Pass) between Masstown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia. The *Highway 104 Western Alignment Corporation Act*, which authorizes the collection of tolls, states that toll collection will cease upon complete payment of all costs and liabilities relating to H104. This includes financing, design, construction, operation and maintenance, and any repair, improvement, alteration, or extension. The forecasted repayment date of all costs and liabilities relating to H104 is in 2026.

Related Party Transactions

At March 31, 2017, H104 had a receivable from the Province in the amount of \$697.3 thousand (2016 - \$685.4 thousand). Government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and H104 will comply with the conditions associated with them. Grants to cover expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants to cover the cost of an asset are deferred and amortized to operations over the expected project life or useful life of the asset using the straight-line method.

Transactions with various Crown corporations, ministries, agencies, boards, and commissions related to H104 by virtue of common control by the Province are included in the financial statements of H104 and are routine operating transactions carried out as part of H104's normal day-to-day operations. These transactions are individually insignificant, and collectively, they increase enforcement costs by \$60.0 thousand (2016 - \$60.0 thousand), maintenance services by \$1.2 million (2016 - \$1.2 million), inventory by \$14.0 thousand (2016 - \$21.3 thousand), and property, plant and equipment by \$369.5 thousand (2016 - \$292.7 thousand).

Omnibus Agreement

The Omnibus Agreement, dated April 1, 1996, is an agreement between H104, the Contractor, the Operator, and the Province to design, finance, construct, operate, and maintain the Highway 104 Western Alignment. Under this agreement, the Province retains ownership of the highway. However, H104 is granted the right to operate the highway and collect tolls for a 30-year period, after which time the right will revert to the Province. Overall, the Province has contributed \$27.5 million to this project.



Government Business Enterprises (continued)
As at March 31, 2017

Highway 104 Western Alignment Corporation (continued)

The capital, major maintenance, and debt service restricted reserve accounts, which have been established in accordance with the Omnibus Agreement, totaled \$56.3 million (2016 – \$49.4 million) at year-end. They are comprised of investments that are recorded at fair value and include accrued interest of \$71.2 thousand (2016 – \$47.0 thousand), a weighted-average term of 6.1 months (2016 – 6.1 months) to maturity, and a weighted-average interest rate of 0.94 per cent (2016 – 0.85 per cent).

Annual Roadway Maintenance Agreement

The annual roadway maintenance agreement is a 30-year agreement between H104 and the Department of Transportation and Infrastructure Renewal for the provision of annual roadway maintenance services and is renewable in five-year increments. The annual fee was \$1.2 million for the current fiscal year (2016 – \$1.2 million). During the year, H104 incurred management fees of \$224.2 thousand (2016 – \$239.0 thousand) to the Province.

Long-Term Debt

Long-term debt is comprised of senior toll revenue bonds bearing interest of 10.25 per cent per year, compounded semi-annually, and maturing March 31, 2026. The bonds are payable in equal installments of interest and principal. At year-end, H104 had \$34.4 million (2016 – \$37.0 million) of long-term debt and \$2.7 million (2016 – \$2.4 million) of debt maturing within one year. Interest expense on the long-term debt was \$3.9 million (2016 – \$4.2 million) for the year.

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

2018 – \$2.7 million, 2019 – \$3.0 million, 2020 – \$3.3 million, 2021 – \$3.6 million, 2022 – \$4.0 million.

Long-term debt is secured by a first charge and security interest over all the present and future property and assets, including but not limited to, cash and securities held in trust, rights under all material contracts, and all accounts receivable and interest.

Nova Scotia Liquor Corporation

The Nova Scotia Liquor Corporation (NSLC) derives its mandate from the *Liquor Control Act*, Chapter 260 of the Revised Statutes of Nova Scotia, 1989. NSLC 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. NSLC operates retail sales locations across the province of Nova Scotia.

Related Party Transactions

In 2017, remittances to the Minister of Finance and Treasury Board totaled \$247.0 million (2016 – \$240.0 million). All other transactions with the Province are deemed to be collectively insignificant to NSLC's financial statements.

Upon conversion to International Financial Reporting Standards (IFRS) in 2012, NSLC reclassified its payable to the Minister of Finance and Treasury Board from a liability to equity. NSLC's equity was \$38.7 million (2016 – \$46.8 million) at year-end. NSLC's main objectives for managing capital are to ensure sufficient liquidity in support of its financial obligations to achieve its business plans and to continue as a self-sufficient entity in order to provide continuous remittances to the Province.

Government Business Enterprises (continued)**As at March 31, 2017****Nova Scotia Provincial Lotteries and Casino Corporation**

The Nova Scotia Gaming Corporation (NSGC) was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The *Gaming Control Act* was amended on November 13, 2012, whereby the name of NSGC was changed to Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC). The principal activities of NSPLCC are to develop, undertake, organize, conduct, and manage casinos and other lottery business on behalf of the Province of Nova Scotia. Revenues of NSPLCC are derived from two casinos, located in Halifax and Sydney, as well as ticket and video lottery sales.

Payable to the Province

NSPLCC had a payable to the Province in the amount of \$101.2 million (2016 – \$91.5 million) at year-end. In addition to the net income of \$130.8 million (2016 – \$127.5 million), NSPLCC is required to pay to the Province 20.0 per cent of casino gaming revenue, otherwise known as win tax. This amounted to \$13.8 million in the current year (2016 – \$13.9 million).

Capital Lease Arrangements

At March 31, 2017, NSPLCC had long-term commitments for minimum lease payments relating to non-cancellable capital leases of \$nil (2016 – \$33.0 thousand) and current portion of long-term leases of \$nil (2016 – \$118.0 thousand). Included in NSPLCC's commitments is its share of the Atlantic Lottery Corporation Inc.'s (ALC) capital lease payable for the purchase of non-gaming information technology assets contracted as part of an outsourcing agreement with CGI Group Inc. This contract was terminated in September 2016, consequently ending all capital leases and associated liabilities.

Special Payments to Government Departments

NSPLCC is obligated to make direct payments annually to two provincial government departments: Department of Communities, Culture and Heritage (in support of the Cultural Federation of Nova Scotia and Sport Nova Scotia) and Department of Agriculture (in support of the Exhibition Association of Nova Scotia). In 2017, these payments totaled \$0.2 million (2016 – \$0.2 million).

As part of its 2005 and 2011 Gaming Strategies, the Province approved contributions of \$3.0 million to the Department of Health and Wellness in 2017 (2016 – \$3.0 million) to fund problem gambling treatment and \$0.5 million (2016 – \$0.5 million) to fund youth gambling prevention.

Contribution to Gambling Awareness Foundation of Nova Scotia

Video Lottery (VL) retailers in Nova Scotia have agreed, under the terms of their agreements with ALC, to contribute one per cent of their VL commission to the Gambling Awareness Foundation of Nova Scotia (GAFNS). NSPLCC has agreed to contribute an amount equal to all contributions made by the VL retailers. At March 31, 2017, NSPLCC had a payable to GAFNS in the amount of \$43.0 thousand (2016 – \$41.0 thousand).

Contribution to Nova Scotia Harness Racing Fund

NSPLCC annually contributes to the Nova Scotia Harness Racing Fund, pursuant to the Nova Scotia Harness Racing Fund Regulations. These contributions go towards supporting the harness racing industry in Nova Scotia. In 2017, the contribution was \$1.0 million (2016 – \$1.0 million).



Government Business Enterprises (continued)
As at March 31, 2017

Nova Scotia Provincial Lotteries and Casino Corporation (continued)

Due to Atlantic Gaming Equipment

At March 31, 2017, the amount due to Atlantic Gaming Equipment Limited was \$25.7 million (2016 – \$31.4 million), of which \$6.9 million (2016 – \$9.3 million) was classified as current. This liability represents a portion of ALC's debt used in the acquisition of property, plant and equipment operated on behalf of NSPLCC. All amounts are payable by ALC and are due on or before July 2026.

The debt is based on variable interest rates ranging from 1.5 to 3.5 per cent. The aggregate maturity of long-term debt, which is comprised of NSPLCC's portion of ALC's debt and debt incurred jointly with the other Atlantic provinces, for the next five years is approximately as follows: 2018 – \$7.3 million, 2019 – \$7.5 million, 2020 – \$6.3 million, 2021 – \$2.6 million, 2022 – \$2.7 million. Included in interest expense is \$1.1 million (2016 – \$1.0 million) relating to long-term debt.

Safe Gaming System Inc.

NSPLCC has been made aware of a statement of claim filed by Safe Gaming System Inc. alleging a patent infringement related to its responsible gaming device known as the My-Play System. The amount claimed by the plaintiff is a royalty based on a percentage of amounts wagered on video lottery terminals in the province during the relevant time period. The trial commenced on May 23, 2017; however, since the outcome is undeterminable at this time, no amounts have been accrued in NSPLCC's financial statements.

Disputed HST Assessments

Included in accounts receivable at March 31, 2017 is \$53.5 million (2016 – \$45.8 million) that was paid to Canada Revenue Agency (CRA), on a without prejudice basis, for an assessment of HST in respect to the operation of certain video lottery terminals. NSPLCC is contesting this matter with CRA and has filed a notice of appeal to the Tax Court. The outcome of the appeal is undeterminable at this time. The amount paid to CRA has been classified as a non-current asset in NSPLCC's financial statements due to the uncertainty of when NSPLCC expects the dispute to be resolved.

Queen Elizabeth II Health Sciences Centre Auxiliary

The Queen Elizabeth II Health Sciences Centre Auxiliary, operating as Partners for Care, is a volunteer-based non-profit, charitable organization. The primary objective of Partners for Care is to generate revenue for Nova Scotia Health Authority (NSHA) through parking and retail services, rental activities, and other special projects that generally take place within the hospital premises. Partners for Care was identified and consolidated as a government business enterprise by NSHA.

The Partners for Care bylaws were amended in June 2016. This resulted in a loss of control for NSHA, which then ceased application of the modified equity method to consolidate the results of Partners for Care in its financial statements.

Schedules to the Consolidated Financial Statements

Schedule 7

Tangible Capital Assets

As at March 31, 2017

(\$ thousands)

| | | | | | | 2017 | 2016 |
|--|------------------|--|---|-------------------------------------|--|--------------------|--------------------|
| | Land | Buildings and Land Improve- ments | Machinery, Computers and Equipment | Vehicles and Ferries | Roads, Bridges and Highways | Total | Total |
| Costs | | | | | | | |
| Opening Costs | 998,921 | 5,091,641 | 1,639,499 | 193,575 | 3,044,628 | 10,968,264 | 10,559,128 |
| Transfers | 160 | (47,313) | (422) | 685 | 118 | (46,772) | (5,311) |
| Additions | 19,527 | 157,653 | 64,862 | 16,959 | 202,633 | 461,634 | 468,850 |
| Disposals | (438) | (898) | (9,870) | (4,912) | (187) | (16,305) | (54,403) |
| Closing Costs | 1,018,170 | 5,201,083 | 1,694,069 | 206,307 | 3,247,192 | 11,366,821 | 10,968,264 |
| Accumulated Amortization | | | | | | | |
| Opening | | | | | | | |
| Accumulated | | | | | | | |
| Amortization | — | (2,346,866) | (1,255,238) | (119,099) | (1,522,927) | (5,244,130) | (4,872,522) |
| Transfers | — | 44,505 | 22 | (535) | — | 43,992 | 2,920 |
| Disposals | — | 614 | 9,559 | 4,810 | 81 | 15,064 | 49,804 |
| Amortization | | | | | | | |
| Expense | — | (158,798) | (88,539) | (16,825) | (163,254) | (427,416) | (424,332) |
| Closing Accumulated Amortization | — | (2,460,545) | (1,334,196) | (131,649) | (1,686,100) | (5,612,490) | (5,244,130) |
| Net Book Value | 1,018,170 | 2,740,538 | 359,873 | 74,658 | 1,561,092 | 5,754,331 | 5,724,134 |
| Opening Balance | 998,921 | 2,744,775 | 384,261 | 74,476 | 1,521,701 | 5,724,134 | 5,686,606 |
| Closing Balance | 1,018,170 | 2,740,538 | 359,873 | 74,658 | 1,561,092 | 5,754,331 | 5,724,134 |
| Increase (Decrease) in Net Book Value | 19,249 | (4,237) | (24,388) | 182 | 39,391 | 30,197 | 37,528 |



Tangible Capital Assets (continued)
As at March 31, 2017

Amortization is calculated on a declining balance basis for most assets of the General Revenue Fund. The amortization percentages of the more common tangible capital assets are as follows:

| | |
|------------------------------------|------------------|
| Buildings and Land Improvements | 5 – 30 per cent |
| Machinery, Computers and Equipment | 15 – 50 per cent |
| Vehicles and Ferries | 15 – 35 per cent |
| Roads, Bridges and Highways | 5 – 15 per cent |

Capital leases of the General Revenue Fund are amortized on a straight-line basis over the length of each lease, ranging from 3 to 25 years.

Amortization is generally calculated on a straight-line basis for assets of the governmental units. The estimated useful lives of the more common tangible capital assets are as follows:

| | |
|---|--------------|
| Buildings (including Leasehold Improvements) and Land Improvements | 2 – 60 years |
| Machinery, Computers and Equipment | 2 – 60 years |
| Vehicles and Ferries | 3 – 7 years |

Capital leases of the governmental units are amortized on a straight-line basis over the length of each lease, ranging from 5 to 45 years.

Social Housing assets are included in Buildings and Land Improvements and relate to Housing Nova Scotia. These assets are amortized using the straight-line method. The net book value of these assets is \$270.8 million (2016 – \$290.4 million).

Included in the closing costs of the various classes as at March 31, 2017 are costs for assets under construction, which have not yet been amortized. These costs relate to Buildings and Land Improvements of \$160.7 million, Machinery, Computers and Equipment of \$24.1 million, Vehicles and Ferries of \$2.7 million, and Roads, Bridges and Highways of \$64.5 million.

Capital leases are included in the various classes as at March 31, 2017 as follows: Buildings and Land Improvements – cost of \$463.6 million, accumulated amortization of \$373.9 million; Machinery, Computers and Equipment – cost of \$38.2 million, accumulated amortization of \$38.2 million; and Vehicles and Ferries – cost of \$25.6 million, accumulated amortization of \$15.9 million.

Direct Guarantees**As at March 31, 2017**

(\$ thousands)

| | Foreign Exchange Rate | Authorized 2017 | Utilized 2017 | Utilized 2016 |
|---|--------------------------------------|----------------------------|--------------------------|--------------------------|
| Bank Loans | | | | |
| Department of Labour and Advanced Education – Student Loan Program | | 632 | 632 | 2,256 |
| Department of Transportation and Infrastructure Renewal (US\$) | 0.751 | 6,655 | — | — |
| Nova Scotia Business Inc. | | 1,500 | 1,075 | 825 |
| Nova Scotia Jobs Fund Act | | 61,600 | 48,598 | 58,708 |
| Total Bank Loan Guarantees | | <u>70,387</u> | <u>50,305</u> | <u>61,789</u> |
| Mortgages | | | | |
| Housing Nova Scotia Act | | 6,602 | 6,602 | 7,465 |
| Housing Nova Scotia Act – Canada Mortgage and Housing Corporation Indemnities | | 41,166 | 41,166 | 49,002 |
| Total Mortgage Guarantees | | <u>47,768</u> | <u>47,768</u> | <u>56,467</u> |
| Total Direct Guarantees | | <u>118,155</u> | <u>98,073</u> | <u>118,256</u> |
| Less: Provision for Guarantee Payout | | | | |
| Department of Labour and Advanced Education – Student Loan Program | | | (348) | (547) |
| Housing Nova Scotia Act | | | (4,506) | (4,194) |
| Nova Scotia Business Inc. | | | (295) | (367) |
| Nova Scotia Jobs Fund Act | | | (1,266) | (250) |
| | | | <u>(6,415)</u> | <u>(5,358)</u> |
| Less: Provision for Student Debt Reduction Program | | | | |
| Department of Labour and Advanced Education – Student Loan Program | | | (217) | (397) |
| Net Direct Guarantees | | | <u>91,441</u> | <u>112,501</u> |

(Not provided for in these Consolidated Financial Statements)



Segment Reporting
For the fiscal year ended March 31, 2017

Segment reporting is designed to assist users in identifying the resources allocated to support the major activities of government and to better understand the performance of segments.

The following schedules provide segment information for the 2017 and 2016 fiscal years. Segment results represent the activities of that segment and include any inter-segment transactions. Inter-segment eliminations are shown in a separate column and show the reconciliation to total consolidated amounts. The Province has determined that the following segments represent the major activities of government.

Health

The provision of such services and institutions to the public that will lead to a higher state of personal health.

Education

The provision of all aspects and phases of training to equip people with necessary skills to pursue productive lives. This includes: Primary to Grade 12, post-secondary and advanced education, as well as labour support.

Infrastructure & Public Works

The provision of the means to facilitate the effective and efficient movement of persons and property. This includes the net results of the Halifax-Dartmouth Bridge Commission and the Highway 104 Western Alignment Corporation.

Social Services

The provision of services and assistance to economically and/or socially disadvantaged persons requiring aid.

Natural Resources & Economic Development

The provision for the maintenance and upkeep, efficient extraction, processing, and utilization of the natural attributes of the province with the aim of creating employment and contributing to the material well-being of residents.

Other Government

Revenues and expenses that relate to activities that are not identified as a separate segment or cannot be directly allocated on a reasonable basis to individual segments because they support a wide range of service delivery activities. This includes certain items from the General Revenue Fund such as general tax revenues, sinking fund earnings, debt servicing costs, and the pension valuation adjustment.

Schedules to the Consolidated Financial Statements

Schedule 9

Segment Reporting (continued)
For the fiscal year ended March 31, 2017
(\$ thousands)

| | Health | | Education | | Infrastructure & Public Works | | Social Services | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenue | | | | | | | | |
| Provincial Sources | | | | | | | | |
| Tax Revenue | 222,234 | 217,009 | — | — | 258,501 | 254,011 | — | — |
| Other Provincial Revenue | 526,789 | 591,939 | 447,045 | 459,748 | 21,563 | 20,850 | 109,156 | 106,181 |
| Net Income from GBEs | — | 394 | — | — | 24,562 | 18,580 | — | — |
| Investment Income | 880 | 2,117 | 9,153 | 8,557 | — | — | 25,638 | 26,644 |
| Federal Sources | 994,693 | 953,151 | 300,380 | 269,492 | 23,017 | 31,651 | 301,985 | 279,612 |
| Total Revenues | 1,744,596 | 1,764,610 | 756,578 | 737,797 | 327,643 | 325,092 | 436,779 | 412,437 |
| Expenses | | | | | | | | |
| Grants and Subsidies | 1,878,992 | 1,881,867 | 704,212 | 603,664 | 14,569 | 21,114 | 781,451 | 772,235 |
| Salaries and Employee Benefits | 1,701,749 | 1,834,713 | 1,378,386 | 1,363,215 | 124,438 | 121,912 | 160,432 | 159,118 |
| Operating Goods and Services | 797,064 | 738,314 | 316,444 | 337,752 | 172,947 | 164,917 | 136,572 | 119,408 |
| Professional Services | 40,078 | 59,017 | 20,445 | 14,436 | 17,634 | 12,983 | 7,706 | 4,915 |
| Amortization | 93,545 | 99,623 | 83,472 | 84,137 | 191,985 | 186,759 | 23,449 | 23,690 |
| Debt Servicing Costs | 16,470 | 17,502 | 10,335 | 10,411 | — | — | 38,381 | 39,997 |
| Other | 725 | — | — | — | — | — | — | — |
| Total Expenses | 4,528,623 | 4,631,036 | 2,513,294 | 2,413,615 | 521,573 | 507,685 | 1,147,991 | 1,119,363 |
| Segment Result | (2,784,027) | (2,866,426) | (1,756,716) | (1,675,818) | (193,930) | (182,593) | (711,212) | (706,926) |

Schedule 9

Segment Reporting (continued)
For the fiscal year ended March 31, 2017
(\$ thousands)

| | Natural Resources & Economic Development | | Other Government | | Inter-Segment Eliminations | | Total | |
|--------------------------------|--|------------------|------------------|------------------------------|----------------------------|------------------|-------------------|------------------------------|
| | 2017 | 2016 | 2017 | 2016 <i>(as restated)</i> | 2017 | 2016 | 2017 | 2016 <i>(as restated)</i> |
| Revenue | | | | | | | | |
| Provincial Sources | | | | | | | | |
| Tax Revenue | 360 | 403 | 5,095,444 | 4,986,200 | — | — | 5,576,539 | 5,457,623 |
| Other Provincial Revenue | 142,943 | 33,594 | 408,585 | 415,134 | (84,854) | (155,515) | 1,571,227 | 1,471,931 |
| Net Income from GBEs | — | — | 370,029 | 368,783 | — | — | 394,591 | 387,757 |
| Investment Income | 5,703 | 4,053 | 172,714 | 180,376 | (28,541) | (31,622) | 185,547 | 190,125 |
| Federal Sources | 44,728 | 41,150 | 1,835,563 | 1,855,058 | — | — | 3,500,366 | 3,430,114 |
| Total Revenues | 193,734 | 79,200 | 7,882,335 | 7,805,551 | (113,395) | (187,137) | 11,228,270 | 10,937,550 |
| Expenses | | | | | | | | |
| Grants and Subsidies | 175,598 | 97,414 | 440,914 | 369,683 | (34,568) | (30,952) | 3,961,168 | 3,715,025 |
| Salaries and Employee Benefits | 127,034 | 133,237 | 422,351 | 518,844 | (7,220) | (88,016) | 3,907,170 | 4,043,023 |
| Operating Goods and Services | 125,786 | 160,316 | 140,440 | 108,024 | (14,769) | (6,404) | 1,674,484 | 1,622,327 |
| Professional Services | 14,408 | 15,109 | 168,226 | 169,768 | (1,190) | (935) | 267,307 | 275,293 |
| Amortization | 6,238 | 6,435 | 28,727 | 23,688 | — | — | 427,416 | 424,332 |
| Debt Servicing Costs | 2,162 | 5,137 | 824,169 | 854,221 | (54,503) | (58,736) | 837,014 | 868,532 |
| Other | 4,567 | 4,313 | — | — | (1,145) | (2,094) | 4,147 | 2,219 |
| Total Expenses | 455,793 | 421,961 | 2,024,827 | 2,044,228 | (113,395) | (187,137) | 11,078,706 | 10,950,751 |
| Segment Result | (262,059) | (342,761) | 5,857,508 | 5,761,323 | — | — | 149,564 | (13,201) |

**Government Reporting Entity
As at March 31, 2017**

The General Revenue Fund is comprised of the Province's departments and public service units, special operating agencies, and special purpose funds, which are consolidated with the governmental units, government business enterprises, and a proportionate share of government partnership arrangements to form the Province's government reporting entity.

Departments and Public Service Units
(Consolidation Method)

Agriculture
 Business
 Invest Nova Scotia Fund
 Nova Scotia Jobs Fund
 Communities, Culture and Heritage
 Community Services
 Education and Early Childhood Development
 Energy
 Environment
 Finance and Treasury Board
 Muggah Creek Remediation Fund
 Public Debt Management Fund
 SYSCO Decommissioning Fund
 Fisheries and Aquaculture
 Health and Wellness
 Internal Services
 Justice
 Labour and Advanced Education
 Municipal Affairs
 Natural Resources
 Public Service
 Aboriginal Affairs
 Communications Nova Scotia
 Elections Nova Scotia
 Executive Council
 Human Rights Commission
 Intergovernmental Affairs
 Legislative Services
 Nova Scotia Police Complaints Commissioner
 Nova Scotia Securities Commission
 Office of Immigration
 Office of Regulatory Affairs and
 Service Effectiveness
 Office of Service Nova Scotia
 Office of the Auditor General
 Office of the Information and
 Privacy Commissioner
 Office of the Ombudsman
 Public Prosecution Service
 Public Service Commission
 Seniors
 Transportation and Infrastructure Renewal

Special Operating Agencies
(Consolidation Method)

Nova Scotia Apprenticeship Agency
 Nova Scotia Home for Colored Children
 Restorative Inquiry
 Sydney Tar Ponds Agency (inactive)

Special Purpose Funds
(Consolidation Method)

Acadia Coal Company Limited Fund
 CorFor Capital Repairs and Replacements Fund
 Crown Land Mine Remediation Fund
 Crown Land Silviculture Fund
 Democracy 250 (inactive)
 Gaming Addiction Treatment Trust Fund
 Habitat Conservation Fund
 Nova Scotia Coordinate Referencing System Trust Fund
 Nova Scotia E911 Cost Recovery Fund
 Nova Scotia Environmental Trust
 Nova Scotia Government Acadian Bursary Program Fund
 Nova Scotia Harness Racing Fund
 Nova Scotia Market Development Initiative Fund
 Nova Scotia Nominee Program Fund
 Nova Scotia Sportfish Habitat Fund
 Occupational Health and Safety Trust Fund
 Off-Highway Vehicle Infrastructure Fund
 P3 Schools Capital and Technology Refresh Fund ¹
 Pengrowth Nova Scotia Energy Scholarship Fund
 Scotia Learning Technology Refresh Fund
 Select Nova Scotia Fund
 Species at Risk Conservation Fund
 Sustainable Forestry Fund
 Vive l'Acadie Community Fund

Governmental Units
(Consolidation Method)

Annapolis Valley Regional School Board
 Art Gallery of Nova Scotia
 Arts Nova Scotia
 Cape Breton-Victoria Regional School Board
 Check Inns Limited (inactive)
 Chignecto-Central Regional School Board

¹ - Includes all refresh funds related to P3 schools.



NOVA SCOTIA

Government Reporting Entity (continued)
As at March 31, 2017

Governmental Units (continued)

(Consolidation Method)

Conseil scolaire acadien provincial
Creative Nova Scotia Leadership Council
Gambling Awareness Foundation of Nova Scotia
Halifax Regional School Board
Harbourside Commercial Park Inc.
 Sydney Utilities Limited
Housing Nova Scotia
 Cape Breton Island Housing Authority
 Cobequid Housing Authority
 Eastern Mainland Housing Authority
 Metropolitan Regional Housing Authority
 Western Regional Housing Authority
Invest Nova Scotia Board
Izaak Walton Killam Health Centre
Law Reform Commission of Nova Scotia
Nova Scotia Arts Council (inactive)
Nova Scotia Business Inc.
 Nova Scotia Independent Production Fund
Nova Scotia Community College
 Nova Scotia Community College Foundation
Nova Scotia Crop and Livestock Insurance
 Commission
Nova Scotia Farm Loan Board
Nova Scotia Fisheries and Aquaculture Loan Board
Nova Scotia Health Authority
Nova Scotia Health Research Foundation
Nova Scotia Innovation Corporation
 1402998 Nova Scotia Limited
 3087532 Nova Scotia Limited
Nova Scotia Lands Inc.
Nova Scotia Legal Aid Commission
Nova Scotia Municipal Finance Corporation
Nova Scotia Power Finance Corporation
Nova Scotia Primary Forest Products Marketing
 Board
Nova Scotia School Boards Association ¹
Nova Scotia School Insurance Exchange ²
Nova Scotia School Insurance Program
 Association ²
Nova Scotia Strategic Opportunities Fund
 Incorporated
Nova Scotia Utility and Review Board

Perennia Food & Agriculture Incorporated
Public Archives of Nova Scotia
Resource Recovery Fund Board Inc.
Schooner Bluenose Foundation
Sherbrooke Restoration Commission
South Shore Regional School Board
Strait Regional School Board
Sydney Environmental Resources Limited (inactive)
Sydney Steel Corporation
Tourism Nova Scotia
Trade Centre Limited
Tri-County Regional School Board
Upper Clements Family Theme Park Limited (inactive)
Waterfront Development Corporation Limited
 3104102 Nova Scotia Limited
 3052155 Nova Scotia Limited (inactive)

Government Business Enterprises

(Modified Equity Method)

Halifax-Dartmouth Bridge Commission
Highway 104 Western Alignment Corporation
Nova Scotia Liquor Corporation
Nova Scotia Provincial Lotteries and Casino Corporation
 Atlantic Lottery Corporation (25% ownership)
 Interprovincial Lottery Corporation (10% ownership)
 Nova Scotia Gaming Equipment Limited

Government Partnership Arrangements

(Modified Equity Method) ³

Atlantic Provinces Special Education Authority
 (approximately 56% share)
Canada-Nova Scotia Offshore Petroleum Board
 (50% share)
Canadian Sports Centre Atlantic
 (approximately 14% share)
Council of Atlantic Premiers
 (approximately 46% share)
Halifax Convention Centre Corporation (inactive)
 (50% share)

¹ - Entity is a partnership controlled by the eight school boards.

² - Entity is a partnership controlled by the eight school boards and the Nova Scotia Community College.

³ - GPAs do not meet the threshold of materiality and cost-benefit to use the proportionate consolidation method.

