



**Province of New Brunswick
Canada**

0.200% Bonds 2016–2031 of CHF 400,000,000
– with reopening clause –

The outstanding long-term debt of the Province of New Brunswick is rated “Aa2” by Moody’s and “A+” by Standard & Poor’s

Price:	Credit Suisse AG has purchased the Bonds at the price of 100.444% (before commissions and expenses)
Placement Price:	According to demand
Interest Rate:	0.200% per annum, payable annually in arrears on November 7, first interest payment on November 7, 2017
Form of Bonds/ Delivery:	The Bonds will be represented by a Permanent Global Certificate (as per Section 1 of the Terms of the Bonds); investors do not have the right to request physical delivery of individual Bonds
Minimum Denomination:	CHF 5,000 nominal and multiples thereof
Payment Date:	November 7, 2016
Redemption Date:	November 7, 2031
Early Redemption:	For tax reasons only, under certain events involving Canadian taxation (for details see section 6(b) of the Terms of the Bonds)
Reopening:	The Province of New Brunswick reserves the right to reopen this issue as per Section 1 of the Terms of the Bonds.
Assurance:	Pari Passu Clause
Trading and Listing:	The Bonds have been provisionally admitted to trading on the SIX Swiss Exchange Ltd as of November 3, 2016 and application will be made for the Bonds to be listed on the SIX Swiss Exchange Ltd. The last trading day will be November 5, 2031.
Sales Restrictions:	U.S.A. and U.S. Persons, European Economic Area
Governing Law and Jurisdiction:	The Bonds will be governed by, and construed in accordance with, the laws of the Province of New Brunswick and the laws of Canada applicable therein

Credit Suisse

Swiss Security No.: 34336680

ISIN: CH0343366800

Common Code: 151426662

Prospectus dated November 3, 2016

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SALES RESTRICTIONS

United States and U.S. Persons

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 and are in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States of America or to U.S. Persons. Credit Suisse AG has agreed that it will not offer, sell or deliver any Bond within the United States of America or to U.S. Persons except as permitted by the Bond Purchase Agreement.

In addition, until December 17, 2016, an offer or sale of Bonds within the United States of America by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area, which has implemented the Prospectus Directive (each, a **Relevant Member State**), Credit Suisse AG represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State at any time:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive);
or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Bonds referred to in (i) to (iii) above shall require the Issuer or Credit Suisse AG to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Bonds to the public** in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

General

Neither the Issuer nor Credit Suisse AG have represented that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken in any jurisdiction that would permit a public offering of the Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required.

GENERAL INFORMATION

Province of New Brunswick

Pursuant to an authorization by Order in Council 2015-152 dated July 8, 2015 and a Bond Purchase Agreement among the Province of New Brunswick (the **Issuer** or the **Province**) and Credit Suisse AG, the Issuer has decided to issue in Switzerland

0.200% Bonds 2016–2031 of CHF 400,000,000.

The net proceeds from the issue of the Bonds, amounting to CHF 400,251,000, will be utilized by the Issuer for general governmental purposes. Credit Suisse AG shall not have any responsibility for or be obliged to concern itself within the application of the net proceeds of this issue.

Prospectus

Copies of the Prospectus are available free of charge from Credit Suisse AG, Uetlibergstrasse 231, 8070 Zurich, Switzerland, or may be obtained by telephone (+41 44 333 49 73), fax (+41 44 333 57 79) or e-mail to newissues.fixedincome@credit-suisse.com.

Representative

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange Credit Suisse AG has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.

Legal Proceedings

Except as disclosed herein, the Issuer is not involved in any court, arbitration, governmental or administrative proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the past 12 months a significant effect on the financial position of the Issuer.

The Province of New Brunswick is involved in various legal proceedings. Of the proceedings outlined below, only the first three have been quantified. The rest have not yet been quantified but, depending on the outcome thereof, might be material hereto. The probability of success of any of the claims is not determinable at this time.

1. *Enbridge Gas New Brunswick Limited Partnership et al.*

The plaintiffs allege that the Issuer breached the terms of a General Franchise Agreement along with duties of good faith and related contractual obligations arising from the franchise relationship.

2. *Enbridge Gas New Brunswick Limited Partnership et al.*

The plaintiffs allege that by enacting certain legislative amendments, the Issuer extinguished their rights in relation to a certain regulatory deferral account.

3. *SNC Lavalin Inc.*

The claim is in relation to a contract for the design and rehabilitation of a bridge in Fredericton, New Brunswick.

4. *Clifford Kennedy et al.*

The plaintiffs, being four civil service retirees, commenced an action against the Issuer seeking to be representatives of all pensioners in connection with certain pension reform legislation.

5. *Guy Levesque*

The plaintiff, a civil service retiree, commenced an action against the Issuer and certain unions seeking to be the representative of all pensioners in connection with the pension reform legislation referred to immediately above. The action seeks unspecified damages for breach of contract and breach of trust due to the changes introduced by pension plan reform. Given that they deal with essentially the same subject matter, it is anticipated that either this action, or the action referred to immediately above, will be stayed, or that they will be consolidated and dealt with together.

6. *Professional Institute of the Public Service of Canada et al.*

The plaintiff, a union representing approximately 350 provincial government employees, commenced an action against the Province in connection with the pension reform legislation referenced above. The action seeks various unspecified damages due to the changes introduced by pension plan reform.

7. *Schneider & McGinnis*

In this class action lawsuit, the plaintiffs allege that, while residents of a Provincial institution, they were victims of improper, tortious conduct by a police officer as a result of negligence by the institution.

8. *055455 N.B. Inc. et al.*

This is an action by 16 video lottery terminal operators in connection with the loss of their Video Lottery Terminal businesses as a result of legislative action taken by the Government.

9. *Arren Sock and Kenneth Francis o.b.o. Elsipogtog First Nation and other members of the Mi'kmaq Nation*

The plaintiffs have served a Notice of Intended Action for declarations of Aboriginal title to certain areas of the Province of New Brunswick. The claim will be founded on breach of Constitutional obligations, breach of fiduciary duty, trespass, and nuisance.

10. *Eel River Bar First Nation*

In relation to a dam built in the 1960s, the plaintiff alleges breach of fiduciary duty on the part of the federal government for allowing the transfer of reserve land to the Province of New Brunswick, which is alleged to have caused the destruction of their culture and breach of constitutionally protected aboriginal fishing rights.

11. *Chief Ann Mary Steele et al.*

This is a claim brought by several First Nations alleging that the Crown failed to consult in the face of obvious infringements to Aboriginal and treaty rights, in circumstances where the Crown's forest strategy is unsustainable and will negatively impact on flora and fauna in the New Brunswick forests.

Recent Developments

On August 30, 2016 the provincial government released its economic and fiscal update.

The province is projecting a deficit of between \$262.4 million and \$342.4 million for the fiscal year ending March 31, 2017 as of their update. This represents a slight improvement to the budgeted deficit of up to \$347 million.

Expenditures are up \$21.7 million from budget. Expenditures in planned provincial programs are actually down slightly from budget thanks to strong expenditure management by the provincial government. However, provincial participation in new federal-provincial infrastructure initiatives has increased expenditures by \$25.7 million which is partially offset by underspending in provincial programs and by federal transfers.

Revenues are up \$6.4 million from budget. This is largely a result of an increase of more than \$40 million in federal transfers. This is offset by lower-than-expected revenues from NB Power. Because this revenue shortfall from NB Power is likely non-recoverable, and increased federal revenues are offset by increased expenditures, the government has decided to draw down its contingency fund by \$20 million.

Net debt is projected to increase by \$472.3 million, an increase of \$3.8 million from budget. Net debt is projected to reach \$13,462 million by March 31, 2017.

The 2016-17 first quarter economic and fiscal update is available online.
<http://www2.gnb.ca/content/dam/gnb/Departments/fin/pdf/Publications/2016-2017FirstQuarterReport.pdf>

No Material Change

Save as disclosed herein, there has been no material change, nor any event involving a prospective material adverse change, in the assets and liabilities, financial position or prospects of the Issuer since March 31, 2016.

Responsibility

The Issuer assumes the responsibility for the contents of this Prospectus and hereby certifies that, to the best of its knowledge and belief, the information contained in this Prospectus is correct and that no material factor has been omitted.

The Province of New Brunswick

Leonard Lee-White
Assistant Deputy Minister
Treasury Division, Department of Finance

TAXATION

European Union Savings Directive

On June 3, 2003, the Council of the European Union adopted a directive (Directive 2003/48/EC) on the taxation of savings income (the **EU Savings Directive**). Pursuant to the directive, a member state of the European Union (the **EU**) will be required to provide to the tax authorities of other EU member states information regarding payments of interest (or other similar income) paid by a person within its jurisdiction to individual residents of such other EU member states, except that Luxembourg and Austria will instead operate a withholding tax system for a transitional period in relation to such payments. EU member states were required to put the EU Savings Directive into effect by July 1, 2005.

On October 26, 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income by way of a withholding tax system and voluntary declaration in the case of transactions between parties in the EU member states and Switzerland. On the basis of such agreement, Switzerland has introduced a withholding tax on interest payments or other similar income paid by a paying agent within Switzerland to EU resident individuals as of July 1, 2005. The withholding tax is to be withheld at a rate of 35%. The beneficial owner of the interest payments may be entitled to a tax credit or refund of the withholding if certain conditions are met.

Non-EU countries which have adopted similar measures to the EC Council Directive 2003/48/EC on the taxation of savings income may also introduce an automatic exchange of information regime replacing a current withholding system. It is, for example, expected that Switzerland will replace the current withholding system by an automatic exchange of information regime (in accordance with the Global Standard released by the OECD Council in July 2014) beginning on 1 January 2017.

Prospective purchasers of the Bonds should consult their advisors concerning the impact of the EU Savings Directive. If any of the Issuer, the Principal Paying Agent or any institution where the Bonds are deposited shall be required to withhold any amount as a direct or indirect consequence of the EU Savings Directive, then there is no requirement for the Issuer to pay any additional amounts, pursuant to Condition 6.2 of the Terms and Conditions of the Bonds, relating to such withholding.

Canadian Taxation

In the respective opinions of Canadian legal advisors for the Issuer and Credit Suisse AG, the following summary describes the principal Canadian federal income tax considerations generally applicable to a holder of Bonds (a **Holder**) who, for the purposes of the Income Tax Act (Canada) (the **Act**), and at all relevant times, is not resident and is not deemed to be resident in Canada and who does not use or hold and is not deemed to use or to hold the Bond in or in the course of carrying on a business in Canada and is not an insurer carrying on an insurance business in Canada and elsewhere (a **Non-resident Holder**).

This summary is based upon the provisions of the Act in force on the date hereof and the regulations thereunder (the **Regulations**), proposed amendments to the Act and the Regulations in the form publicly announced prior to the date hereof by the Minister of Finance for Canada and the current administrative and assessing practices and policies published by the Canada Revenue Agency. This summary does not take into account or anticipate any other changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax considerations. No assurances can be given that changes in law or administrative practices or future court decisions will not affect the tax treatment of a Non-resident Holder.

This summary is of a general nature only, is not exhaustive of all Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Non-resident Holder. Non-resident Holders are advised to consult their own tax advisers with respect to their particular circumstances.

Interest (including amounts on account of or in lieu of payment of, or in satisfaction of such interest) paid or credited or deemed to be paid or credited by the Issuer to a Non-resident Holder will not be subject to Canadian non-resident withholding tax.

Generally, there are no other Canadian taxes on income (including capital gains) payable under the laws of Canada in respect of the principal of the Bonds of the Issuer or interest or premium thereon by a Non-resident Holder.

TERMS OF THE BONDS

The terms and conditions (each a **Condition**, and together the **Terms of the Bonds**) of the CHF 400,000,000 0.200 percent bonds due November 7, 2031 issued by the Issuer (each a **Bond** and collectively the **Bonds**), are as follows:

1 Amount, Form, Denomination, Custodianship and Transfer of the Bonds

- (a) The initial aggregate principal amount of the Bonds of Swiss francs (CHF) 400,000,000 (the **Aggregate Principal Amount**) is issued in denominations of CHF 5,000 and integral multiples thereof.

The Issuer reserves the right to reopen and increase the Aggregate Principal Amount at any time and without prior consultation or permission of the Holders (as defined below) further bonds which will be fungible with the Bonds (i.e. other than the Issue Date identical in respect of the Terms of the Bonds).

- (b) The Bonds are documented in the form of a Permanent Global Certificate (*Globalurkunde auf Dauer*) in accordance with article 973b of the Swiss Code of Obligations. Such Permanent Global Certificate (*Globalurkunde auf Dauer*) shall be deposited by the Principal Paying Agent with SIX SIS as recognized intermediary for such purposes by SIX Swiss Exchange for the entire duration of the Bonds and until their complete redemption.

Each holder of such Bonds (the **Holder**s and, individually, a **Holder**) shall have a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global Certificate (*Globalurkunde auf Dauer*) to the extent of its claim against the Issuer, provided that for so long as the Permanent Global Certificate (*Globalurkunde auf Dauer*) remains deposited with SIX SIS, the co-ownership interest shall be suspended and so long as the Bonds are intermediated securities (*Bucheffekten*) in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*), the Bonds may only be transferred by the entry of the transferred Bonds in a securities account of the transferee.

- (c) The records of SIX SIS will determine the number of Bonds held through each participant in SIX SIS. In respect of Bonds held in the form of intermediated securities (*Bucheffekten*), the Holders will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.
- (d) Neither the Issuer nor the Holders shall at any time have the right to effect or demand the conversion of the Permanent Global Certificate (*Globalurkunde auf Dauer*) into, or the delivery of uncertificated securities (*Wertrechte*) or individually certificated securities (*Wertpapiere*).
- (e) Individually certificated securities (*Wertpapiere*) may only be printed, in whole, but not in part, if the Principal Paying Agent determines, in its sole discretion, that the printing of such individually certificated securities (*Wertpapiere*) is necessary or useful. Should the Principal Paying Agent so determine, it shall provide for the printing of the individually certificated securities (*Wertpapiere*) without cost to the Holders.
- (f) If printed, the Bonds shall be documented by individually certificated securities (*Wertpapiere*) with coupons appertaining thereto in the principal amount of CHF 5,000, CHF 100,000 and/or CHF 1,000,000 and shall be executed by affixing thereon the facsimile signatures of two authorized officers of the Issuer.
- (g) In the case individually certificated securities (*Wertpapiere*) are printed, the Permanent Global Certificate (*Globalurkunde auf Dauer*) will immediately be cancelled by the Principal Paying Agent and the individually certificated securities (*Wertpapiere*) shall be delivered to the Holders against cancellation of the respective intermediated securities (*Bucheffekten*) in their respective securities accounts.

2 Interest

The Bonds bear interest from (but excluding) November 7, 2016 (the **Issue Date**) at the rate of 0.200 percent of their Aggregate Principal Amount per annum, payable annually in arrears on November 7 of each year (the **Interest Payment Date**), for the first time on November 7, 2017. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months.

3 Redemption, Purchase and Cancellation

(a) Redemption at Maturity

Unless previously redeemed, the Issuer undertakes to repay all outstanding Bonds at par, without further notice on November 7, 2031 (the **Maturity Date**).

(b) Redemption for Tax Reasons

The Bonds may be redeemed for tax reasons prior to the Maturity Date as provided in Condition 6 hereof.

(c) Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) days' prior notice to the Principal Paying Agent, the Issuer may redeem the Bonds at any time after the Issue Date and prior to the Maturity Date, in whole, but not in part only, at par plus accrued interest, if any, on the date determined by the Issuer for early redemption, if eighty-five (85) percent or more of the Aggregate Principal Amount have been redeemed or purchased and cancelled at the time of such notice.

(d) Purchases

The Issuer or any of its respective Subsidiaries may, either directly or indirectly, at any time purchase Bonds at any price, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Holders alike.

(e) Cancellation

All Bonds which are redeemed or surrendered to the Principal Paying Agent shall immediately be cancelled. All Bonds so cancelled cannot be reissued or resold.

(f) Notice

Where the provisions of this Condition 3 provide for the giving of notice by the Issuer to the Principal Paying Agent, such notice shall be deemed to be validly given if made in writing with all required information to the Principal Paying Agent within the prescribed time limit. Such notices shall be announced to the Holders as soon as practicable pursuant to Condition 9. Such notices shall be irrevocable.

4 Payments

The amounts required for payments under these Terms of the Bonds will be made available in good time in freely disposable CHF which will be placed at the free disposal of the Principal Paying Agent. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Holders will not be entitled to any additional sum in relation thereto. All payments with respect to the Bonds (including Additional Amounts, if any) will be made to the Holders in CHF without collection costs.

The receipt by the Principal Paying Agent of the due and punctual payment of the funds in CHF as provided above shall release the Issuer from its payment obligations under the Bonds to the extent of such payments. Upon receipt of funds as provided above, the Principal Paying Agent shall arrange for payment to the Holders through SIX SIS in accordance with standard Swiss market practice.

In the case the Bonds will be printed and documented in the form of individually certificated securities (*Wertpapiere*) in accordance with Conditions 1 (e) through (g),

- (i) all payments of interest will be made only against presentation of the coupons appertaining thereto, and all payments of principal will be made only against presentation and surrender of the individually certificated securities (*Wertpapiere*), in each case at any office or counter of the Principal Paying Agent in Switzerland, and
- (ii) upon the individually certificated securities (*Wertpapiere*) becoming due and repayable prior to the Maturity Date, all unmatured coupons (if any) appertaining thereto will become void.

If the Bonds are not redeemed when due, interest shall continue to accrue until (and including) the day when the Bonds are redeemed.

If, at any time during the life of the Bonds, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent as contemplated by these Terms of the Bonds or shall be adjudged bankrupt or insolvent, the Principal Paying Agent may be substituted by a duly licensed Swiss bank or branch of a foreign bank in Switzerland chosen by the Issuer, being a member of SIX SIS. In the event of such replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement.

Notice of such a replacement shall be published in accordance with Condition 9.

5 Statute of Limitations

The Bonds and Coupons will become void unless presented for payment within two (2) years after the due date for payment.

6 Taxation

(a) Payment of Additional Amounts

All payments of principal and interest on the Bonds by the Issuer to the Principal Paying Agent will be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or in or on behalf of the government of Canada, or by or on behalf of any province or political subdivision, any authority or agency therein having power to tax (hereinafter together called (the **Withholding Taxes**), unless such deduction or withholding is required by law.

In the event that any Withholding Taxes on any such payments to the Principal Paying Agent must be withheld at source by the Issuer, the Issuer shall pay such additional amounts (the **Additional Amounts**) as may be necessary in order that the net amounts received by the Holders after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable in respect of the relevant Bonds and/or Coupons in the absence of such deduction or withholding. No such Additional Amounts shall, however, be payable on account of any taxes, duties or governmental charges which:

- (i) are payable otherwise than by deduction or withholding from payments of principal or interest under these Terms of the Bonds; or
- (ii) are payable by reason of the Holder having, or having had, some personal or business connection with Canada and not merely by reason of the holding of the Bond or Coupon; or
- (ii) are payable by reason of a change in law that becomes effective more than thirty (30) days after the relevant payment of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with Condition 9, whichever occurs later; or
- (iv) are payable or required to be withheld or deducted where such withholding or deduction is imposed on a payment to an individual or a residual entity and (i) is required to be made pursuant to the European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income (the **EU Savings Tax Directive**) or any law or other governmental regulation implementing or complying

with, or introduced in order to conform to, such EU Savings Tax Directive, or (ii) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the EU Savings Tax Directive or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements; or

- (v) would have been avoided if the Holder had made a declaration of non-residence or similar claim for exemption or reduction of the applicable deduction or withholding but fails to do so; or
 - (vi) are required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on August 24, 2011, in particular the principle to have a person other than the Issuer withhold or deduct the tax, such as, without limitation, any paying agent; or
 - (vii) are payable by or on behalf of a Holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
 - (viii) are required to be withheld or deducted pursuant to an agreement between Switzerland and other countries on final withholding taxes (*internationale Quellensteuern*) levied by a bank in Switzerland in respect of an individual resident in the other country on interest or capital gain paid, or credited to an account, relating to the Bonds; or
 - (ix) are required to be withheld or deducted on any payment by reason of the signing into law on March 18, 2010 of the United States of America's Hiring Incentives to Restore Employment Act (the 'HIRE Act' also referred to as 'FACTA'); or
 - (x) are any combination of the above.
- (b) Early Redemption for Tax Reasons

If, as a result of any change in, or amendment to, the laws or regulations prevailing in the Province of New Brunswick or in Canada, which change or amendment becomes effective on or after the Closing Date, or as a result of any application or official interpretation of such laws or regulations not generally known before that date, Withholding Taxes are or will be due on payments by the Issuer to the Principal Paying Agent of principal or interest in respect of the Bonds which cannot be avoided and, by reason of the obligation to pay Additional Amounts as provided in Condition 6 (a) hereof, such Withholding Taxes are to be borne by the Issuer, the Issuer may redeem the Bonds in whole, but not in part, at any time, on giving not less than sixty (60) days notice, at 100% of their principal amount, together with interest accrued to the date fixed for redemption. No such notice of redemption shall be given earlier than ninety (90) days prior to the earliest date on which the Issuer would be obliged to withhold or pay Withholding Taxes were a payment in respect of the Bonds or Coupons then made.

Any such notice shall be given by publication in accordance with Condition 9 hereof. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

7 Status of the Bonds

The Bonds constitute direct, unsubordinated, unsecured obligations of the Issuer and among themselves rank *pari passu* and will be payable rateably without any preference or priority. The Bonds will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness and obligations from time to time outstanding. Payment of principal and interest on the Bonds will be a charge on and payable out of the Consolidated Fund of New Brunswick.

8 Events of Default

If any of the following events (each event an **Event of Default**) shall occur, Credit Suisse in its capacity as Holders' representative (the **Holder's Representative**) has the right but not the obligation, on behalf of the Holders, to declare all outstanding Bonds immediately due and repayable at par plus accrued interest:

- a) default by the Issuer in its obligation hereunder to make payment of the principal of, or redemption price of, any of the Bonds as and when the same shall become due and payable in accordance with the Terms of the Bonds, whether at maturity, upon redemption, or otherwise; or
- b) default by the Issuer in its obligation hereunder to make payment of any installment of interest on, or any Additional Amounts with respect to, any of the Bonds as and when the same shall become due and payable in accordance with the Terms of the Bonds, and such default shall continue for a period of thirty (30) days; or
- c) failure on the part of the Issuer to duly observe or perform in any material respect any other of the covenants or agreements on the part of the Issuer in the Terms of the Bonds or in the Agreement for a period of sixty (60) days after the date on which written notice of such failure, requiring the Issuer to remedy the same, shall have been given to the Issuer by the Principal Paying Agent on behalf of the Holders; or
- d) a general moratorium is declared by the Issuer in respect of its indebtedness or the Issuer stops payment generally or announces its inability to meet its financial obligations as they become due.

If an Event of Default occurs, the Holders' Representative has the right but not the obligation to serve a written notice of default (**Default Notice**), such notice having the effect that the Bonds shall become immediately due and payable at par plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Holders' Representative may invite the Holders in accordance with Condition 14 to a Holders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Holders' Representative has not served such Default Notice itself. The legally valid resolution of the Holders' meeting to serve a Default Notice, shall replace the right reserved by the Holders' Representative according to these Terms of the Bonds to serve a Default Notice on behalf of the Holders. If the Holders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Holders' Representative whereby the Holders' Representative shall not be bound by the resolution of the Holders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

9 Notices

All notices regarding the Bonds shall be given through the Principal Paying Agent on behalf and at the expense of the Issuer (i) for so long as the Bonds are listed on SIX Swiss Exchange on the internet site of SIX Swiss Exchange (where notices are currently published under the address www.six-swiss-exchange.com/news/official_notices/search_en.html) or (ii) in case the Bonds were no longer listed on SIX Swiss Exchange in a daily newspaper with general circulation in Switzerland (which is expected to be the *Neue Zürcher Zeitung*).

10 Listing

Application will be made for the admission to trading and listing of the Bonds on SIX Swiss Exchange.

The Issuer will use reasonable endeavours to have the Bonds listed on SIX Swiss Exchange and to maintain such listing as long as any Bonds are outstanding.

11 Currency Indemnification

If any payment obligation of the Issuer under the Bonds has to be converted from CHF into a currency other than CHF (to obtain a judgment, execution or for any other reason), the Issuer undertakes as a separate and independent obligation to indemnify the Holders for any shortfall caused by fluctuations of the exchange rate applied for such conversion.

The rate of exchange to be applied in calculating such shortfall shall be the Principal Paying Agent's spot rate of exchange prevailing between CHF and the other currency on the date on which the relevant conversion is necessary.

12 Replacement of Bonds in the form of individually certificated securities (*Wertpapiere*)

If individually certificated securities (*Wertpapiere*) have been printed, any individually certificated securities (*Wertpapiere*) which are mutilated, stolen, lost or destroyed may be replaced at the Principal Paying Agent against payment of such costs as may be incurred in connection therewith and on such terms as to evidence (including, in the case of stolen, lost or destroyed individually certificated securities (*Wertpapiere*), surrender of a copy (certified in a manner satisfactory to the Issuer and the Principal Paying Agent of the final and conclusive judgement of nullification from the competent courts as specified in Condition 13) and such guarantee as the Issuer and the Principal Paying Agent may require and, in the case of mutilation upon surrender of the mutilated individually certificated securities (*Wertpapiere*).

13 Governing Law and Jurisdiction

The Bonds and Coupons are governed by the laws of the Province of New Brunswick and the laws of Canada applicable therein.

Each party irrevocably attorns and submits to the non-exclusive jurisdiction of the New Brunswick courts situated in the Province of New Brunswick, and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

14 Holders' Meeting

- (a) The Holders' Representative, the Issuer may at any time convene a meeting of the Holders (**a Holders' Meeting**).

If an Event of Default has occurred and is continuing and as long as the Holders' Representative has not exercised its rights under Condition 8 with respect thereto, the Holders who wish that a Holders' Meeting should be convened and who represent at least ten (10) percent of the Aggregate Principal Amount then outstanding and who are entitled to participate and to vote in accordance with para. (f) and (h) of this Condition 14 may at any time require the Issuer to convene a Holders' Meeting which shall convene such a meeting as soon as commercially possible upon receipt of such request.

- (b) The costs for such Holders' Meeting shall be borne by the Issuer or, in the case the Issuer is prohibited by law to pay these costs, by the Holders convening such meeting (each of these Holders shall bear such costs in relation to its respective holding of Bonds at the time of such Holders' request to the Issuer to convene a Holders' Meeting).
- (c) A Holders' Meeting may consider any matter affecting the interests of the Holders' Meeting (other than matters on which the Holders' Representative has previously exercised its rights contained in Condition 8 above and Condition 15 below), including any modification of, or arrangement in respect of the Terms of the Bonds.
- (d) Notice convening a Holders' Meeting shall be given at least twenty (20) days prior to the proposed date thereof. Such notice shall be given in accordance with Condition 9. It shall state generally the nature of the business to be transacted at such Holders' Meeting. If an Extraordinary Resolution (as defined below) is being proposed, the wording of the proposed resolution or resolutions shall be indicated. The notice shall specify the day, hour and place of the Holders' Meeting and also the formal requirements referred

to in para. (f) of this Condition 14. The Issuer (at its head office) and the Principal Paying Agent (at the Specified Office) will make a copy of such notice available for inspection by the Holders during normal business hours.

- (e) All Holders' Meetings shall be held in Zurich, Switzerland. A chairman (the **Chairman**) shall be nominated by the Issuer after consultation with the Holders' Representative in writing. If no person has been so nominated or if the nominated person is not be present at the Holders' Meeting within thirty (30) minutes after the time fixed for holding the Holders' Meeting, the Holders present shall choose the Chairman instead.

The Chairman shall lead and preside over the Holders' Meeting. Among others, it shall be his duty to determine the presence of persons entitled to vote and to inquire if the necessary quorum (as set forth below) is present. He shall instruct the Holders as to the procedure of the Holders' Meeting and the resolutions to be considered. He shall sign the minutes referred to in para. (l) of this Condition 14.

In the case of any equality of votes, the Chairman shall have a casting vote.

A declaration by the Chairman that a resolution has been supported or supported by a particular majority in accordance with para. (g) and (i) of this Condition 14 or not supported or not supported by a particular majority in accordance with para. (g) and (i) of this Condition 14 shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

- (f) Each person who produces a certificate by a bank in respect of such Bond relating to that Holders' Meeting is entitled to attend and to vote on the resolutions proposed at such Holders' Meeting. Bank certificates shall be dated before the date of the Holders' Meeting and confirm that the respective Bonds are deposited in a securities account (*Effektenkonto*) with that bank and will remain so deposited with such bank until and including the date of the Holders' Meeting and that the bank has not issued any other such certificate with respect to such Bonds.
- (g) The presence quorum necessary in order to vote on resolutions proposed at a Holders' Meeting shall be persons entitled under para. (f) and (h) of this Condition 14 holding or representing persons holding in the aggregate at least the following percentages of the Aggregate Principal Amount of all Bonds then outstanding:

Each Ordinary Resolution: twenty-five (25) percent
Each Extraordinary Resolution: sixty-six (66) percent

The terms Ordinary Resolution and Extraordinary Resolution are defined below.

If within thirty (30) minutes after the time fixed for any Holders' Meeting a sufficient quorum is not present, the Holders' Meeting shall be dissolved.

- (h) Holders' voting rights shall be determined according to the principal amount of outstanding Bonds held, with each of CHF 5,000 in nominal amount being entitled to one vote.

Bonds held by or on behalf of the Issuer or any other natural person or legal entity,

- (i) which directly or indirectly owns or controls more than fifty (50) percent of the equity share capital of the Issuer, or
- (ii) of which, in the case of a legal entity, more than fifty (50) percent of the equity share capital is controlled by the Issuer directly or indirectly, or
- (iii) where the Issuer is in a position to exercise, directly or indirectly, a control over the decisions or actions of such natural person or legal entity or representative thereof, irrespective of whether or not the latter is affiliated to the Issuer,

shall not be entitled to vote at a Holders' Meeting.

- (i) A resolution shall be validly passed if approved by at least the following percentages of votes cast at a duly convened Holders' Meeting held in accordance with this Condition 14:

Each Ordinary Resolution: fifty-one (51) percent
Each Extraordinary Resolution: sixty-six (66) percent

Every proposal submitted to a Holders' Meeting shall be decided upon a poll.

- (j) Any resolution which is not an Extraordinary Resolution in accordance with para. (k) of this Condition 14 shall be deemed to be an Ordinary Resolution.

- (k) An Extraordinary Resolution shall be necessary to decide on the following matters at a Holders' Meeting:

- to postpone the maturity beyond the stated maturity of the principal of any Bonds, or
- to reduce the amount of principal payable on any Bonds, or
- to change the date of interest payment on any Bonds, or
- to change the rate of interest, or the method of computation of interest, on any Bonds, or
- to change any provision for payment contained in the Terms of the Bonds or the place or the currency of repayment of the principal of any Bonds or interest on any Bonds, or
- to amend or modify or waive the whole or any parts of Condition 8 or para. (f), (g), (h), (i) or (k) of this Condition 14, or
- to create unequal treatment between Holders of the same class, or
- to convert the Bonds into equity, or
- to change the choice of law and the jurisdiction clause contained in Condition 13.

The above-mentioned list of issues for which an Extraordinary Resolution shall be necessary is exclusive.

- (l) Any resolution approved at a Holders' Meeting held in accordance with this Condition 14 shall be conclusive and binding on the Issuer and on all present or future Holders, whether present or not at the Holders' Meeting, regardless of whether such Holders have approved such resolution. The Holders shall not be entitled to any improvement of their position vis-à-vis the Issuer pursuant to resolution approved at a Holders' Meeting without prior written approval of the Issuer. Any resolution approved at a Holders' Meeting, which increased the obligations of the Issuer under the Terms of the Bonds shall become effective only after written approval of the Issuer.

Minutes of all resolutions and proceedings at a Holders' Meeting shall be made and signed by the Chairman pursuant to para. (e) of this Condition 14.

- (m) If no Holder or an insufficient number of Holders attend a Holders' Meeting, the right to decide on the redemption of the Bonds or any other measures to protect the interests of the Holders available to the Holder's Representative according to the Terms of the Bonds shall revert to the absolute discretion of the Holders' Representative. Any such decision of the Holders' Representative shall be final and binding upon the Issuer and the Holders.

15 Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended by agreement between the Issuer and the Holders' Representative on behalf of the Holders, provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error and is not materially prejudicial to the interests of the Holders. Notice of any such amendment shall be published in accordance with Condition 9.

16 Role of Credit Suisse

Credit Suisse has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

17 Interest Act (Canada)

For the purposes of disclosure pursuant to the *Interest Act (Canada)* and for that purpose only, the yearly rate of interest which is equivalent to the rate of interest for any period of less than one year computed as provided in the Bonds, is the rate of interest for such period multiplied by a fraction the numerator of which is the actual number of days in the 12-month period constituting such year and commencing on the same day as such period and the denominator of which is the actual number of days in such period.

18 Definitions

Business Day means any day (other than Saturday or Sunday) on which banks are open the whole day for business in Zurich, Toronto and New York.

Credit Suisse means Credit Suisse AG, Paradeplatz 8, CH-8001 Zurich, Switzerland.

Issuer means the Province of New Brunswick, Canada.

Listing Agent means Credit Suisse, appointed as recognized representative pursuant to art. 43 of the listing rules of SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Bonds with SIX Swiss Exchange.

Principal Paying Agent means Credit Suisse in its function as principal paying agent.

SIX SIS means SIX SIS Ltd, the Swiss clearing and settlement organization, Baslerstrasse 100, CH-4600 Olten, Switzerland, or any successor organization accepted by SIX Swiss Exchange.

SIX Swiss Exchange means SIX Swiss Exchange Ltd, Selnaustrasse 30, CH-8001 Zurich, Switzerland (P.O. Box 1758, CH-8021 Zurich, Switzerland) or any successor exchange.

Specified Office means the office of the Principal Paying Agent at Paradeplatz 8, CH-8001 Zurich, Switzerland.

PROVINCE OF NEW BRUNSWICK – GENERAL INFORMATION

Introduction

New Brunswick (**New Brunswick** or the **Province**) is located on the eastern seaboard of Canada and is one of the four Atlantic provinces. New Brunswick has a total area of 28,355 square miles of which about 12,877 square miles is Crown land owned by the Province. The St. John River flows for a distance of over 300 miles through the Province to its mouth on the Bay of Fundy. The Province's population is concentrated principally in the valleys of the St. John and other rivers.

A large part of New Brunswick is covered by forests which constitute a major natural resource. Other natural resources include fish and shellfish, farmland and base metals, coal, potash, limestone and other minerals. The location of the Province provides the advantage of cost effective water transportation for its products to export markets in the eastern U.S., Great Britain and Western Europe. Saint John, New Brunswick's largest city, located at the mouth of the St. John River on the Bay of Fundy, is home to one of North America's largest oil refineries and is one of the two principal seaports in eastern Canada that remain open throughout the year. Consequently, some Canadian shipping, which would otherwise pass through the St. Lawrence River, is diverted to the Saint John port during the winter months.

According to Statistics Canada, the population of the Province on July 1, 2015 was estimated at 753,871. The three largest urban areas of New Brunswick and their respective populations based on 2011 census figures are Saint John (138,644), Moncton (127,761) and Fredericton (94,268), the capital of the Province.

Government

Canada consists of a federation of provinces and Federal territories with a constitutional division of powers between the Federal and provincial governments established by the *Constitution Act, 1867* and the *Constitution Act, 1982*. Under these Acts the provinces are assigned jurisdiction over health, social services, education, municipal institutions, property and civil rights, natural resources and other matters of purely private or local concern. The Parliament of Canada has jurisdiction over all areas not assigned exclusively to the provincial legislatures, including such matters as the Federal public debt and property, the regulation of trade and commerce, currency and coinage, banks and banking, national defense, the postal services, railways and navigation, and employment insurance.

The *Constitution Act, 1982* provides for enlarged provincial jurisdiction over, and taxation of, certain natural resources and electrical energy, a Charter of Rights and Freedoms, including language rights, the principles of the reduction of regional economic disparities and the making of fiscal equalization payments to certain provinces by the Government of Canada, and for the amendment of the constitution in Canada. Each province owns mineral and other resources on its provincial Crown Lands and may own sub-surface resources on its other lands.

The executive power in New Brunswick is vested in the Lieutenant-Governor acting on the advice of the Executive Council. The Executive Council is responsible to the Legislative Assembly. The Lieutenant-Governor, who is the representative of the Queen, is appointed by the Governor-General of Canada in Council on the recommendation of the Prime Minister of Canada. The current Lieutenant-Governor is the Honourable Jocelyne Roy-Vienneau. Members of the Executive Council are appointed by the Lieutenant-Governor on the nomination of the Premier from members of the Legislative Assembly. There are presently 15 members of the Executive Council, including the Premier, the Honourable Brian Gallant.

Legislative power is exercised by the Legislative Assembly and legislation becomes effective upon the assent of the Lieutenant-Governor unless otherwise specified in the legislation. The Legislative Assembly is elected for a term of four years and may be dissolved at any time by the Lieutenant-Governor. The Electoral Boundaries and Representation Commission acting under the *Electoral Boundaries and Representation Act* filed its report in June of 2014 which saw the number of seats in the Legislative Assembly reduced from 55 to 49. The last Provincial general election was held on September 22, 2014, in which the Liberal Party defeated the Progressive Conservative Party. Of the 49 seats in the Legislative Assembly, 26 are currently held by the Liberal Party, 22 are held by the Progressive Conservative Party and 1 is held by the Green Party. Subject to the *Legislative Assembly Act*, the next Provincial general election will be held on September 24, 2018 and thereafter on the fourth Monday in September in the fourth calendar year following the most recently held provincial general election.



PROVINCE OF NEW BRUNSWICK – MEMBERS OF THE EXECUTIVE COUNCIL

Members of the Executive Council (List of Ministers)

Speaker of the Legislative Assembly: Hon. Chris Collins

Hon.	Cabinet	
Brian Gallant	Premier	Office of the Premier
Brian Gallant	President	Executive Council Office
Brian Gallant	Minister responsible	Education and New Economy Fund
Brian Gallant	Minister responsible	Innovation
Brian Gallant	Minister responsible	Women's Equality
Brian Gallant	Minister responsible	Rural Affairs
Brian Gallant	Minister responsible	Premier's Council on Status of Disabled Persons
Stephen Horsman	Deputy Premier	Office of the Deputy Premier
Stephen Horsman	Minister	Families and Children
Stephen Horsman	Minister responsible	Military Affairs
Denis Landry	Minister	Justice and Public Safety
Donald Arseneault	Minister	Post-Secondary Education, Training and Labour
Donald Arseneault	Minister responsible	Intergovernmental Affairs
Donald Arseneault	Minister responsible	Official Languages
Donald Arseneault	Minister responsible	Regional Development Corporation
Rick Doucet	Minister	Agriculture, Aquaculture and Fisheries
Rick Doucet	Minister	Energy and Resource Development
Victor Boudreau	Minister	Health
Ed Doherty	Minister	Service New Brunswick
Ed Doherty	Minister responsible	Aboriginal Affairs
Ed Doherty	Minister responsible	Poverty Reduction and the Economic and Social Inclusion Corporation
Brian Kenny	Minister	Education and Early Childhood Development
Bill Fraser	Minister	Transportation and Infrastructure
Bill Fraser	Minister responsible	Northern and Miramichi Funds
Roger Melanson	President	Treasury Board
Roger Melanson	Minister responsible	Trade Policy
Francine Landry	Minister	Economic Development
Francine Landry	Minister responsible	Francophonie
Francine Landry	Minister responsible	Opportunities NB
Cathy Rogers	Minister	Finance
Cathy Rogers	Minister responsible	Literacy
Serge Rousselle	Minister	Environment and Local Government
Serge Rousselle	Attorney General	Office of the Attorney General
John Ames	Minister	Tourism, Heritage and Culture
Lisa Harris	Minister	Seniors and Long-term Care
Lisa Harris	Minister responsible	Celtic Affairs

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**PROVINCE OF NEW BRUNSWICK –
FINANCIAL STATEMENTS AS AT MARCH 31, 2016**

Consolidated Financial Statements

Volume 1



*PUBLIC
ACCOUNTS*
for the fiscal year ended
31 March 2016

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

New  Nouveau
Brunswick

Consolidated Financial Statements

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PUBLIC
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for the fiscal year ended
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ISSN 0382-1277

ISBN printed version: 978-1-4605-1090-2

ISBN PDF version: 978-1-4605-1091-9



New  Nouveau
Brunswick

To Her Honour,

The Honourable Jocelyne Roy Vienneau
Lieutenant-Governor of the Province of New Brunswick

The undersigned has the honour to submit the Public Accounts of the Province of New Brunswick for the fiscal year ended 31 March 2016.

I am, Your Honour,



Cathy Rogers
Minister of Finance

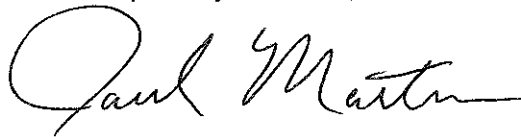
Fredericton, New Brunswick
September 2016

The Honourable Cathy Rogers
Minister of Finance

Madam:

The undersigned has the honour to present to you the Public Accounts of the Province of New Brunswick for the fiscal year ended 31 March 2016.

Respectfully submitted,



Paul Martin, FCPA, FCA
Comptroller

Fredericton, New Brunswick
September 2016

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INTRODUCTION VOLUME I

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

This volume contains the audited consolidated financial statements of the Provincial Reporting Entity as described in Note 1 to the consolidated financial statements. They include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations, a Consolidated Statement of Cash Flow, a Consolidated Statement of Change in Net Debt and a Consolidated Statement of Change in Accumulated Deficit. This volume also contains the Independent Auditor's Report, Statement of Responsibility, management's comments on the Results for the Year, Major Variance Analysis and a discussion of the Indicators of Financial Health of the Province.

Volume II contains unaudited supplementary information to the consolidated financial statements presented in Volume I. It presents summary statements for revenue and expenditure as well as five-year comparative statements. This volume also contains detailed information on Supplementary Appropriations, Funded Debt, statements of the General Sinking Fund and revenue and expenditure by government department.

In addition, the Government includes the following lists on the Office of the Comptroller web site at www.gnb.ca/finance:

- Salary information of government employees and employees of certain government organizations in excess of \$60,000. Salary information is for the calendar year and is reported under the department where the employee worked at 31 December;
- Travel and other employee expenses in excess of \$12,000 paid during the year to government employees, separated by department;
- Payments made to suppliers during the year in excess of \$25,000 separated by department as well as a global listing including payments made by all departments;
- Loans disbursed to recipients during the year in excess of \$25,000 separated by department.



STATEMENT OF RESPONSIBILITY

The consolidated financial statements of the Province of New Brunswick are prepared each year by the Comptroller as required under section 14 of the *Financial Administration Act*. The Results for the Year, Major Variance Analysis and Indicators of Financial Health commentaries are prepared jointly by the Department of Finance and the Office of the Comptroller. The consolidated financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations, a Consolidated Statement of Cash Flow, a Consolidated Statement of Change in Net Debt and a Consolidated Statement of Change in Accumulated Deficit.

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

On behalf of the Government:

A handwritten signature in black ink, appearing to read "Cathy Rogers".

Cathy Rogers
Minister of Finance

September 2016

RESULTS FOR THE YEAR

General Comments

The Province budgeted a deficit of \$476.8 million for the March 31, 2016 fiscal year. This included a \$150.0 million contingency reserve, intended to protect the Province against potential revenue weakness. Given the numerous factors that impact the economy and revenues which are beyond the Province's control, the government demonstrated prudence in introducing a contingency reserve in the budget in order to protect the Province from unforeseen circumstances. During the year, the reserve was not required and the budgeted deficit was reduced to \$326.8 million.

The Province's summary financial statements, contained in this volume of Public Accounts, report a deficit for the fiscal year ended 31 March 2016 of \$260.5 million. This represents a decrease of \$66.3 million from the budgeted deficit of \$326.8 million. The difference is the result of higher than budgeted revenues of \$78.3 million, and higher than budgeted expenses of \$12.0 million.

Revenues were \$78.3 million higher than budget. Other Provincial Revenue increased \$149.3 million due to the inclusion of nursing homes within the provincial reporting entity, the recording of school raised funds (which started in 2015), and higher than budgeted revenues from the New Brunswick Lottery and Gaming Corporation and the Regional Health Authorities. These increases were partially offset by lower than budgeted revenue of \$73.3 million from the New Brunswick Power Corporation.

Expenses were \$12.0 million higher than budget. The major over-expenditures were in Social Development, mainly due to the inclusion of nursing homes within the provincial reporting entity; in Health due to higher costs in the Regional Health Authorities and the Medicare program; and in Protection Services, mainly due to Disaster Financial Assistance funding associated with various storm events. These increases were offset by a number of under expenditures, particularly in Economic Development and Central Government.

A more detailed discussion of major variances can be found in the major variance section that follows.

Summary Financial Information

(millions)

Consolidated Statement of Financial Position		
	2016	2015
Financial Assets	\$ 8,584.2	\$ 8,187.8
Liabilities	(22,243.8)	(21,306.0)
Net Debt	(13,659.6)	(13,118.2)
Tangible Capital Assets	8,738.5	8,585.7
Other Non Financial Assets	219.0	234.2
Total Non Financial Assets	8,957.5	8,819.9
Accumulated Deficit	\$ (4,702.1)	\$ (4,298.3)

Consolidated Statement of Operations		
	2016	2015
Revenue – Provincial Sources	\$ 5,433.5	\$ 5,429.4
Revenue – Federal Sources	2,952.7	3,009.8
Total Revenue	8,386.2	8,439.2
Expenses	8,646.7	8,800.6
Surplus / (Deficit)	\$ (260.5)	\$ (361.4)

Consolidated Statement of Change in Net Debt		
	2016	2015
Opening Net Debt	\$ (13,118.2)	\$ (12,415.1)
Increase in Net Debt From Operations	(541.4)	(703.1)
Ending Net Debt	\$ (13,659.6)	\$ (13,118.2)

Revenue

Revenues of the Province for the past ten years, as restated, are shown in the table below. The consolidation of nursing homes was accounted for retroactively to opening 2015 net debt and accumulated deficit balances. As such, the impact of the accounting change is only reflected in the 2015 and 2016 numbers below.

(\$ millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Provincial Sources	4,221.5	4,467.1	4,462.0	4,178.7	4,609.8	4,928.8	4,784.6	4,896.2	5,429.4	5,433.5
Federal Sources	2,530.9	2,720.6	2,763.6	2,940.8	2,930.3	2,874.2	3,000.5	2,877.9	3,009.8	2,952.7
Total Revenue	6,752.4	7,187.7	7,225.6	7,119.5	7,540.1	7,803.0	7,785.1	7,774.1	8,439.2	8,386.2

Average annual revenue growth over the ten-year period is 2.8%. In 2016, year-over-year revenue decreased by 0.6%. Increased revenue from Taxes, Other Provincial Revenue and Unconditional Grants was more than offset by decreased revenue from the New Brunswick Power Corporation and lower Conditional Grants, due in part to one-time revenue received in 2015.

Expense

Expenses of the Province for the past ten years, as restated, are shown in the table below. The consolidation of nursing homes and the change in accounting policy for pensions were accounted for retroactively to opening 2015 net debt and accumulated deficit balances. As such, the impacts of the accounting changes are only reflected in the 2015 and 2016 numbers below.

(\$ millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Expense	6,475.1	6,946.6	7,377.6	7,815.4	8,157.3	8,047.8	8,318.3	8,374.5	8,800.6	8,646.7

Average annual expense growth over the ten-year period is 3.5%. In 2016, expenses decreased by \$153.9 million year-over-year, a 1.7% decrease. This was due in large part to a one-time expense associated with the reform of the Teachers' Pension Plan in 2015, as well as decreased expenses in Economic Development, Transportation and Infrastructure, and Resources. These decreases were partially offset by increased expenses in other areas, including Health and Central Government.

Surplus / (Deficit)

Surpluses (or Deficits) of the Province for the past ten years, as restated, are shown in the table below.

(\$ millions)

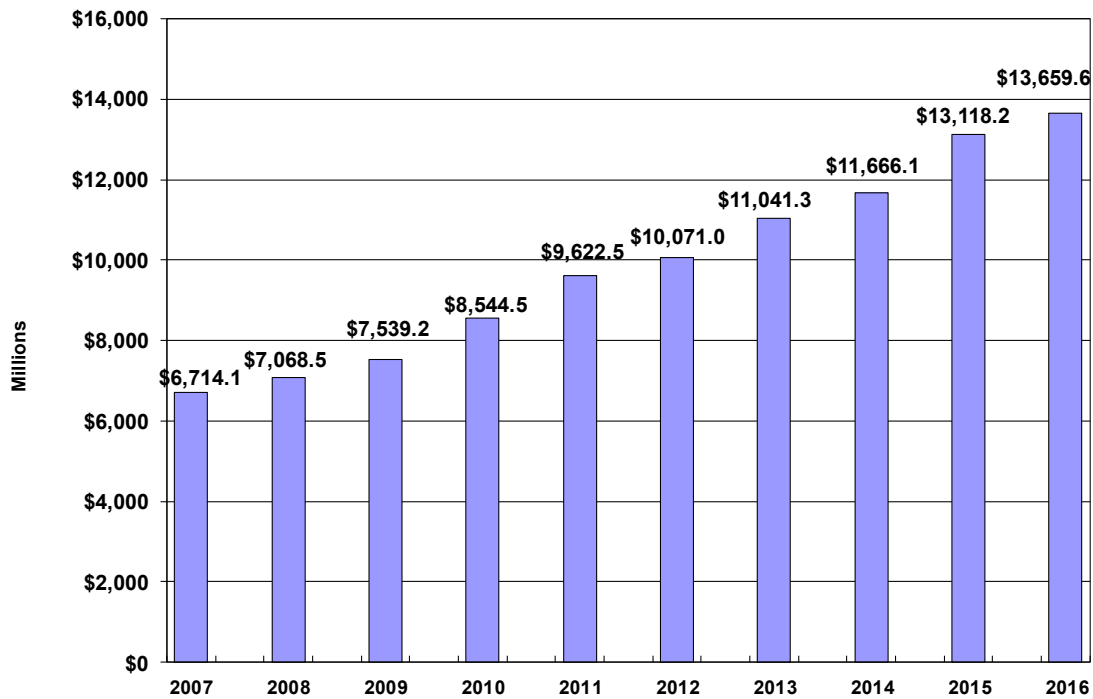
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Surplus/(Deficit)	277.3	241.1	(152.0)	(695.9)	(617.2)	(244.8)	(533.2)	(600.4)	(361.4)	(260.5)

The deficit for the year ended 31 March 2016 was \$260.5 million, which is lower than the budgeted deficit of \$326.8 million. The lower deficit was a result of higher than budgeted revenue of \$78.3 million mainly due to the consolidation of nursing homes and higher personal income tax revenue, offset by lower than budgeted revenue from the New Brunswick Power Corporation. Expenses were higher than budgeted by just \$12.0 million due to a number of factors, including the consolidation of nursing homes.

Net Debt

Net debt increased by \$541.4 million during the year ended 31 March 2016, an increase of \$105.9 million from the budgeted increase of \$435.5 million. The increase in net debt is related to the operating deficit and net capital asset transactions of highways, hospitals, schools and other buildings.

Net Debt



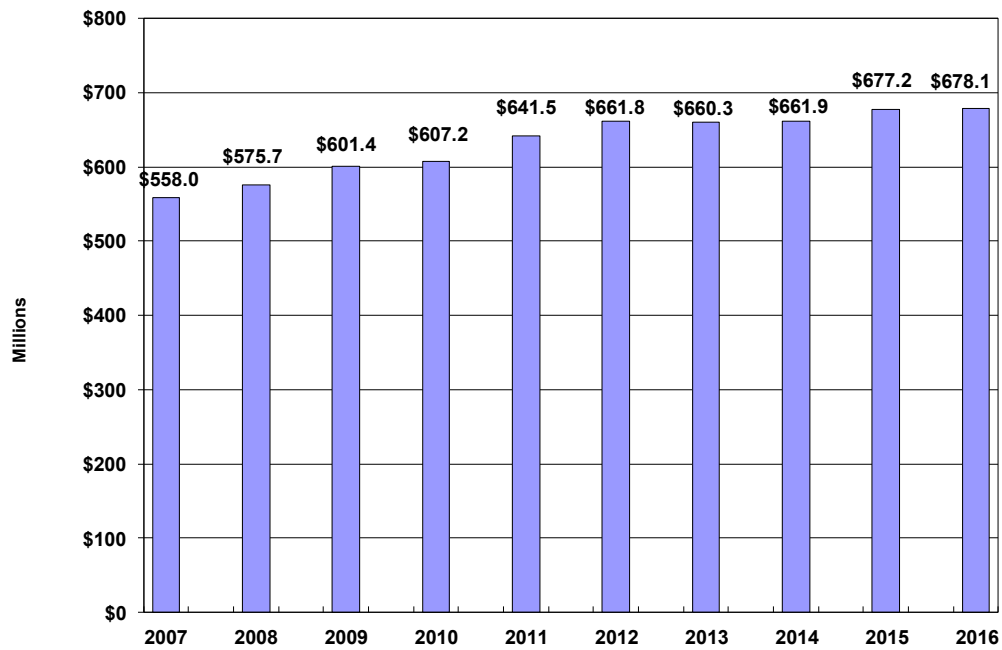
(\$ millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Debt	6,714.1	7,068.5	7,539.2	8,544.5	9,622.5	10,071.0	11,041.3	11,666.1	13,118.2	13,659.6

Cost of Servicing the Public Debt

The Province's cost of servicing the Public Debt totaled \$678.1 million for the year ended 31 March 2016. This represents a slight increase of \$0.9 million from 2015, largely due to a higher level of debt which was partially offset by refinancing maturing debt at lower interest rates and the repayment of maturing debt from the sinking fund.

Cost of Servicing the Public Debt



(\$ millions)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cost of Servicing the Public Debt	558.0	575.7	601.4	607.2	641.5	661.8	660.3	661.9	677.2	678.1

MAJOR VARIANCE ANALYSIS

Explanations of major variances are described below. In this analysis, comparisons are made between the actual results for 2016 and either the 2016 budget or the actual results for 2015.

REVENUE

Budget 2016 to Actual 2016 Comparison

2016 Budget to Actual				
(\$ millions)				
Item	Budget	Actual	Variance	% Variance
Provincial Sources				
Taxes	4,017.2	4,029.7	12.5	0.3
Licenses and Permits	151.7	153.8	2.1	1.4
Royalties	107.2	89.3	(17.9)	(16.7)
Income from Government Business Enterprises	258.0	189.1	(68.9)	(26.7)
Other Provincial Revenue	628.2	777.5	149.3	23.8
Sinking Fund Earnings	193.7	194.1	0.4	0.2
Revenue from Provincial Sources	5,356.0	5,433.5	77.5	1.4
Federal Sources				
Fiscal Equalization	1,668.9	1,668.0	(0.9)	(0.1)
Unconditional Grants	993.1	994.7	1.6	0.2
Conditional Grants	289.9	290.0	0.1	-
Revenue from Federal Sources	2,951.9	2,952.7	0.8	-
Total Revenues	8,307.9	8,386.2	78.3	0.9

Taxes

Taxes are up \$12.5 million from budget, primarily due to:

- Personal Income Tax is up \$67.6 million due to an underpayment for the 2014 taxation year and an improved forecast base.
- Gasoline and Motive Fuels Tax is up \$16.0 million due to an increase in sales volume.
- Tobacco Tax is up \$12.9 million due to higher than anticipated sales volume.
- Harmonized Sales Tax is down \$47.4 million reflecting overpayments for the 2009-2015 taxation years.
- Corporate Income Tax is down \$32.2 million reflecting an overpayment for the 2014 taxation year and lower in-year payments.
- Financial Corporation Capital Tax is down \$5.7 million due to a reduction in capital held by financial institutions.

Royalties

Royalties are down \$17.9 million from budget due to lower than anticipated potash production and the subsequent shutdown of the Picadilly potash mine, and less forest timber being harvested than anticipated.

Income from Government Business Enterprises

Income from Government Business Enterprises is down \$68.9 million primarily as a result of \$73.3 million less revenue than budgeted from the New Brunswick Power Corporation. The net income of the New Brunswick Power Corporation was less than budgeted due to reduced output at the Point Lepreau

Generating Station caused by unplanned outages, higher natural gas prices and reduced revenue due to mild winter weather.

Other Provincial Revenue

Other Provincial Revenue is up \$149.3 million from budget due to the inclusion of nursing homes within the provincial reporting entity (\$84.0 million); higher than anticipated revenues from the New Brunswick Lotteries and Gaming Corporation of \$20.8 million, due in part to extraordinary ticket lottery sales; the recording of school raised funds, which started in 2015 (\$18.3 million) and higher than budgeted revenue from the Regional Health Authorities (\$13.6 million). There were also other miscellaneous revenue increases across various departments and agencies.

Actual 2015 to Actual 2016 Comparison

2015 Actual to 2016 Actual				
(\$ millions)				
Item	2015 Actual	2016 Actual	Change	% Change
Provincial Sources				
Taxes	3,983.1	4,029.7	46.6	1.2
Licenses and Permits	149.4	153.8	4.4	2.9
Royalties	97.5	89.3	(8.2)	(8.4)
Income from Government Business Enterprises	270.9	189.1	(81.8)	(30.2)
Other Provincial Revenue	732.6	777.5	44.9	6.1
Sinking Fund Earnings	195.9	194.1	(1.8)	(0.9)
Revenue from Provincial Sources	5,429.4	5,433.5	4.1	0.1
Federal Sources				
Fiscal Equalization Payments	1,666.0	1,668.0	2.0	0.1
Unconditional Grants	955.8	994.7	38.9	4.1
Conditional Grants	388.0	290.0	(98.0)	(25.3)
Revenue from Federal Sources	3,009.8	2,952.7	(57.1)	(1.9)
Total Revenues	8,439.2	8,386.2	(53.0)	(0.6)

Taxes

Taxes are up \$46.6 million over the previous fiscal year, mainly due to:

- Personal Income Tax is up \$130.9 million due to higher in-year payments from the federal government and prior year adjustments.
- Gasoline and Motive Fuels Tax is up \$41.4 million due to tax measures announced in the 2015-16 budget and increased sales volume.
- Provincial Real Property Tax is up \$13.6 million due to an increase in the assessment base.
- Tobacco Tax is up \$5.3 million due to an increase in sales volume.
- Harmonized Sales Tax is down \$104.1 million reflecting prior year adjustments offset by an improvement to in-year payments.
- Metallic Minerals Tax is down \$21.8 million due to an audit assessment in 2014-15 on past mining activities.
- Corporate Income Tax is down \$12.3 million reflecting a reduction in New Brunswick's projected corporate taxable income upon which New Brunswick's payments are based.
- Financial Corporation Capital Tax is down \$8.1 million due to a reduction in capital held by financial institutions.

Royalties

Royalties are down \$8.2 million to due lower than anticipated potash production and the subsequent shutdown of the Picadilly potash mine.

Income From Government Business Enterprises

Income from Government Business Enterprises is down \$81.8 million year-over-year largely as a result of lower revenue from the New Brunswick Power Corporation. The Corporation's net income decreased due to unplanned outages and improvement initiatives at the Point Lepreau Generating Station, reduced revenue due to mild winter weather and lower nuclear investment fund earnings.

Other Provincial Revenue

Other Provincial Revenue is up \$44.9 million mainly due to higher overall revenue from the New Brunswick Lotteries and Gaming Corporation of \$17.2 million, particularly from extraordinary ticket lottery sales. The Regional Health Authorities had higher revenue of \$6.4 million; school districts had increased revenue of \$5.3 million, and increased funding of \$3.6 million for First Nations education. In addition, there are other miscellaneous revenue increases across various departments and agencies.

Unconditional Grants

Unconditional Grants are up \$38.9 million due to legislated growth for the Canada Health Transfer and the Canada Social Transfer.

Conditional Grants

Conditional Grants are down \$98.0 million mainly due to one-time funding in 2014-15 related to New Brunswick joining the Cooperative Capital Markets Regulatory System, lower federal recoveries for Disaster Financial Assistance, and lower federal capital recoveries.

EXPENSES

Budget 2016 to Actual 2016 Comparison

2016 Budget to Actual				
(\$ millions)				
Item	Budget	Actual	Variance	% Variance
Education and Training	1,840.2	1,846.3	6.1	0.3
Health	2,864.9	2,899.0	34.1	1.2
Social Development	1,130.3	1,196.4	66.1	5.8
Protection Services	258.0	281.3	23.3	9.0
Economic Development	266.7	204.0	(62.7)	(23.5)
Labour and Employment	133.1	135.0	1.9	1.4
Resources	194.2	185.3	(8.9)	(4.6)
Transportation and Infrastructure	624.1	636.0	11.9	1.9
Central Government	638.2	585.3	(52.9)	(8.3)
Service of the Public Debt	685.0	678.1	(6.9)	(1.0)
Total Expenses	8,634.7	8,646.7	12.0	0.1

Items in the table are reported by functional area. See the related schedule in the consolidated financial statements for additional details.

Education and Training

Education and Training expenses were \$6.1 million higher than budget mainly due to increased expenses in the School District Projects Special Purpose Account offset by lower than budgeted expenses in General Government related to the accrual for teachers' summer pay.

Health

Health expenses were \$34.1 million higher than budget mainly due to over-expenditures in the Department of Health, including expenses related to the Regional Health Authorities as well as the

Medicare program. These over expenditures were partially offset by lower than anticipated costs in corporate and pharmaceutical programs.

Social Development

Social Development expenses were \$66.1 million higher than budget mainly due to the inclusion of nursing homes within the provincial reporting entity.

Protection Services

Protection Services were \$23.3 million higher than budget due to higher expenses in the Department of Public Safety resulting from Disaster Financial Assistance funding associated with various storm and flood events.

Economic Development

Economic Development expenses were \$62.7 million lower than budget mainly due to lower than expected financial assistance in Opportunities New Brunswick. This was mainly due to lower than expected Strategic Assistance expenses, lower than expected expenses in the Regional Development Corporation due to project timing changes, and decreased provision expense.

Labour and Employment

Labour and Employment expenses were \$1.9 million higher than budget primarily due to increased demand under the Employment Services, Workforce Expansion, and Training and Skills Development programs.

Resources

Resources expenses were \$8.9 million less than budget mainly due to lower than anticipated demand under the Agristability Program, as well as increased investments in tangible capital assets in the Department of Natural Resources.

Transportation and Infrastructure

Transportation expenses were \$11.9 million higher than budget mainly due to higher Transportation and Infrastructure expenses related to the Winter Maintenance program, as well as increased provision expense.

Central Government

Central Government expenses were \$52.9 million lower than budget mainly due to lower than anticipated expenses in General Government associated with the Retirement Allowance benefit.

Actual 2015 to Actual 2016 Comparison

2015 Actual to 2016 Actual				
(\$ millions)				
Item	2015 Actual	2016 Actual	Change	% Change
Education and Training	2,083.7	1,846.3	(237.4)	(11.4)
Health	2,830.9	2,899.0	68.1	2.4
Social Development	1,182.3	1,196.4	14.1	1.2
Protection Services	268.7	281.3	12.6	4.7
Economic Development	247.6	204.0	(43.6)	(17.6)
Labour and Employment	122.6	135.0	12.4	10.1
Resources	197.3	185.3	(12.0)	(6.1)
Transportation and Infrastructure	649.7	636.0	(13.7)	(2.1)
Central Government	540.6	585.3	44.7	8.3
Service of the Public Debt	677.2	678.1	0.9	0.1
Total Expenses	8,800.6	8,646.7	(153.9)	(1.7)

Items in the table are reported by functional area. See the related schedule in the consolidated financial statements for additional details.

Education and Training

Education and Training expenses were \$237.4 million lower than the previous fiscal year. This was mainly due to a one-time expense associated with the reform of the Teachers' Pension Plan in 2015.

Health

Health expenses were \$68.1 million higher than the previous fiscal year mainly due to an increase in expenses in the Regional Health Authorities associated with wages and inflation, as well as an increase in payments under the Medicare and Drug programs.

Social Development

Social Development expenses were \$14.1 million higher than the previous fiscal year mainly due to the opening of new nursing homes and higher service delivery costs, specifically related to Youth Engagement Services and Disability Support Services.

Protection Services

Protection Services were \$12.6 million higher than the previous fiscal year due to higher expenses in the Department of Public Safety resulting from Disaster Financial Assistance funding associated with various storm and flood events. This increase was partially offset by a decrease in provision expense.

Economic Development

Economic Development expenses were \$43.6 million lower than the previous fiscal year primarily due to decreased expenses in the Regional Development Corporation related to the acceleration of project funding in 2015, as well as lower provision expense.

Labour and Employment

Labour and Employment expenses were \$12.4 million higher than the previous fiscal year due to increased clients served under employment programs, as well as the expansion of Advocate Services and setup of the Workers' Compensation Appeals Tribunal.

Resources

Resources expenses were \$12.0 million lower than the previous fiscal year mainly due to expenses associated with the Energy Efficiency and Conservation Agency of New Brunswick in 2015.

Transportation and Infrastructure

Transportation and Infrastructure expenses were \$13.7 million lower than the previous year mainly due to lower winter maintenance costs and provision expense. This was partially offset by increased amortization expense.

Central Government

Central Government expenses were \$44.7 million higher than the previous year. This was mainly due to increased expense in Service New Brunswick, General Government, and provision expense.

INDICATORS OF FINANCIAL HEALTH

This section provides indicators of progress in the Province's financial condition using information provided in the Province's consolidated financial statements as well as other standard socio-economic indicators such as nominal Gross Domestic Product (GDP) data from Statistics Canada.

The analysis of financial indicators is a reporting practice recommended by the Public Sector Accounting Board, and provides results in a manner that improves transparency and provides a clearer understanding of recent trends in the Province's financial health. Trends over the last ten years (2007 to 2016) are evaluated using the criteria of sustainability, flexibility and vulnerability. Though many potential indicators are available, those found to be the most relevant, measurable and transparent to users of government financial information are included. Similar data series are also widely used by banks and other financial institutions, investors and credit-rating agencies.

In evaluating a government's financial health, it should be acknowledged that governments have exposure to a number of variables that are beyond their direct scope of control, but still can exert major influences on financial results and indicators. These include but are not limited to:

- Changing global economic conditions such as energy prices, commodity prices, investment valuation and inflation;
- Changes to international financial conditions that impact interest rates, currency fluctuations or availability of credit;
- Changes to federal transfers or programs;
- Emergencies such as floods, forest fires and pandemics;
- Developments affecting agencies such as the New Brunswick Power Corporation that are reflected in the Province's financial statements and;
- Changes in public sector accounting standards.

Sustainability

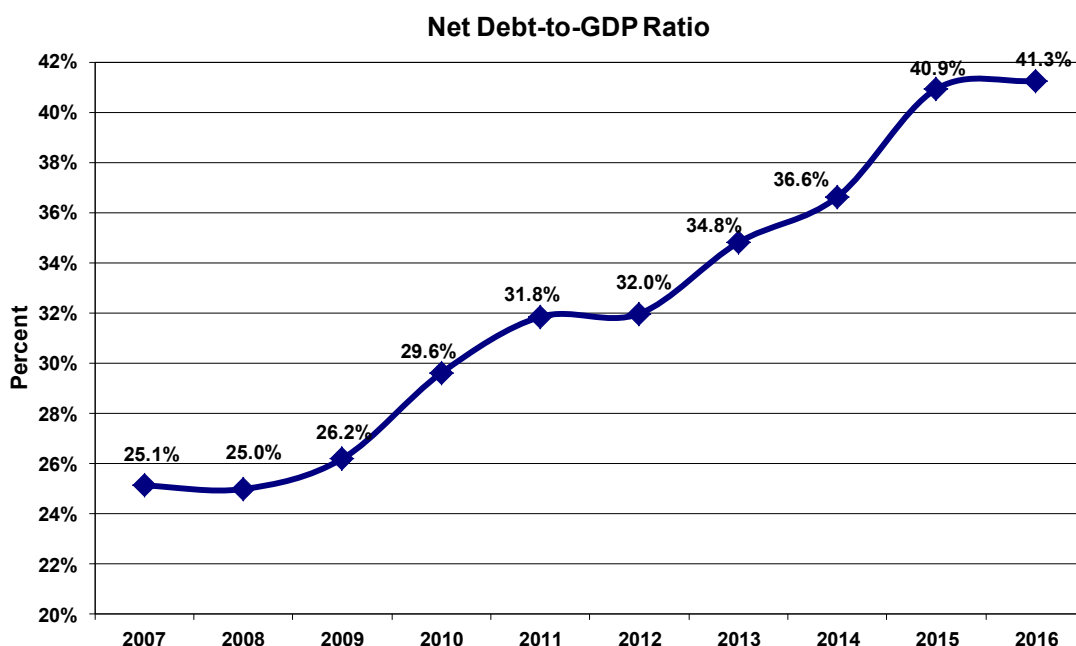
Sustainability is the degree to which a government can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without increasing the debt or tax burden relative to the economy within which it operates. It is measured in this analysis by:

- Net debt as a proportion of GDP;
- Net debt per capita.

Net Debt as a Proportion of GDP:

Net debt is an indication of the extent to which Provincial government liabilities exceed financial assets. The net debt-to-GDP ratio shows the relationship between net debt and the economy. If the ratio is declining, growth in the economy is exceeding growth in net debt, resulting in improved sustainability. Conversely, an increasing net debt-to-GDP ratio indicates net debt is increasing faster than growth in the economy and serving to reduce the provincial government's financial sustainability.

Over the last ten years the Province's ratio of net debt-to-GDP increased from 25.1% to 41.3%. Beginning in 2008, the ratio has trended upwards related to weakened economic circumstances, operating deficits, capital spending, and other factors. In 2012, the ratio stabilized but has increased since due to the above noted factors. The inclusion of nursing homes within the provincial reporting entity and a change in accounting policy related to pensions were both implemented retroactively to the opening 2015 net debt balance. As such, only the 2015 and 2016 net debt numbers were restated, having a major impact on the ratio for those years.

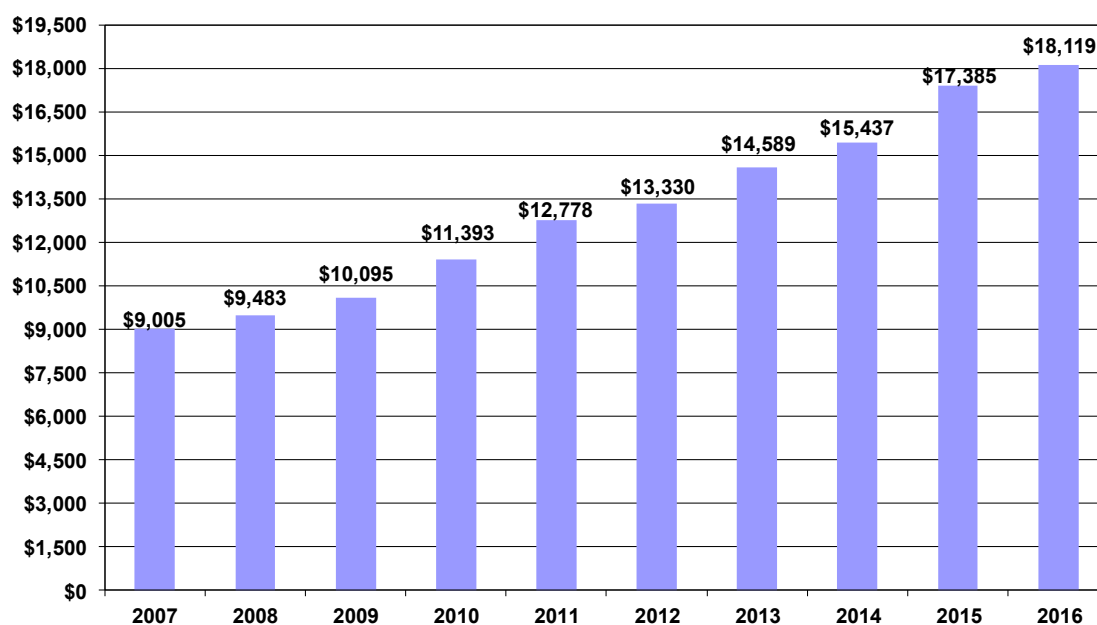


Net Debt-to-GDP Ratio			
Fiscal Year Ending	Net Debt	GDP	Net Debt/GDP
	(\$ millions)	(\$ millions)	(%)
2007	6,714.1	26,718	25.1
2008	7,068.5	28,287	25.0
2009	7,539.2	28,779	26.2
2010	8,544.5	28,857	29.6
2011	9,622.5	30,213	31.8
2012	10,071.0	31,500	32.0
2013	11,041.3	31,723	34.8
2014	11,666.1	31,857	36.6
2015	13,118.2	32,056	40.9
2016	13,659.6	33,114	41.3

Net Debt per Capita:

Net debt per capita is a statement of the net debt attributable to each New Brunswick resident. A decrease in net debt per capita suggests the debt burden has improved while an increase implies the debt burden has increased. Over the past ten years the net debt per capita has been trending upwards reflecting weakened economic circumstances, operating deficits, capital spending and other factors including population declines in recent years. The inclusion of nursing homes within the provincial reporting entity and a change in accounting policy related to pensions were both implemented retroactively to the opening 2015 net debt balance. As such, only the 2015 and 2016 net debt numbers were restated, having a major impact on net debt per capita in those years.

Net Debt per Capita



Net Debt per Capita			
Fiscal Year Ending	Net Debt (\$ millions)	Population (July 1)	Net Debt per Capita (\$)
2007	6,714.1	745,609	9,005
2008	7,068.5	745,407	9,483
2009	7,539.2	746,855	10,095
2010	8,544.5	749,954	11,393
2011	9,622.5	753,044	12,778
2012	10,071.0	755,530	13,330
2013	11,041.3	756,836	14,589
2014	11,666.1	755,718	15,437
2015	13,118.2	754,578	17,385
2016	13,659.6	753,871	18,119

Flexibility

Flexibility is the degree to which a government can change its debt or tax burden on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. It is measured in this analysis by:

- Own-source revenue as a proportion of GDP;
- Cost of servicing the public debt as a proportion of total revenue.

Own-source Revenue as a Proportion of GDP:

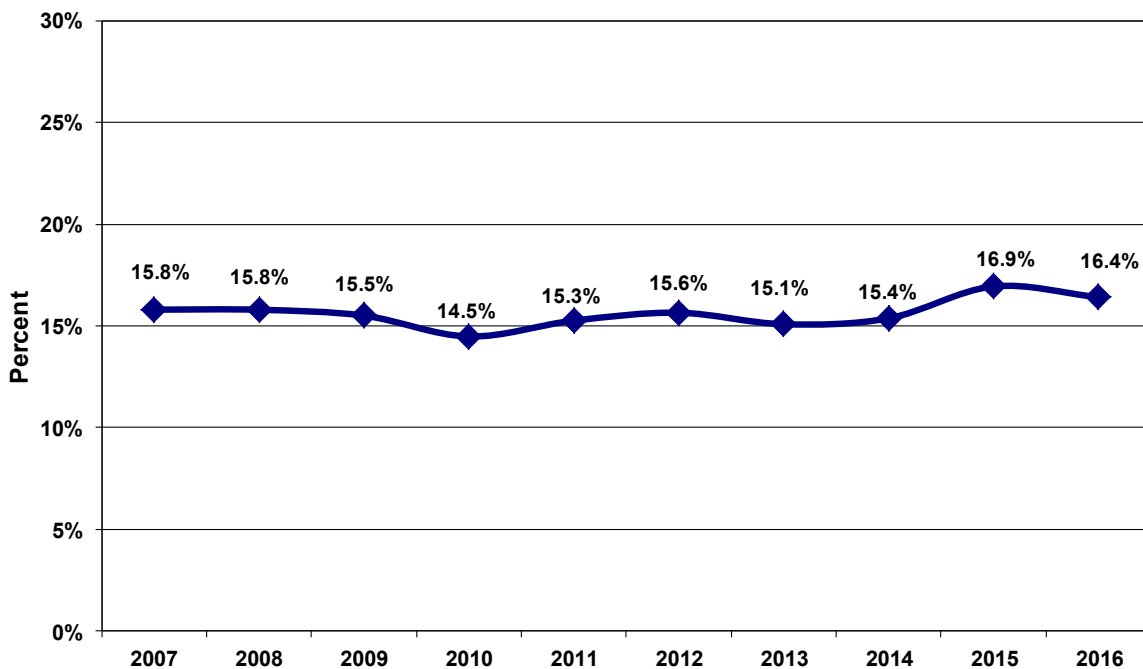
This ratio measures own-source revenues of the Provincial government as a percentage of the economy, as measured by nominal GDP. An increase in this ratio indicates that government own-source revenues are growing faster than the economy as a whole, reducing government's flexibility to increase revenues without slowing growth in the economy. A decrease in the ratio is indicative of the government taking less revenue out of the economy on a relative basis, which increases its flexibility.

Own-source revenue includes revenues from taxation, natural resources, fees, return on investment, lotteries, fines and penalties, etc., and is essentially all revenue minus federal transfers. While more controllable than federal transfers, as the Province can influence revenues through its own tax rates and fiscal policy, own-source revenue is vulnerable to, among other factors:

- Net income or revenue of outside agencies whose revenue can fluctuate significantly due to price, volume, accounting changes, weather, etc. (e.g. the New Brunswick Power Corporation)
- Variability in provincial revenues that are collected or estimated by the federal government such as personal and corporate income taxes and the Harmonized Sales Tax;
- Commodity tax revenues such as Metallic Minerals Tax that are vulnerable to world prices.

Own-source revenue as a proportion of GDP has been relatively stable, with an increase in this ratio the past few years.

Own-source Revenue as a Proportion of GDP



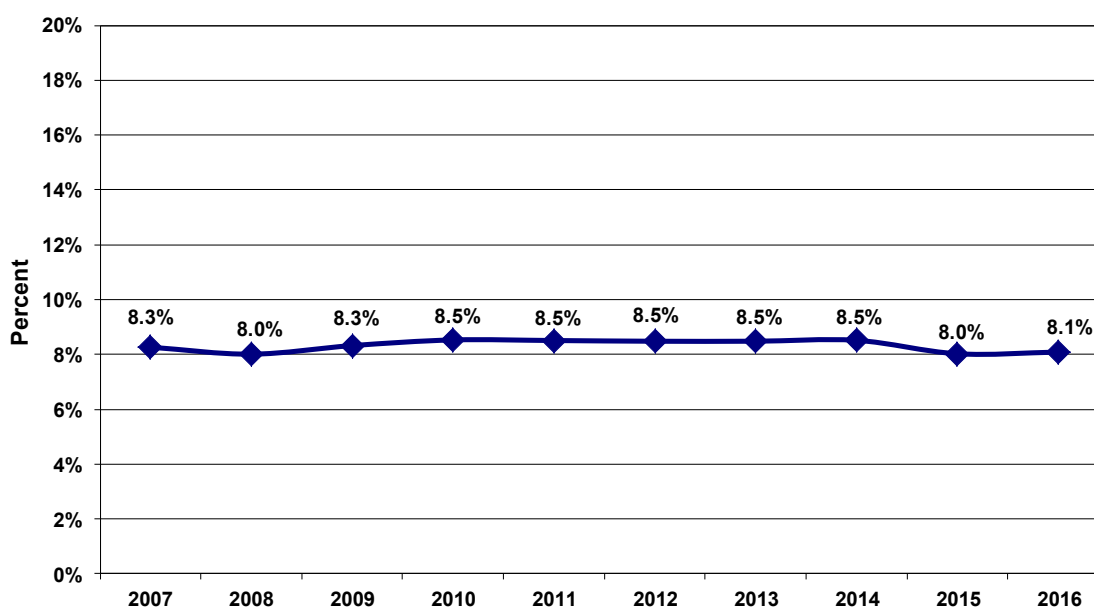
Own-source Revenue as a Proportion of GDP			
Fiscal Year Ending	Own-source Revenue	GDP	Own-source Revenue as a Proportion of GDP
	(\$ millions)	(\$ millions)	(%)
2007	4,221.5	26,718	15.8
2008	4,467.1	28,287	15.8
2009	4,462.0	28,779	15.5
2010	4,178.7	28,857	14.5
2011	4,609.8	30,213	15.3
2012	4,928.8	31,500	15.6
2013	4,784.6	31,723	15.1
2014	4,896.2	31,857	15.4
2015	5,429.4	32,056	16.9
2016	5,433.5	33,114	16.4

Cost of Servicing the Public Debt as a Proportion of Total Revenue:

Debt service costs as a proportion of total revenue is an indicator of the Province's ability to satisfy existing credit requirements in the context of the government's overall revenue. Debt service costs can be impacted by variables outside the direct control of government, such as credit ratings, interest rates, financial markets and currency fluctuations. Investment in public infrastructure resulting in a change in the stock of debt can also influence borrowing requirements.

The Province's proportion of debt service costs to revenue has been relatively stable. In 2015 and 2016 the ratio has dropped to a lower level signifying that debt service costs are a smaller proportion of Provincial revenues overall, allowing the Province more financial resources to provide essential programs and services.

Cost of Servicing the Public Debt as a Proportion of Total Revenue



Cost of Servicing the Public Debt as a Proportion of Total Revenue			
Fiscal Year Ending	Cost of Servicing the Public Debt	Total Revenue	Cost of Servicing the Public Debt as a Proportion of Total Revenue
	(\$ millions)	(\$ millions)	(%)
2007	558.0	6,752.4	8.3
2008	575.7	7,187.7	8.0
2009	601.4	7,225.6	8.3
2010	607.2	7,119.5	8.5
2011	641.5	7,540.1	8.5
2012	661.8	7,803.0	8.5
2013	660.3	7,785.1	8.5
2014	661.9	7,774.1	8.5
2015	677.2	8,439.2	8.0
2016	678.1	8,386.2	8.1

Vulnerability

Vulnerability is the degree to which a government is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others. A common measurement of vulnerability is federal government transfers as a proportion of revenue.

Federal Government Transfers as a Proportion of Total Revenue:

Revenue from federal sources is comprised of conditional and unconditional grants from the federal government, including:

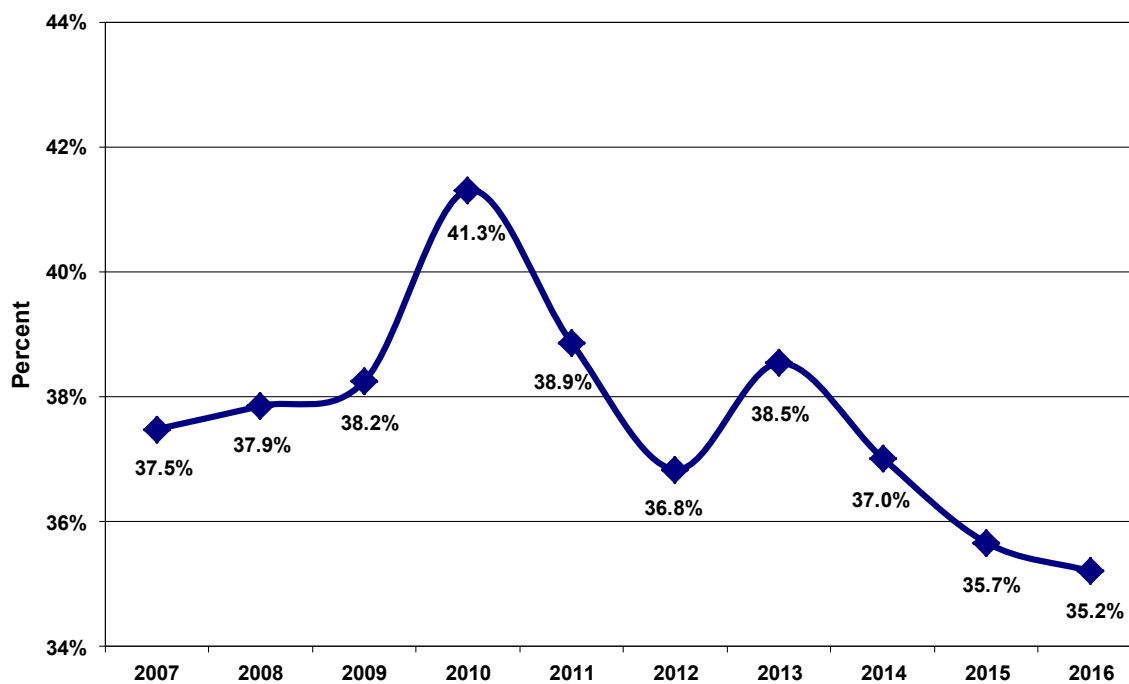
- Fiscal Equalization Program payments;
- The Canada Health Transfer and the Canada Social Transfer;
- Conditional grants or capital revenue in support of economic development, infrastructure, education and labour training and other areas.

Federal transfer payments can be affected by federal fiscal policy decisions, the normal annual estimate process that guides federal payments under the Equalization Program and Canada Health and Social Transfers, as well as timing and conditions related to conditional grants.

Comparing the level of federal transfers to total revenue provides an indication of the vulnerability of the Province. Generally, if the ratio is increasing, the Province is increasingly reliant on federal transfers, resulting in increased vulnerability. If the ratio is declining, vulnerability is diminished.

Federal government transfers as a proportion of total revenue reached a high of 41.3% in 2010. In that year, provincial-source revenues contracted as the effects of the economic slowdown hampered revenues and the NBEFC experienced a significant net loss. At the same time, federal stimulus funding supported federal-source revenue growth. Since then the ratio has declined to the current rate of 35.2%, its lowest level in the past decade.

Federal Government Transfers as a Proportion of Total Revenue



Federal Government Transfers as a Proportion of Total Revenue			
Fiscal Year Ending	Federal Government Transfers	Total Revenue	Federal Government Transfers as a Proportion of Total Revenue
	(\$ millions)	(\$ millions)	(%)
2007	2,530.9	6,752.4	37.5
2008	2,720.6	7,187.7	37.9
2009	2,763.6	7,225.6	38.2
2010	2,940.8	7,119.5	41.3
2011	2,930.3	7,540.1	38.9
2012	2,874.2	7,803.0	36.8
2013	3,000.5	7,785.1	38.5
2014	2,877.9	7,774.1	37.0
2015	3,009.8	8,439.2	35.7
2016	2,952.7	8,386.2	35.2

AUDITOR GENERAL
OF NEW BRUNSWICK



VÉRIFICATEUR GÉNÉRAL
DU NOUVEAU-BRUNSWICK

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly
Province of New Brunswick

Report on the consolidated financial statements

I have audited the accompanying consolidated financial statements of the Province of New Brunswick, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, cash flow, change in net debt and change in accumulated deficit for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management 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 New Brunswick as at March 31, 2016, and the results of its operations, its cash flows, changes in its net debt and changes in its accumulated deficit for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "Kim MacPherson". The signature is written in a cursive, flowing style.

Fredericton, New Brunswick
September 27, 2016

Kim MacPherson, CPA, CA
Auditor General

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March

Schedule	(millions)	
	2016	2015
FINANCIAL ASSETS		
1	\$ 2,141.1	\$ 1,682.2
2	303.2	339.2
3	1,168.3	1,238.1
4	0.3	1.7
5	623.2	629.3
6	97.7	214.5
	4,201.3	4,049.6
6	49.1	33.2
Total Financial Assets	8,584.2	8,187.8
LIABILITIES		
	1,680.1	1,268.1
7	2,726.0	2,694.7
8	25.3	38.8
9	506.3	490.1
10	362.0	375.7
11	733.9	767.6
	641.8	628.5
	6,675.4	6,263.5
	20,107.1	19,711.1
	(4,514.3)	(4,607.1)
	15,592.8	15,104.0
	(40.8)	(80.9)
	16.4	19.4
	15,568.4	15,042.5
Total Liabilities	22,243.8	21,306.0
NET DEBT	(13,659.6)	(13,118.2)
NON-FINANCIAL ASSETS		
	8,738.5	8,585.7
12	49.4	51.5
13	169.6	182.7
Total Non-Financial Assets	8,957.5	8,819.9
ACCUMULATED DEFICIT	\$ (4,702.1)	\$ (4,298.3)
Contingent Liabilities - Note 13		
Commitments - Note 14		

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



Paul Martin, FCPA, FCA
Comptroller

CONSOLIDATED STATEMENT OF OPERATIONS
for the fiscal year ended 31 March

Schedule	(millions)			
	2016 Budget	2016 Actual	2015 Actual	
REVENUE				
Provincial Sources				
14	Taxes	\$ 4,017.2	\$ 4,029.7	\$ 3,983.1
15	Licenses and Permits	151.7	153.8	149.4
16	Royalties	107.2	89.3	97.5
17	Income from Government Business Enterprises	258.0	189.1	270.9
18	Other Provincial Revenue	628.2	777.5	732.6
	Sinking Fund Earnings	193.7	194.1	195.9
		<u>5,356.0</u>	<u>5,433.5</u>	<u>5,429.4</u>
Federal Sources				
	Fiscal Equalization Payments	1,668.9	1,668.0	1,666.0
19	Unconditional Grants	993.1	994.7	955.8
20	Conditional Grants	289.9	290.0	388.0
		<u>2,951.9</u>	<u>2,952.7</u>	<u>3,009.8</u>
		<u>8,307.9</u>	<u>8,386.2</u>	<u>8,439.2</u>
EXPENSE				
21	Education and Training	1,840.2	1,846.3	2,083.7
22	Health	2,864.9	2,899.0	2,830.9
23	Social Development	1,130.3	1,196.4	1,182.3
24	Protection Services	258.0	281.3	268.7
25	Economic Development	266.7	204.0	247.6
26	Labour and Employment	133.1	135.0	122.6
27	Resources	194.2	185.3	197.3
28	Transportation and Infrastructure	624.1	636.0	649.7
29	Central Government	638.2	585.3	540.6
	Service of the Public Debt (Note 10)	685.0	678.1	677.2
		<u>8,634.7</u>	<u>8,646.7</u>	<u>8,800.6</u>
ANNUAL DEFICIT (Note 2)		<u>\$ (326.8)</u>	<u>\$ (260.5)</u>	<u>\$ (361.4)</u>

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

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

	(millions)	
	2016	2015
OPERATING ACTIVITIES		
Deficit	\$ (260.5)	\$ (361.4)
Non Cash Items		
Amortization of Premiums, Discounts and Issue Expenses	7.1	10.1
Foreign Exchange Expense	(5.8)	(5.8)
(Decrease) Increase in Provision for Losses	(3.0)	48.5
Amortization of Tangible Capital Assets	426.8	406.0
Loss on Disposal or Impairment of Tangible Capital Assets	6.5	15.1
Sinking Fund Earnings	(194.1)	(195.9)
Losses on Foreign Exchange Settlements	2.7	2.5
Increase in Net Pension Liability (Note 11)	13.3	272.8
Increase (Decrease) in Deferred Revenue	16.2	(18.0)
Changes in Working Capital		
Decrease in Accounts Receivable	29.1	13.6
Decrease (Increase) in Taxes Receivable	66.8	(125.9)
Decrease (Increase) in Inventories	3.5	(0.2)
Decrease (Increase) in Prepaid and Deferred Charges	13.1	(7.3)
Increase in Accounts Payable and Accrued Expenses	31.3	59.9
(Decrease) Increase in Deposits Held in Trust	(13.7)	42.1
Net Cash From Operating Activities	139.3	156.1
INVESTING ACTIVITIES		
Increase in Investments, Loans and Advances	106.2	42.1
Other Comprehensive Loss	(143.3)	(162.6)
Net Cash Used in Investing Activities	(37.1)	(120.5)
CAPITAL TRANSACTIONS		
Acquisition of Capital Assets (Note 7)	(586.1)	(591.0)
FINANCING ACTIVITIES		
Proceeds from Issuance of Funded Debt	1,653.9	1,644.5
Purchase of NB Power Debentures	(494.4)	---
Elimination of Debentures held by NB Immigrant Investor Fund	(0.2)	(17.0)
Received from Sinking Fund for Redemption of Debentures and Payment of Exchange	196.1	173.1
(Decrease) Increase in Obligations under Capital Leases	(33.7)	51.5
Sinking Fund Installments	(153.7)	(142.9)
Increase (Decrease) in Short Term Borrowing	412.0	(153.6)
Funded Debt Matured	(637.2)	(852.4)
Net Cash from Financing Activities	942.8	703.2
INCREASE IN CASH DURING YEAR	458.9	147.8
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	1,682.2	1,534.4
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 2,141.1	\$ 1,682.2

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

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
for the fiscal year ended 31 March

	(millions)		
	2016 Budget	2016 Actual	2015 Actual
RESTATED NET DEBT - BEGINNING OF YEAR (NOTE 17)	\$ (12,421.9)	\$ (13,118.2)	\$ (12,415.1)
CHANGES IN YEAR			
Annual Deficit	(326.8)	(260.5)	(361.4)
Other Comprehensive Loss	---	(143.3)	(162.6)
Acquisition of Tangible Capital Assets (Note 7)	(525.9)	(586.1)	(591.0)
Amortization of Tangible Capital Assets (Note 7)	417.2	426.8	406.0
Loss on Disposal or Impairment of Tangible Capital Assets	---	6.5	15.1
Net Change in Supplies Inventories	---	2.1	(1.9)
Net Change in Prepaid Expenses	---	13.1	(7.3)
INCREASE IN NET DEBT	<u>(435.5)</u>	<u>(541.4)</u>	<u>(703.1)</u>
NET DEBT - END OF YEAR	<u>\$ (12,857.4)</u>	<u>\$ (13,659.6)</u>	<u>\$ (13,118.2)</u>

CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED DEFICIT
for the fiscal year ended 31 March

	(millions)		
	2016 Budget	2016 Actual	2015 Actual
RESTATED ACCUMULATED DEFICIT - BEGINNING OF YEAR (NOTE 17)	\$ (3,961.3)	\$ (4,298.3)	\$ (3,774.3)
Annual Deficit	(326.8)	(260.5)	(361.4)
Other Comprehensive Loss	---	(143.3)	(162.6)
ACCUMULATED DEFICIT - END OF YEAR	<u>\$ (4,288.1)</u>	<u>\$ (4,702.1)</u>	<u>\$ (4,298.3)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

b) Provincial Reporting Entity

These consolidated financial statements include the accounts of organizations that are controlled by the Province. A complete listing of the organizations within the Province's government reporting entity is provided in Schedule 30.

Legally established trust funds which the Province administers but does not control are not included as Provincial assets or liabilities. These consolidated financial statements disclose the equity balances of the trust funds administered by the Province in Note 16.

c) Principles of Consolidation

The accounts of organizations within the Province's government reporting entity are included in these consolidated financial statements through one of the following accounting methods:

Consolidation Method

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. The Province does not adjust the tangible capital asset policies of organizations that are consolidated using this method to those of the Province in cases where the adjustment would be immaterial. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization.

Modified Equity Method

This method is used for government business enterprises (GBEs). GBEs are defined in Note 6 to these consolidated financial statements. The modified equity method reports a GBE's net assets as an investment on the Province's Consolidated Statement of Financial Position. The net income of the GBE is reported as income from government business enterprises on the Province's Consolidated Statement of Operations. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between GBEs and other government organizations are eliminated. The accounting policies of GBEs are not adjusted to conform with those of other government organizations.

Transaction Method

This method records only transactions between the Province and the other organizations. The transaction method is used when the appropriate methods would not produce a materially different result.

d) Changes in Accounting Policy

Nursing Homes Consolidation

Effective 1 April 2015, the Province retroactively changed its accounting policy to include within the Provincial Reporting Entity not-for-profit nursing homes operating in New Brunswick. As a result of this change, the financial results of Province's not-for-profit nursing homes are now included in the Province's consolidated financial statements using the full consolidation method. Note 17 discloses the impact of the change in accounting policy on prior periods. A complete listing of the organizations within the Province's government reporting entity is provided in Schedule 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

Target Benefit Pension Plans

Effective 1 April 2015, the Province retroactively changed its accounting policy for Target Benefit Pension Plans. The Province previously accounted for these plans as defined contribution plans, and is now applying defined benefit and joint defined benefit accounting treatment to these plans. Further detail can be found in Note 11(b). Note 17 discloses the impact of the change in accounting policy on prior periods.

e) Future Changes in Accounting Policy

New Standards

The Public Sector Accounting Board issued sections PS 2200 - Related Party Disclosures, PS 3210 – Assets, PS 3320 - Contingent Assets, PS 3380 - Contractual Rights and PS 3420 – Inter-entity Transactions with effective dates of 1 April 2017. The Board also issued section PS 3430 - Restructuring Transactions with an effective date of 1 April 2018.

The Province plans to adopt these new and amended standards on the effective date and is currently analyzing the impact of the standards on its consolidated financial statements.

PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation

The Public Sector Accounting Board issued section PS 3450 - Financial Instruments with an effective date of 1 April 2019. Under this new standard, financial instruments will be assigned a measurement category of either fair value, cost or amortized cost. Until a financial instrument is derecognized, any gains or losses that arise due to fair value remeasurement will be reported on the Statement of Remeasurement Gains and Losses. Adoption of this standard requires the adoption of PS 2601 - Foreign Currency Translation, PS 1201 - Financial Statement Presentation and PS 3041 - Portfolio Investments in the same fiscal year.

f) Specific Accounting Policies

Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid and deferred charges and inventories of supplies.

Financial Assets

Cash and Short Term Investments

Cash and short term investments are recorded at cost, which approximates market value. Short term investments include highly liquid investments that are readily convertible to known amounts of cash, with maturity dates of six months or less. Cash and short term investments include \$855.0 million (\$784.3 million 2015) in short term investments issued by the New Brunswick Power Corporation.

Inventories for Resale

Inventories for resale are recorded at the lower of cost or net realizable value. Properties held for resale are reported as a financial asset and include land and fixtures acquired or constructed for the purpose of sale. Properties held for resale also include properties acquired through foreclosure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

Loans

Loans are initially recorded at cost, and reported at the lower of cost and net recoverable value through a valuation allowance. Changes in the valuation allowance are recognized in expense. Interest revenue is recognized on a loan when earned, and ceases to be accrued when the collectability of either the principal or interest is not reasonably assured.

Loans issued under the *Opportunities New Brunswick Act*, *Agricultural Development Act*, and *Fisheries and Aquaculture Development Act* facilitate the establishment, development, or maintenance of industry in a variety of areas. As such, the nature and terms of the loans under these Acts vary. Loans to students are interest free while the student is in full-time studies and becomes repayable with interest six months after the student leaves post-secondary studies. The maximum repayment term is fifteen years. Loans issued under the *New Brunswick Housing Act* may offer concessionary interest rates, and are repayable over a period not to exceed twenty-five years.

Other Investments

Investments are recorded at cost, which approximates market value. Where there has been a loss in the value of an investment that is other than a temporary decline, the investment is written down to recognize this loss.

Sinking Funds

The General Sinking Fund is maintained by the Minister of Finance under the authority of section 12 of the *Provincial Loans Act* ("Act"). This Act provides that the Minister shall maintain one or more sinking funds for the payment of funded debt either at maturity or upon redemption in advance of maturity. Typically, redemptions are only made after the related Provincial purpose portion of the debt has been outstanding a minimum of twenty years.

Sinking fund installments are paid into the General Sinking Fund on or before the anniversary date of each issue of funded debt, at the prescribed rate of a minimum of 1% of the outstanding principal.

Sinking fund investments in bonds and debentures are reported at par value less unamortized discounts less premiums and the unamortized balance of unrealized foreign exchange gains or losses. Short-term deposits are reported at cost. The Province's sinking fund is invested in eligible securities as defined in the Act.

New Brunswick Power Corporation (NB Power) is contractually obligated to pay to the Province the amount of the sinking fund installment required each year in respect of the debentures issued by the Province on behalf of the New Brunswick Power Corporation.

The following table shows the components of the Sinking Fund:

	(millions)		
	<u>Consolidated Fund</u>	<u>NB Power</u>	<u>Total</u>
Fund Equity, beginning of year	\$ 4,049.6	\$ 471.3	\$ 4,520.9
Sinking Fund Earnings	194.1	27.6	221.7
Installments	153.7	44.6	198.3
Paid for Debt Retirement	<u>(196.1)</u>	<u>(79.8)</u>	<u>(275.9)</u>
Fund Equity, end of year	<u>\$ 4,201.3</u>	<u>\$ 463.7</u>	<u>\$ 4,665.0</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

Liabilities

Allowances

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

Obligations resulting from guaranteed loans are recorded as liabilities when management determines that a loss is probable with changes in this allowance recorded annually.

Each outstanding loan guarantee under the *Opportunities New Brunswick Act* is reviewed on a quarterly basis. An allowance for loss on loan guarantees is established when management determines that a loss is probable. A loss is considered probable when one or more of the following factors is present:

- a decline in the financial position of the borrower;
- economic conditions in which the borrower operates indicate the borrower's inability to repay the loan;
- collection experience for the loan.

Losses on guaranteed loans under the *Agriculture Development Act* and the *Fisheries and Aquaculture Development Act* for classes that have similar standards are calculated using an average rate based on past experience and trends.

Amounts due to the Province but deemed uncollectible are written off from the accounts of the Province once the write-off has been approved by either the Board of Management or Secretary to the Board of Management depending on the dollar value involved.

Retirement benefits

Retirement benefits include various retirement benefit plans and other employee future benefit plans where the province has an obligation to provide benefits to employees. Liabilities for these plans are calculated using the projected benefit method prorated on service, using various assumptions based on management's best estimate. Pension fund assets are valued at marked-related values. The cost of benefits earned is attributed to the period that the employee provides service. Changes in the liability resulting from experience gains or losses and changes in actuarial assumptions are amortized over the expected average remaining service life of the related plan. Gains and losses arising from plan amendments are recognized in the period of the plan amendment. The plans accounted for using this method are the Provincial Court Act and the Provincial Court Judges' Pension Act, the Members' Superannuation Act and the Members' Pension Act, the Pension Plan for Management Employees of New Brunswick School Districts, the Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts, the Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts, the Pension Plan for Management Employees' of New Brunswick Nursing Homes, the Pension Plan for General and Service Employees' of New Brunswick Nursing Homes, the Pension Plan for Nursing and Paramedical Employees' of New Brunswick Nursing Homes, the Supplementary Retirement Plan, and the Retirement Allowance program.

Target Benefit Pension Plans are accounted for similar to the above plans except they are governed by an Agreement and Declaration of Trust which restricts access to the plan assets. On this basis, the Province records the value of the plan net assets as nil when these plans are in a net asset position. When these plans are in a net obligation position, the Province records a liability for its share. The plans accounted for using this method are: the Public Service Shared Risk Pension Plan, the New Brunswick Teachers' Pension Plan, the Shared Risk Plan for CUPE Employees of New Brunswick Hospitals, and the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals.

The Province also contributes to the Pension Plan for Part-Time and Seasonal Employees. For this plan, the Board of Trustees has the obligation to provide benefits to its members. As such, no liability is recorded by the Province. The cost recorded by the Province for this plan equals the amount of the Province's required contribution for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

Sick Leave

The cost of accumulating, non-vesting sick leave benefits are determined by an actuarial valuation, using management's best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates.

Liability for Injured Workers

The Province provides workers' compensation benefits on a self-insured basis. WorkSafe New Brunswick administers the claims on the Province's behalf and charges a fee for this service. The liability for injured workers is determined using a number of methods to estimate future payments including: the annuity method, the loss development method, and the aggregate claims method. Future payments are then discounted to determine the present value. Annual claim payments are expensed by each department and are reported in the functional expense area related to the program in which the employee worked. The net change in the liability, excluding actual claims costs, is reported under central government.

Borrowing on Behalf of New Brunswick Power Corporation

The Province, as represented by the Consolidated Fund, has issued long term debt securities on behalf of the New Brunswick Power Corporation in exchange for debentures with like terms and conditions. This financing arrangement was used to obtain more favourable debt servicing costs.

The New Brunswick Power Corporation debentures received by the Province are reported in the Statement of Financial Position of these consolidated financial statements as a reduction of Funded Debt. The transactions involving these securities, including the debt servicing costs, are not part of the budget plan of the Province's Consolidated Fund.

Non-Financial Assets

Tangible Capital Assets

Tangible capital assets are assets of the Province which have useful lives greater than one year. Certain dollar thresholds for capitalization have been established for practical purposes.

Tangible capital asset policies of government entities which are consolidated in these consolidated financial statements are not adjusted to conform to Provincial policies in cases where the differences are not material. The areas in which tangible capital asset policies could differ include amortization rate, estimated useful life and capitalization threshold.

Capital Leases

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

Inventories of Supplies

Inventories of supplies for use are recorded at the lower of cost or net realizable value. Inventories of supplies are reported as a non-financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

RevenuesTax Revenue

Official estimates received from the federal government are used as the basis for determining federal tax revenue. Federal tax revenue amounts for the current year reflect prior year adjustments based on returns or more recent economic data.

Provincial real property tax is recognized based on the calculation of applying the relevant provincial and local service district tax rates to the assessed property value. Adjustments are made to current year revenue for future assessments and allowance for doubtful accounts.

Other provincial tax revenue is recognized based on the self-assessed returns of tax payers and tax collectors (e.g. retailers and wholesalers). This revenue is subsequently adjusted for future tax assessments and allowance for doubtful accounts. Other provincial tax revenue is also recognized from direct payments made by tax payers in completing certain types of transactions.

Grant Revenue

Government transfers are recognized as grant revenue in the period during which the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives 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 transfer stipulations are met. Capital projects for which the stipulation of project completion had not been met as at 31 March 2016 have been recorded as deferred capital contributions in Schedule 9. Major transfers recognized during the period include fiscal equalization payments and other transfers disclosed in Schedule 19.

ExpensesGrant Expense

Grants, entitlements and other government transfers are recognized as expense in the period during which the event giving rise to the transfer has occurred, provided that the transfer has been authorized and all eligibility criteria have been met by the recipient. Major government transfers during the period include: grants to universities, grants to municipalities, and funding provided through social and employment programs.

Debt Charges

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

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

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

Interest on debt to finance the Student Loan Portfolio is recorded as part of the Education and Training expense function.

Interest on CMHC debentures and Nursing Home debt is recorded as part of the Social Development expense function.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2016

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

Note 10 to these consolidated financial statements reports the components of the Service of the Public Debt Expense function and total debt charges.

Operating Leases

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

Concessionary Loans

There are two situations in which the Province charges loan disbursements entirely as expenses. These are:

- Loan agreements which commit the Province to provide future grants to the debtor to be used to repay the loan.
- Loan agreements which include forgiveness provisions if the forgiveness is considered likely.

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

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

g) Foreign Currency Translation and Risk Management

The Province's assets, liabilities and contingent liabilities denominated in foreign currencies are translated to Canadian dollars at the year-end rates of exchange, except where such items have been hedged or are subject to interest rate and currency swap agreements. In such cases, the rates established by the hedge or the agreements are used in the translation. Exchange gains and losses are included in the Consolidated Statement of Operations except for the unrealized exchange gains and losses arising on the translation of long term items, which are deferred and amortized on a straight line basis over the remaining life of the related assets or liabilities. Revenue and expense items are translated at the rates of exchange in effect at the respective transaction dates.

The Province borrows funds in both domestic and foreign capital markets and manages its existing debt portfolio to achieve the lowest debt costs within specified risk parameters. As a result, the Province may be exposed to foreign exchange risk. Foreign exchange or currency risk is the risk that the principal and interest payments on foreign debt will fluctuate in Canadian dollar terms due to fluctuations in foreign exchange rates.

In accordance with risk management policy guidelines, the Province uses various financial instruments and techniques to manage exposure to foreign currency risk. These financial instruments include currency forwards, cross-currency swaps and purchases of foreign denominated assets into the Province's sinking fund.

As at 31 March 2016, the full amount of the Province's outstanding foreign denominated debt (1,400 million US\$) has been hedged by entering into cross-currency swaps, which convert the interest and principal payable from the original currency to Canadian dollars. As the entire foreign denominated debt portfolio has been hedged, the Province has no foreign currency exposure.

h) Measurement Uncertainty

Measurement uncertainty exists when there is uncertainty in the determination of the amount at which an item is recorded in the financial statements. Such uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Many items are measured using management's

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

best estimate, based on assumptions that reflect the most probable set of economic conditions and planned courses of action at the time of financial statement preparation. Estimates are updated to reflect new information as it becomes available. Actual results could differ from these estimates.

Significant estimates used in these consolidated financial statements include:

- Uncertainty relating to the determination of federal and provincial source tax revenues arising due to possible revisions of tax revenue amounts as a result of reassessments of prior tax periods or the timing of instalment payments. Due to its nature, the extent to which possible revisions and tax instalments will impact the estimate cannot be reasonably determined.
- Uncertainty in the estimation of the amount of Canada Health Transfers and Canada Social Transfers arising from variances between the estimated and actual national and provincial tax points, or the provincial share of national population figures. Due to the numerous factors involved in the determination of such figures by the federal government, the extent to which their variability will impact the estimate cannot be reasonably determined.
- Uncertainty related to the determination of the obligation or expense for pensions and other employee future benefits arising because actual results may differ from the Province's assumptions used to estimate the amount of benefits that employees will receive and the investment return on plan assets. Due to the numerous factors that could impact the assumptions used, the extent to which their variability will impact the estimate cannot be reasonably determined.
- Uncertainty relating to the allocation of payments for public private partnership road contracts arising because amortization of the capital improvement work commences in the year the rehabilitation work is expected to be performed, which may not reflect when the work is actually completed by the contractors. This may impact the timing of amortization expense and the classification of payments as a prepaid expense, accrued expenditure, or tangible capital asset. Due to the unpredictability of future events, the extent of the measurement uncertainty cannot be reasonably determined.
- Uncertainty relating to the determination of the amount of accruals for the remediation of contaminated sites, future payments related to contingent liabilities, valuation allowances for loans, investments and accounts receivable, and the estimated useful lives of tangible capital assets arising because these amounts are based on probable outcomes and the use of estimates. Due to the unpredictability of future events, the extent of the measurement uncertainty cannot be reasonably determined.
- Uncertainty relating to the consolidation of not-for-profit nursing homes operating in the Province arising because audited financial statements were not available for all nursing homes at the time of consolidation, and because some nursing homes use accounting frameworks and accounting policies that differ from those of the Province. The extent of these differences is not expected to be material.

NOTE 2 BUDGET

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

The budgeted deficit presented in Main Estimates is \$476.8 million, compared to \$326.8 million presented in these financial statements. The Main Estimates budgeted deficit includes a contingency reserve of \$150.0 million which was not used during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

Effective 1 October 2015, the New Brunswick Internal Services Agency, FacilicorpNB Ltd., Service New Brunswick and the Department of Government Services were amalgamated to form a new corporation called Service New Brunswick. The budget figures for these entities have been reallocated to reflect this change.

Budget figures for the year ending 31 March 2016 reflect the acquisition of tangible capital assets and amortization expense. These amounts are disclosed in the Main Estimates as a separate schedule.

NOTE 3 SPECIAL PURPOSE ACCOUNTS

Special Purpose Account revenue earned but not spent accumulates as a surplus in that account and may be spent in future years for the purposes specified. At 31 March 2016, the accumulated surplus in all Special Purpose Accounts totaled \$117.6 million (\$120.7 million 2015). This total is a component of net debt and accumulated deficit.

Descriptions of Major Special Purpose Accounts

CMHC

CMHC funding is used to provide funding for the operation of the programs that fall under the administration of the Social Housing Agreement. Fund revenues include interest earned on the fund, interest earned from second mortgages, and the cumulative excess of funding for social housing not spent to date. Expenditures from the fund are for approved CMHC program funding, any annual excess of which may be carried over for future program expenditures until the agreement expiration date in 2034. The accumulated surplus in CMHC funding at 31 March 2016 was \$25.7 million (\$32.9 million 2015).

Environmental Trust Fund

The Environmental Trust Fund provides financial assistance for eligible projects that are within the following categories: protection, restoration, sustainable development, conservation, education and beautification. Actual costs are reimbursed by the Environmental Trust Fund for eligible activities. The accumulated surplus as at 31 March 2016 was \$23.3 million (\$22.4 million 2015).

School District Self-Sustaining Accounts

Self-Sustaining Accounts record school district revenue and expenses for non-educational services such as the rental of school facilities, cafeteria operations and foreign student tuition fees. These special purpose accounts also record partnership activities with third parties to provide resources, services or grants to students. The accumulated surplus in school district self-sustaining accounts at 31 March 2016 was \$38.0 million (\$30.7 million 2015).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

	(millions)			
	2015	2016		
	Accumulated Surplus	Revenue	Expense	Accumulated Surplus
Archives Trust Account	\$ 0.1	\$ ---	\$ ---	\$ 0.1
Arts Development Trust Fund	---	0.7	0.7	---
Child Centered Family Justice Fund	---	0.5	0.5	---
CMHC	32.9	7.7	14.9	25.7
Environmental Trust Fund	22.4	8.8	7.9	23.3
Fish Stocking Fund	1.0	0.4	0.4	1.0
Fred Magee Account	0.4	---	---	0.4
GONB	---	0.3	0.1	0.2
Grand Lake Meadows	0.1	---	---	0.1
Historic Places	0.1	---	---	0.1
Health Services Liability Protection Plan	0.1	2.4	2.5	---
International Projects	---	0.4	0.4	---
Johann Wordel Account	0.1	---	0.1	---
Land Management Account	10.3	0.5	1.7	9.1
Library Account	0.3	0.5	0.5	0.3
Medical Research Assistance Account	1.4	0.1	0.4	1.1
Municipal Police Assistance	3.4	1.0	0.9	3.5
National Safety Code Agreement	---	0.2	0.2	---
NB 911 Service Fund	8.3	5.3	7.5	6.1
NB Community College Scholarship Account	1.2	---	0.9	0.3
Provincial Parks	0.3	0.1	---	0.4
Provincial Proceeds of Crime	0.4	0.2	---	0.6
Public/Private Partnership Projects	0.2	---	---	0.2
Renovation of Old Government House	0.2	---	---	0.2
School District Scholarship and Trusts	---	0.2	0.2	---
School District Self-Sustaining Accounts	30.7	46.3	39.0	38.0
Sport Development Trust Fund	---	0.5	0.5	---
Strait Crossing Finance Inc.	---	0.1	0.1	---
Suspended Driver - Alcohol Re-Education	0.2	0.3	0.3	0.2
Trail Management Trust Fund	1.3	1.7	1.2	1.8
Training Recoverable Projects	3.2	1.9	2.1	3.0
Victim Services Account	0.8	2.5	2.8	0.5
Wildlife Trust Fund	1.3	1.3	1.2	1.4
	<u>\$ 120.7</u>	<u>\$ 83.9</u>	<u>\$ 87.0</u>	<u>\$ 117.6</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

NOTE 4 SHORT TERM BORROWING

Short term borrowing is recorded at cost, which approximates market value. Short term borrowing consists of \$1,648.2 million (\$1,218.2 million 2015) in treasury bills with interest rates ranging from 0.50% - 0.71%, maturing between 5 April and 14 December 2016 and \$31.9 million (\$49.9 million 2015) of bank indebtedness with interest rates ranging from 2.55% - 6.20%.

NOTE 5 OBLIGATIONS UNDER CAPITAL LEASES

The total future principal and interest payments for capital leases amount to \$1,210.8 million (\$1,298.9 million 2015). That amount includes \$733.9 million (\$767.6 million 2015) in principal and \$476.9 million (\$531.3 million 2015) in interest.

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

<u>Fiscal Year</u>	<u>(millions)</u>
2016-2017	\$ 92.8
2017-2018	\$ 91.7
2018-2019	\$ 91.4
2019-2020	\$ 90.6
2020-2021	\$ 90.4

NOTE 6 GOVERNMENT BUSINESS ENTERPRISES

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

The following is a list of Government Business Enterprises, and their fiscal year ends, which are included in the Provincial Reporting Entity as listed in Schedule 30 to these consolidated financial statements.

New Brunswick Liquor Corporation (Liquor)	27-03-16
New Brunswick Municipal Finance Corporation (Municipal Finance)	31-12-15
New Brunswick Power Corporation (Power)	31-03-16

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

Assets	(millions)			
	Liquor	Municipal Finance	Power	Total
Cash and Equivalents	\$ 4.4	\$ 0.9	\$ 2.0	\$ 7.3
Receivables	4.8	3.1	236.0	243.9
Prepays	0.6	---	11.0	11.6
Inventories	29.6	---	204.0	233.6
Derivative Assets	---	---	17.0	17.0
Fixed Assets	10.2	---	4,237.0	4,247.2
Long Term Assets	---	---	675.0	675.0
Regulatory Assets	---	---	1,021.0	1,021.0
Long Term Notes Receivable	---	866.8	16.0	882.8
Sinking Fund Receivable	---	---	464.0	464.0
Intangible Assets	4.5	---	33.0	37.5
Total Assets	\$ 54.1	\$ 870.8	\$ 6,916.0	\$ 7,840.9
Liabilities				
Payables	\$ ---	\$ 3.1	\$ 296.0	\$ 299.1
Current Liabilities	17.5	---	1,350.0	1,367.5
Deferred Liabilities	---	---	939.0	939.0
Other Long Term Liabilities	4.8	---	---	4.8
Long Term Debt	---	866.8	4,124.0	4,990.8
Total Liabilities	22.3	869.9	6,709.0	7,601.2
Equity				
Retained Earnings	31.8	0.9	420.0	452.7
Accumulated Other Comprehensive Income	---	---	(213.0)	(213.0)
Total Equity	31.8	0.9	207.0	239.7
Total Liabilities and Equity	\$ 54.1	\$ 870.8	\$ 6,916.0	\$ 7,840.9
Net Income				
Revenue	\$ 413.2	\$ 32.9	\$ 1,791.0	\$ 2,237.1
Expenses	(241.7)	(0.3)	(1,546.0)	(1,788.0)
Interest and Related Expense	---	(32.7)	(233.0)	(265.7)
Net Income	\$ 171.5	\$ (0.1)	\$ 12.0	\$ 183.4
Accumulated Other Comprehensive Income				
Accumulated Other Comprehensive Income, Beginning of Year	\$ ---	\$ ---	\$ (72.0)	\$ (72.0)
Other Comprehensive Income, For the Year	---	---	(141.0)	(141.0)
Accumulated Other Comprehensive Income, End of Year	\$ ---	\$ ---	\$ (213.0)	\$ (213.0)

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The financial information of Government Business Enterprises is prepared according to the accounting standards applicable to each reporting entity, using accounting policies that are appropriate for the industry segment in which they operate. These accounting policies may not be consistent with accounting policies used by other organizations under the Provincial Reporting Entity.

New Brunswick Liquor Corporation

The New Brunswick Liquor Corporation was established under the *New Brunswick Liquor Corporation Act*. Its business activity is the purchase, distribution and sale of alcoholic beverages throughout the Province of New Brunswick. The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards.

Subsequent to the New Brunswick Liquor Corporation's 27 March 2016 year end, payments were made to the Province in the amount of \$7.9 million. This has been reflected in the consolidated financial statements of the Province.

New Brunswick Municipal Finance Corporation

The Municipal Finance Corporation was established under the *New Brunswick Municipal Finance Corporation Act*. Its purpose is to provide financing for municipalities and municipal enterprises through a central borrowing authority. The Province is guarantor of all debt issued by the Corporation. The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards.

New Brunswick Power Corporation

The New Brunswick Power Corporation was established as a Crown Corporation of the Province of New Brunswick in 1920 by enactment of the *New Brunswick Electric Power Act*. In 2004, the New Brunswick Power Corporation continued as the New Brunswick Power Holding Corporation with new subsidiary operating companies (collectively the NB Power Group of Companies). On 1 October 2013, by enactment of the *New Brunswick Electricity Act*, the New Brunswick Power Group of Companies became a single, integrated Crown Corporation. The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards.

Prior to the above noted amalgamation on 1 October 2013, the financial results of the New Brunswick Power Group of Companies were recorded in the New Brunswick Electric Finance Corporation (NBEFC) using the modified equity method, with any unrealized intercompany gains or losses being eliminated upon consolidation. NBEFC's financial results were then consolidated with those of the Province, also using the modified equity method.

Over the period 2009 – 2013, NBEFC's net income was reduced by \$153.1 million of unrealized intercompany gains related to expenses deferred under the rate regulatory accounting practice used by the New Brunswick Power Group of Companies. Due to the subsequent amalgamation of the New Brunswick Power Group of Companies and NBEFC, the Province is recognizing the total amount of \$153.1 million in net income over the 27 year estimated useful life of Point Lepreau. For the fiscal year ended 31 March 2016, \$5.7 million was amortized into the Province's income. On the consolidated statement of financial position, the Province's investment in the New Brunswick Power Corporation has been reduced by the remaining amount of the regulatory deferral (\$134.1 million).

The amount of \$4,124.0 million shown as long-term debt of the New Brunswick Power Corporation has been borrowed by the Province.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The New Brunswick Power Corporation's long-term debt principal repayment schedule is as follows:

<u>Year Ending</u>	<u>(millions) Principal Repayment</u>
March 31, 2018	\$ 420.0
March 31, 2019	410.0
March 31, 2020	450.0
March 31, 2021	360.0
March 31, 2022 and thereafter	2,475.0
Unamortized premiums	9.0
<u>Total Long-term portion</u>	<u>\$ 4,124.0</u>

NOTE 7 TANGIBLE CAPITAL ASSETS

Tangible capital assets include acquired, built, developed and improved tangible assets, whose useful life extends beyond the fiscal year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts are not recognized as tangible capital assets. Land used as a site for a historical collection has been valued at \$1. Intangibles and items inherited by right of the Crown, such as Crown lands, forests and mineral resources, are not recognized in the consolidated financial statements because the costs, benefits and economic value of such items cannot be reasonably and verifiably quantified. Assets under construction are not amortized until the asset is available to be put into service.

Calculation of opening balances include, where available, acquisition totals reported in Public Accounts from 1973 to 2004. Surfacing costs have been segregated starting in 2005. Prior to 2005, these costs were included in roads and highways and bridges.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as noted in the table that follows. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Included in the closing costs of the various asset classes as of 31 March 2016 are costs for assets under construction, which are not amortized. These costs are: buildings and land improvements (\$113.9 million); bridges, roads and highways (\$118.1 million); ferries (\$9.4 million), water management systems (\$5.7 million), computer hardware (\$0.2 million) and computer software (\$24.3 million). Also included in the closing costs are capital lease amounts as follows: buildings and land improvements – cost \$270.9 million, accumulated amortization of \$34.7 million; roads, bridges and highways – cost \$843.0 million, accumulated amortization \$244.5 million; and vehicles and equipment - cost \$14.1 million, accumulated amortization \$6.9 million.

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		(millions)							2015			
		2016										
		Land	Buildings and Land Improvements	Machinery and Equipment	Ferries	40-50	5-20	20-50	Roads, Bridges and Highways	Dams and Water Management Systems	Computer Hardware and Software	Total
	Estimated Useful Life (Years)		20-40	5-15			5-20	20-50				Total
Cost												
Opening Costs	Indefinite	\$ 370.1	\$ 4,510.7	\$ 663.6	\$ 116.5	\$ 241.7	\$ 8,380.8	\$ 37.2	\$ 175.3	\$ 14,495.9	\$ 14,008.8	
Additions		1.1	194.9	32.3	6.5	21.9	312.7	4.9	11.8	586.1	591.0	
Disposals		(0.4)	(6.0)	(19.1)	---	(18.1)	(0.5)	(1.4)	(6.2)	(51.7)	(103.9)	
Adjustments		---	(81.5)	81.5	---	---	---	---	(2.7)	(2.7)	---	
Impairments		---	(0.2)	---	---	---	---	---	---	(0.2)	---	
Closing Costs		370.8	4,617.9	758.3	123.0	245.5	8,693.0	40.7	178.2	15,027.4	14,495.9	
Accumulated Amortization												
Opening		---	---	---	---	---	---	---	---	---	---	
Accumulated Amortization		---	1,942.2	494.8	16.9	156.7	3,209.4	5.5	84.7	5,910.2	5,593.0	
Amortization		---	115.4	31.3	2.8	16.7	240.0	1.0	19.6	426.8	406.0	
Disposals		---	(5.6)	(19.1)	---	(18.1)	(0.1)	---	(4.4)	(47.3)	(85.8)	
Adjustments		---	(66.4)	66.4	---	---	---	---	(0.8)	(0.8)	(3.0)	
Closing Accumulated Amortization		---	1,985.6	573.4	19.7	155.3	3,449.3	6.5	99.1	6,288.9	5,910.2	
Net Book Value		\$ 370.8	\$ 2,632.3	\$ 184.9	\$ 103.3	\$ 90.2	\$ 5,243.7	\$ 34.2	\$ 79.1	\$ 8,738.5	\$ 8,585.7	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 BORROWING AUTHORITY

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

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

	(millions)			
	Balance 2015	Authority Granted During the Year	Borrowing During the Year	Balance 2016
<i>Loan Act 2012</i>	\$ 25.6	\$ ---	\$ 0.2	\$ 25.4
<i>Loan Act 2014</i>	524.1	---	524.1	---
<i>Loan Act 2015</i>	---	800.0	93.6	706.4
	\$ 549.7	\$ 800.0	\$ 617.9	\$ 731.8

Under the authority of section 2 of the *Provincial Loans Act*, the maximum temporary indebtedness of the Province is \$2,200.0 million. At 31 March 2016, the short term borrowing of the Province was \$1,648.2 million (\$1,218.2 million 2015).

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

b) Borrowing by the Municipal Finance Corporation

The New Brunswick Municipal Finance Corporation has authority under the *New Brunswick Municipal Finance Corporation Act* to provide financing for municipalities and municipal enterprises. The Province guarantees the debt of the corporation. As at 31 December 2015, long term debt owed by the corporation was \$866.8 million (\$879.3 million 2014).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 FUNDED DEBT

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

(millions)						
Fiscal Year of Maturity	Interest Rate (%) Range	Currency Amount	Total Funded Debt	NB Power	Funded Debt for Provincial Purposes	
2016-2017	5.2	USD	\$500.0	584.8	(100.0)	484.8
	0.0-4.7	CAD	\$643.7	643.7	(300.0)	343.7
				<u>1,228.5</u>	<u>(400.0)</u>	<u>828.5</u>
2017-2018	0.0-6.8	CAD	\$1,549.8	1,549.8	(420.0)	1,129.8
2018-2019	2.8	USD	\$750.0	734.0	(130.0)	604.0
	0.0-2.2	CAD	\$406.9	406.9	(280.0)	126.9
				<u>1,140.9</u>	<u>(410.0)</u>	<u>730.9</u>
2019-2020	0.0-6.8	CAD	\$964.1	964.1	(450.0)	514.1
	Floating	CAD	\$350.0	350.0	---	350.0
				<u>1,314.1</u>	<u>(450.0)</u>	<u>864.1</u>
2020-2021	9.8	USD	\$200.0	243.5	(194.6)	48.9
	0.0-6.8	CAD	\$1,418.1	1,418.1	(165.0)	1,253.1
				<u>1,661.6</u>	<u>(359.6)</u>	<u>1,302.0</u>
2021-2022 & After	8.8	USD	\$200.0	227.5	(129.7)	97.8
	1.6-6.7	CAD	\$12,599.4	12,599.4	(2,345.0)	10,254.4
				<u>12,826.9</u>	<u>(2,474.7)</u>	<u>10,352.2</u>
Total Funded Debt				<u>19,721.8</u>	<u>(4,514.3)</u>	<u>15,207.5</u>
Add: CMHC Debentures (Interest rate: 0.9% - 11.0%; Maturity date: 2017 - 2032)				85.3	---	85.3
Add: Nursing Home Mortgages (Interest rate: 1.1% - 14.0%; Maturity date: 2016 - 2038)				447.7	---	447.7
Less: Debt Issued to the New Brunswick Immigrant Investor Fund (2009) Ltd.				147.7	---	147.7
Funded Debt Before Sinking Fund				<u>20,107.1</u>	<u>(4,514.3)</u>	<u>15,592.8</u>
Less: Sinking Fund Equity				4,665.0	(463.7)	4,201.3
Funded Debt Outstanding				<u>\$ 15,442.1</u>	<u>\$ (4,050.6)</u>	<u>\$ 11,391.5</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Pursuant to section 12 of the *Provincial Loans Act*, the Minister of Finance maintains a General Sinking Fund for the repayment of funded debt either at maturity or upon redemption in advance of maturity. At 31 March 2016, the equity of the General Sinking Fund accumulated for the repayment of Provincial Debt was \$4,201.3 million (\$4,049.6 million 2015). The market value of the General Sinking Fund is \$4,880.9 million (\$4,950.3 million 2015). Some of the assets of this Fund are bonds and debentures issued or guaranteed by the Province of New Brunswick. The provincial net book value of these investments at 31 March 2016 was \$1,642.3 million (\$1,646.8 million 2015).

Because government business enterprises are included in the reporting entity through modified equity accounting, long term debt issued directly by those enterprises is not included in the amount of Funded Debt Outstanding. Note 6 to these consolidated financial statements discloses the long term debt obligations of government business enterprises.

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

Fiscal Year of Maturity	(millions)		
	Payable in Original Currency	Per Financial Swap Agreement	Canadian Dollar Equivalent
2016-2017	USD \$500.0	CAN \$584.8	\$ 584.8
2018-2019	USD \$750.0	CAN \$734.0	734.0
2020-2021	USD \$50.0	CAN \$48.9	48.9
2022-2023	USD \$100.0	CAN \$97.8	97.8
			\$ 1,465.5

The swap agreements are interest rate and currency swap agreements.

The CMHC Debenture principal repayment schedule is as follows:

Fiscal Year	(millions) Principal Repayment
2016-2017	\$ 9.0
2017-2018	\$ 9.2
2018-2019	\$ 9.5
2019-2020	\$ 10.0
2020-2021 and thereafter	\$ 47.6

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Nursing Home Mortgages

<u>Fiscal Year</u>	<u>(millions)</u> <u>Principal</u> <u>Repayment</u>
2016-2017	\$ 28.1
2017-2018	\$ 42.5
2018-2019	\$ 25.0
2019-2020	\$ 36.8
2020-2021 and thereafter	\$ 315.3

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

<u>Fiscal Year</u>	<u>(millions)</u>		
	<u>Total</u> <u>Installments</u> <u>on Debt</u>	<u>NB</u> <u>Power</u>	<u>Installments on</u> <u>Provincial</u> <u>Purpose Debt</u>
2016-2017	\$ 200.5	\$ (45.1)	\$ 155.4
2017-2018	\$ 187.3	\$ (41.1)	\$ 146.2
2018-2019	\$ 159.4	\$ (33.8)	\$ 125.6
2019-2020	\$ 157.8	\$ (32.8)	\$ 125.0
2020-2021	\$ 144.6	\$ (28.2)	\$ 116.4

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NOTE 10 DEBT CHARGES

The total cost of interest, exchange, amortization and related expenses is \$511.4 million (\$542.6 million 2015), which consists of:

	(millions)	
	<u>2016</u>	<u>2015</u>
Interest	\$ 822.9	\$ 828.1
Interest on Fredericton – Moncton Highway Capital Lease	41.0	43.1
Interest on Other Capital Leases	10.2	7.5
Foreign Exchange Expense	(5.8)	(5.8)
Amortization of Discounts and Premiums	7.1	10.1
Other Expenses	0.9	0.8
	<u>876.3</u>	<u>883.8</u>
Interest Recovery for Debt Incurred for the New Brunswick Power Corporation	<u>(198.2)</u>	<u>(206.6)</u>
Service of the Public Debt	678.1	677.2
Sinking Fund Earnings	<u>(194.1)</u>	<u>(195.9)</u>
	484.0	481.3
Pension Interest	5.4	38.2
Interest on Debt to Finance Student Loan Portfolio	4.7	6.1
Interest on CMHC Debentures	2.8	2.6
Interest on Nursing Home Debt	14.5	14.4
	<u>\$ 511.4</u>	<u>\$ 542.6</u>

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NOTE 11 RETIREMENT BENEFITS**a) Description**

Employees of the Province and certain other entities, as well as members of the Legislative Assembly, are entitled to receive retirement benefits under a number of plans. The following is a summary of the funding and member benefits. Complete plan descriptions are contained in the specific plan documentation.

Defined Benefit Pension Plans

Eligible non-teaching employees of school districts participate in the Pension Plan for Management Employees of New Brunswick School Districts (Sch-Mgt), the Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts (GLTS), or the Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts (CUPE 2745). Each plan provides a basic pension benefit based on years of service and salary, along with capped annual inflation protection. Employees contribute up to 6.5% of earnings to the CUPE 2745 plan and up to 7.0% of earnings to the GLTS plan. There are no current contributors to the Sch-Mgt plan as it has been curtailed. The Province contributes an amount as determined by the actuary in order to fund the benefits. Pension trust funds, distinct from the Consolidated Fund, exist for each plan. The GLTS and CUPE 2745 trust funds invest in fixed income securities and equities. The Sch-Mgt trust fund invests in various fixed income, equity, inflation linked, and alternative investment pooled funds.

Provincial Court Judges receive pension benefits under the Provincial Court Act and the Provincial Court Judges' Pension Act (Judge). The basic pension benefit is based on years of service and salary, along with capped annual inflation protection. Judges contribute 8.0% of earnings, and the Province contributes an amount as determined by the actuary to fund the benefits. A pension trust fund, distinct from the Consolidated Fund, exists to fund a portion of the benefits. A portion of the benefits payable to the Judges is paid from the Consolidated Fund. The trust fund invests in various fixed income, equity, inflation linked, and alternative investment pooled funds.

Members of the Legislative Assembly previously earned pension benefits under the Members' Superannuation Act and Members' Pension Act (Member). These plans have been curtailed. The Plans provide a pension benefit based on salary and number of years of service as a Minister, and average indemnity and number of sessions served as an MLA plus additional supplementary allowances. There is no segregated pension trust fund for these plans. The Province pays benefits as they become due out of the Consolidated Fund.

Certain pension benefits relating to early retirement initiatives, enhanced provisions for Deputy Ministers and Ministers, and benefits on salary in excess of the maximum salary covered under the Public Service Shared Risk Pension Plan are provided for under the Supplementary Retirement Plan (SERP). The excess employer and employee contributions relating to the Public Service Shared Risk Pension Plan are deposited into a Retirement Compensation Arrangement, which was established in 2015 to receive contributions and pay benefits. As at 31 March, \$11.4 million has been deposited into the account. Benefit payments are currently being paid out of the Consolidated Fund.

Certain eligible employees of nursing homes participate in either the Pension Plan for Management Employees' of New Brunswick Nursing Homes (NH-Mgt) or the Pension Plan for Nursing and Paramedical Employees' of New Brunswick Nursing Homes (NH-N&P). The Plans provide a pension benefit based on years of service and salary, along with capped annual inflation protection. Employees contribute 5.8% of earnings up to YMPE and 7.5% of earnings in excess of YMPE to the NH-Mgt plan, and 5.3% of earnings up to YMPE and 7.0% of earnings in excess of YMPE to the NH-N&P plan. The nursing homes contribute an amount required, as determined by the actuary, to fund the benefits. Pension trust funds, distinct from the Consolidated Fund, exist for each plan. The trust funds invest in fixed income securities, equities, and alternative investments.

Certain eligible employees of nursing homes participate in the Pension Plan for General and Service Employees' of New Brunswick Nursing Homes (NH-G&S). A future annual pension benefit accrues to employees as they provide service based on a percentage of salary, and is subject to capped inflation protection from the time it is earned. Employees contribute 6.5% of earnings up to YMPE and 9.03% of earnings in excess of YMPE toward

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current service, and the nursing homes are required to match this contribution. If special payments are required, regulations specify that they are to be shared equally by employees and employers, and that the amount cannot exceed 25% of the current service cost contribution. Additional amortization payments related to an unfunded liability that existed at 30 June 2008 are currently being paid by the employer. A pension trust fund, distinct from the Consolidated Fund, exists for the plan. The trust fund invests in fixed income securities, equities, and alternative investments.

Defined Contribution Pension Plans

Eligible part-time, seasonal and contract employees of the Province may participate in the Pension Plan for Part-Time and Seasonal Employees (Part-time). Employees may contribute 2.0%, 3.25%, or 4.5% of earnings. The Province matches the employee contribution, and has no further benefit obligation. The contributions, along with earnings, are attributed to separate member accounts which are used to fund the future retirement benefit.

Target Benefit Pension Plans

As of 31 March 2016, four provincially sponsored pension plans (collectively “the Plans”) have been converted to a new form of pension plan which targets a retirement benefit as opposed to guaranteeing it. The Shared Risk Plan for CUPE Employees of New Brunswick Hospital (H-CUPE) and the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (H-CBE) converted on 1 July 2012. The Public Service Shared Risk Pension Plan (PSSRP) converted on 1 January 2014, and the New Brunswick Teachers’ Pension Plan (NBTPP) converted on 1 July 2014.

Each plan is governed by a Board of Trustees to which the Province has appointed one-half of the members. Once appointed, the Province does not have the right to remove a trustee. The boards are fully responsible for the management of the plans, including investment of the assets and administration of the plan. Each plan has a funding policy which outlines actions the Board of Trustees must take in the event the plan is not fully funded based on actuarial valuations. The required actions and timing differ from plan to plan and include adjustment of ancillary benefits including CPI adjustments, adjustment of employer and employee contributions and adjustment of base pension benefits. The funding policy also prescribes the required actions when these plans return to a funded position. The Plans are jointly funded by employees and the Province. Contribution rates are prescribed by the pension plan Board of Trustees in accordance with the plan documents, which establish the maximum amounts by which the rates can be increased or decreased from the following contribution rates:

	<u>Employee</u>	<u>Employer</u>
PSSRP	7.5% below YMPE, 10.7% above YMPE	12.5% (Includes temporary contribution of 1.25%)
NBTPP	9.0% below YMPE, 10.7% above YMPE	11.5% below YMPE, 13.2% above YMPE
H-CUPE	9.0%	10.1%
H-CBE	7.8%	7.8%

(YMPE – year’s maximum pensionable earnings)

A targeted pension benefit, based on a percentage of salary, accrues to employees as they provide service. Subject to the terms of the funding policy, the benefit may be adjusted for inflation from the time it is earned. Future benefits and benefits already earned may be adjusted by the plans’ boards of trustees, based on the funding status of each plan and in accordance with specified steps outlined in the funding policy.

The Province has guaranteed that retirement benefits for members of the PSSRP will never be less than the base benefit level at the time of conversion. On conversion, the primary obligation for paying retirement benefits to the members of the former Public Service Superannuation Plan and the assets of this plan were transferred to the

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trustees of the PSSRP. While the assets and primary obligation to pay benefits were transferred, should the PSSRP Board of Trustees reduce benefits below base benefit level at conversion, the Province will have an obligation as a result of the guarantee. No guarantee has been provided to members of any other converted pension plan.

Separate pension trust funds exist for each of the plans. The PSSRP and NBTPP trust funds invest in various fixed income, equity, inflation linked, and alternative investment pooled funds. The H-CUPE and H-CBE trust fund investment policies allow for investment in fixed income securities, equities, real estate and infrastructure.

Retirement Allowance Plan

The Province provides other employee future benefits in the form of an allowance paid at retirement, which is based on years of service to a maximum of 25 years and salary at retirement. This is an unfunded program, with no segregated assets to pay benefits. Effective 1 April 2011, the program has been discontinued for new entrants to the non-bargaining group of employees. For management and non-union employees with a continuous service date before 1 April 2011, the accumulation of retirement allowance credits was discontinued as of 31 March 2013. Eligible employees were provided with the option of a payout in lieu of retirement allowance or to defer their retirement allowance until retirement based on accumulated credits as of 31 March 2013 and salary upon retirement. For certain bargaining groups, the accumulation of retirement allowance credits will be discontinued with effective dates ranging from 31 March 2016 to 31 March 2019, depending on the bargaining group. Eligible employees have been provided with the option of a payout in lieu of retirement allowance, with some bargaining groups allowing employees to voluntarily receive their payout in lieu before the date of discontinuance. The Province has recorded an expense of \$18.8 million (\$0.4 million 2015) to reflect the impact of the curtailment on the measurement of the accrued benefit obligation.

b) Net Retirement Benefit Liability

For the defined benefit pension plans, the Province is liable for any excess of accrued pension benefits over pension fund assets. The target benefit plans are governed by an Agreement and Declaration of Trust, which restricts access to the plan assets. The Province records the value of plan net assets as nil when the plans are in a net asset position. When the plans are in a net obligation position, the province records a liability for its share (100% for the Public Service Shared Risk Pension Plan due to the pre-conversion base benefit guarantee, and 50% for the remaining three plans). Settlement of the obligation will occur in future periods as contributions maintain a fully funded plan status over time. For the defined contribution plan, the Province's obligation is limited to the contribution required for the period. A liability would only be recorded if the Province had not paid the required annual contribution. For the Retirement Allowance Plan, the Province is liable for the accrued benefit obligation.

As at 31 March 2016, the value of accrued benefits for all defined benefit pension plans exceeded the value of plan assets resulting in an actuarial benefit liability of \$520.1 million (\$526.0 million 2015). The calculation of this liability includes estimates of future events and market values of assets which can be volatile. Actual results may differ from the estimates used, creating a need for future adjustments. These adjustments are amortized into expense over the estimated remaining service life of employees, due to their tentative nature and the fact that further adjustments are likely to occur in the future. Currently, unamortized adjustments total \$102.6 million (\$124.6 million 2015). A valuation adjustment of \$1.8 million (\$5.8 million 2015) has been recorded to reflect the portion of the adjusted benefit asset of individual plans that exceeds the expected future economic benefit. The net pension liability after considering unamortized adjustments and valuation allowance is \$419.3 million (\$407.2 million 2015). This net balance, which is included in the amount reported on the Consolidated Statement of Financial Position, reflects the accounting methodology of deferring and amortizing the adjustments. This balance does not represent the actuarial pension liability.

The Province accounts for the NH-G&S plan as a joint defined benefit plan, where only the Province's portion of the net benefit liability is included in the amount reported on the Consolidated Financial Statement of Financial Position. The Province has also recorded an accrued benefit obligation for a schedule of amortization payments relating to an unfunded liability that existed as at 30 June 2008. Since the participating nursing homes and plan members share

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current service cost and special payments not related to the 30 June 2008 amortization schedule, the Province records 50% of the plan's accrued benefit obligation, net of the present value of the amortization payments, and 50% of total plan assets. As at 31 March 2016, the Plan had an actuarial benefit liability of \$63.0 million (\$28.0 million 2015). Included in the amounts reported under defined benefit plans above is \$38.9 million (\$22.3 million 2015) for the Province's share of the plan's actuarial benefit liability, and \$24.4 million (\$27.5 million 2015) for the Province's share of the plan's net benefit liability after unamortized adjustments of \$(14.5) million (\$5.2 million 2015).

As at 31 March 2016, the value of the Province's share of accrued benefits for all target benefit pension plans exceeded the value of the plan assets resulting in an actuarial benefit liability of \$374.2 million (\$(113.7) million 2015). The calculation of this liability includes estimates of future events and market values of assets which can be volatile. Actual results may differ from the estimates used, creating a need for future adjustments. These adjustments are amortized into expense over the estimated remaining service life of employees, due to their tentative nature and the fact that further adjustments are likely to occur in the future. Currently, unamortized adjustments total \$578.4 million (\$20.0 million 2015). A valuation adjustment of \$426.7 million (\$355.0 million 2015) has been recorded to reflect the portion of the adjusted benefit asset of individual plans that exceeds the expected future economic benefit. The net pension liability after considering unamortized adjustments and valuation allowance is \$222.5 million (\$221.3 million 2015). This net balance, which is included in the amount reported on the Consolidated Statement of Financial Position, reflects the accounting methodology of deferring and amortizing the adjustments. This balance does not represent the actuarial pension liability.

The value of accrued benefits in the Retirement Allowance Plan totals \$463.1 million (\$516.2 million 2015). The calculation of this liability includes estimates of future events which can be volatile. Actual results may differ from the estimates used, creating a need for future adjustments. These adjustments are amortized into expense over the estimated remaining service life of employees, due to their tentative nature and the fact that further adjustments are likely to occur in the future. Currently, unamortized adjustments total \$5.7 million (\$(64.8) million 2015). The net benefit liability after considering unamortized adjustments is \$468.8 million (\$451.4 million 2015).

The estimate of the Provincial share of the net pension and other employee future benefits liability is based on actuarial valuations for accounting purposes using the projected unit credit method, calculated as at the dates listed in Section d). This method estimates the present value of retirement benefits associated with the period of employee service to the valuation date. In the years that accounting valuations are not prepared, the obligation is calculated by an extrapolation from the previous valuation. These actuarial valuations were based on a number of assumptions about future events, such as rates of return on assets, wage and salary increases and employee turnover and mortality disclosed in sections d) and e). Pension assets are measured at fair value. The obligation and assets of H-CUPE, H-CBE and the non-teaching school district plans (Sch-Mgt, GLTS, CUPE 2745) have been measured at 31 December. All other plans are measured at 31 March.

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c) Summary Retirement Benefits Information

Retirement Benefit Liability and Expense (millions)

	2016			2015		
	Pensions	Retirement Allowance	Total	Pensions	Retirement Allowance	Total
Accrued benefit obligation beginning of year	\$ 12,114.2	\$ 516.2	\$ 12,630.4	\$ 13,889.6	\$ 463.1	\$ 14,352.7
Actuarial (gains) losses	87.8	(69.4)	18.4	434.9	41.1	476.0
Plan amendments	---	---	---	(183.2)	---	(183.2)
Plan settlements	---	---	---	(2,481.3)	---	(2,481.3)
Curtailement costs	---	18.8	18.8	0.1	0.4	0.5
Transfer from other agencies	0.9	---	0.9	---	---	---
Benefits accrued	317.4	37.3	354.7	320.3	33.5	353.8
Interest	720.6	13.1	733.7	742.7	18.3	761.0
Benefit payments	(602.5)	(52.9)	(655.4)	(608.9)	(40.2)	(649.1)
Accrued benefit obligation end of year	12,638.4	463.1	13,101.5	12,114.2	516.2	12,630.4
Plan assets beginning of year	11,701.9	---	11,701.9	12,928.1	---	12,928.1
Actuarial gains (losses)	(508.9)	---	(508.9)	694.9	---	694.9
Expected return on plan assets	715.2	---	715.2	704.5	---	704.5
Employer contributions	257.2	---	257.2	260.9	---	260.9
Employee contributions	177.7	---	177.7	183.6	---	183.6
Plan settlements	---	---	---	(2,465.4)	---	(2,465.4)
Benefit payments	(599.0)	---	(599.0)	(604.7)	---	(604.7)
Plan assets end of year	11,744.1	---	11,744.1	11,701.9	---	11,701.9
Actuarial Benefit Liability	894.3	463.1	1,357.4	412.3	516.2	928.5
Unamortized Adjustments	(681.0)	5.7	(675.3)	(144.6)	(64.8)	(209.4)
Valuation Adjustment	428.5	---	428.5	360.8	---	360.8
Net Benefit Liability	\$ 641.8	\$ 468.8	\$ 1,110.6	\$ 628.5	\$ 451.4	\$ 1,079.9
Expense						
Employers' share of benefits earned	\$ 174.8	\$ 37.3	\$ 212.1	\$ 159.4	\$ 33.5	\$ 192.9
Net interest	5.4	13.1	18.5	38.2	18.3	56.5
Plan amendments	---	---	---	(183.2)	---	(183.2)
Curtailement costs	---	18.8	18.8	0.1	0.4	0.5
Adjustments recognized due to plan amendment	---	---	---	130.9	---	130.9
Amortization of adjustments	60.3	1.7	62.0	53.4	7.3	60.7
Change in valuation adjustment	67.5	---	67.5	247.0	---	247.0
Plan settlements	---	---	---	115.0	---	115.0
Benefit expense, defined benefit and target benefit pension plans and Retirement Allowance Plan	308.0	70.9	378.9	560.8	59.5	620.3
Benefit expense, defined contribution pension plan	1.8	---	1.8	1.8	---	1.8
Total retirement benefit expense	\$ 309.8	\$ 70.9	\$ 380.7	\$ 562.6	\$ 59.5	\$ 622.1

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The defined benefit pension plans and target benefit pension plans have a combined actuarial pension liability of \$641.8 million (\$628.5 million 2015). This total includes plans that have assets in excess of the accrued benefit obligation. The plans with assets in excess of accrued benefit obligations have assets totaling \$2,732.5 million (\$9,845.9 million 2015) and an accrued benefit obligation totaling \$2,591.0 million (\$9,487.9 million 2015), resulting in net actuarial pension liability of \$(141.5) million (\$(358.0) million 2015).

The pension fund one-year rate of return as at 31 March 2016 for Judge is 1.98% (14.64% 2015), NH-Mgt -1.19% (12.15% 2015), NH-N&P -1.13% (12.32% 2015), NH-G&S -0.94% (12.29% 2015), PSSRP 1.73% (13.59% 2015) and NBTTP 1.55% (14.65% 2015). The one-year rate of return as at 31 December 2015 for Sch-Mgt is 5.62% (8.10% 2014), GLTS 3.91% (10.14% 2014), CUPE 2745 4.10% (9.78% 2014), H-CUPE 3.1% (10.0% 2014) and H-CBE 5.8% (11.1% 2014).

d) Actuarial Assumptions

Calculation of the Province's pension and other employee future benefit obligations and related expense is based on long term actuarial assumptions. Salary increase assumptions have been refined to include the short term.

The table below discloses the assumptions used in the actuarial valuations.

Plan	Date of Latest Actuarial Valuation	Discount Rate and Expected Rate of Return (%)	Inflation (%)	Rate of Pension Escalation after Retirement (%)	Annual Wage and Salary Increase (%) *	
					Short-Term	Long-Term
Judge	01 Apr 2013	6.15	2.25	2.05 to 2.15	4.00	4.00
Sch-Mgt	31 Dec 2015	6.05	2.25	1.95	1.50	2.75
GLTS	31 Dec 2015	6.05	2.25	2.00	1.50	2.75
CUPE 2745	31 Dec 2015	6.05	2.25	2.00	1.50	2.75
Member	31 Mar 2015	3.19	1.50	1.29	n/a	n/a
SERP	01 Jan 2014	3.19	1.50	1.29	1.50	2.00
NH-Mgt	31 Dec 2014	6.20	2.25	2.25	1.50	2.75
NH-N&P	31 Dec 2014	6.20	2.25	2.25	1.50	2.75
NH-G&S	31 Dec 2014	6.20	2.25	2.00	1.50	2.75
PSSRP	01 Jan 2015	6.00	2.25	1.93	1.50	2.75
NBTTP	30 Jun 2014	6.15	2.25	1.69	2.75	2.75
H-CBE	31 Dec 2014	5.70	2.25	1.88	1.50	3.00
H-CUPE	31 Dec 2014	5.45	2.25	2.13	1.50	2.75
Retirement Allowance	31 Mar 2015	3.19	1.50	n/a	1.50	2.00 to 2.75

* excludes promotional scale

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

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e) Member Data

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

Plan	Estimated Average Remaining Service Life (Years)	Number of Active Contributors	Number of Pensioners	Average Annual Salary of Contributors	Average Annual Pension
Judges'	6	34	26	\$ 247,886	\$ 48,523
Sch – Mgt	---	---	104	n/a	\$ 12,678
GLTS	8	2,155	1,628	\$ 33,185	\$ 11,132
CUPE 2745 Member	10	1,049	451	\$ 30,790	\$ 7,667
Member	---	---	93	n/a	\$ 27,894
Minister	---	---	48	n/a	\$ 6,103
SERP	15	308	3,274	\$ 93,126	\$ 4,137
NH-Mgt	7	213	205	\$ 72,000	\$ 11,400
NH-N&P	9	553	279	\$ 55,548	\$ 9,600
NH-G&S	12	4,588	1,953	\$ 32,677	\$ 6,120
PSSRP	15	17,484	15,229	\$ 66,234	\$ 22,811
NBTPP	17	9,145	8,562	\$ 72,900	\$ 31,100
H-CBE	15	8,593	2,352	\$ 65,216	\$ 18,134
H-CUPE	12	8,534	3,288	\$ 39,485	\$ 9,723

The Members' Pension Plan provides for a benefit based on years of service and salary as a Member and a benefit based on years of service and salary as a Minister. All Ministers are also included as a Member.

The average annual salary of contributors under the SERP relates to the amount in excess of the maximum salary covered under the PSSRP.

NOTE 12 SICK LEAVE LIABILITY

The Province of New Brunswick's employees working full-time and part-time hours in government departments, school districts and other agencies receive sick leave that is earned at varying amounts per group. Unused hours can be carried forward for future paid leave, up to predetermined maximum amounts. This is an unfunded program with no specific assets segregated to meet the obligations when they come due. Actuarial estimates for this future liability have been completed and form the basis for the estimated liability reported in these consolidated financial statements. The latest actuarial valuation was calculated as at 31 March 2015 for government department and school district employees. The latest actuarial valuations were completed between 31 March 2014 and 31 March 2015 for employees of other agencies. The sick leave liability for nursing homes has been estimated using summarized data of nursing home employees, and experience of employees in the Province's health care sector.

For the year ended 31 March 2016, the Province expensed \$0.6 million for this program (\$5.1 million in 2015).

Significant economic and demographic assumptions used in the actuarial valuations are:

Discount Rate: Equal to the Province's long term borrowing rate of 3.19% as at 31 March 2016, and 2.67% as at 31 March 2015.

Expected Average
Remaining Service
Lifetime (Years): 10.2 to 23

Salary Growth Rate: Short term 1.5% Long term 2.0 % to 3.0%

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The following table presents the liability at 31 March:

	(millions)					2015
	2016					
	Government Departments	School Districts	Nursing Homes	Other Agencies	Total	Total
Accrued benefit obligation						
beginning of year	\$ 45.9	\$ 80.2	\$ 21.4	\$ 107.9	\$ 255.4	\$ 246.4
Actuarial (gains) losses	(3.4)	(6.1)	(2.1)	(10.3)	(21.9)	4.3
Benefits accrued	4.3	6.7	2.0	10.5	23.5	26.4
Interest	1.2	2.1	0.6	2.8	6.7	9.4
Benefit payments	(5.7)	(8.2)	(3.1)	(13.0)	(30.0)	(31.1)
Accrued benefit obligation end of year	42.3	74.7	18.8	97.9	233.7	255.4
Unamortized adjustments						
Opening balance	4.9	(19.7)	(1.2)	8.4	(7.6)	(3.7)
New adjustments	3.4	6.1	2.1	10.3	21.9	(4.3)
Amortization	(0.4)	1.5	(0.1)	(0.6)	0.4	0.4
Unamortized Adjustments ending balance	7.9	(12.1)	0.8	18.1	14.7	(7.6)
Total Benefit Liability	\$ 50.2	\$ 62.6	\$ 19.6	\$ 116.0	\$ 248.4	\$ 247.8

Other agencies include Collège communautaire du Nouveau-Brunswick, Financial and Consumer Services Commission, Horizon Health Network, New Brunswick Community College, New Brunswick Legal Aid Services Commission, New Brunswick Investment Management Corporation, Recycle New Brunswick, Service New Brunswick and Vitalité Health Network.

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NOTE 13 GUARANTEES, LIABILITIES FOR CONTAMINATED SITES AND CONTINGENT LIABILITIES

a) Guarantees

Loan Guarantees

The Province has guaranteed certain debt of entities external to the Provincial Reporting Entity under the authority of various statutes. Guarantees issued under the *Agriculture Development Act*, *Opportunities New Brunswick Act*, *Livestock Incentives Act* and the *Regional Development Corporation Act* are issued to facilitate the establishment, development or maintenance of industry in a variety of areas. Loans guaranteed under these acts have guarantee fees ranging from 0% to 1.5% and maturity dates from 2010 to 2031.

Provincial Holdings Ltd. (PHL) is wholly owned by the Province and is responsible for administering industrial development project investments.

At 31 March 2016, the total contingent liability in respect of these guarantees was \$63.4 million (\$75.1 million 2015), of which the Province has recognized \$21.0 million as a liability on the consolidated statement of financial position (\$33.0 million 2015).

	(millions)		
	<u>Authorized Limit</u>	<u>Principal Guaranteed</u>	<u>Allowance for Loss (Schedule 8)</u>
<i>Agricultural Development Act</i>	\$ 2.2	\$ 2.2	\$ 2.1
<i>Opportunities New Brunswick Act</i>	\$ 52.5	51.3	17.0
<i>Livestock Incentives Act</i>	\$ 0.2	0.1	—
<i>Regional Development Corporation Act</i>	\$ 3.2	2.3	1.3
		<u>55.9</u>	<u>20.4</u>
Provincial Holdings Limited	\$ 7.5	7.5	0.6
		<u>\$ 63.4</u>	<u>\$ 21.0</u>

Other Guarantees

The New Brunswick Municipal Finance Corporation (NBMFC) is included in the Province's reporting entity as described in Schedule 30. The Province guarantees the payment of principal and interest of any borrowing by NBMFC. In the event of a defaulted payment, the Province shall recover such amounts from the defaulting municipality or from the defaulting municipality that has guaranteed the payment due to the Corporation from the defaulting municipal enterprise. As of 31 December 2015, total debenture debt outstanding was \$ 866.8 million (\$879.3 million 2014).

The New Brunswick Credit Union Deposit Insurance Corporation (NBCUDIC) provides deposit insurance to members of credit unions in New Brunswick to a maximum of \$250,000 for each member. NBCUDIC is included in the Province's reporting entity as described in Schedule 30. As of 31 December 2015, deposits of the credit unions totalled \$3.8 billion (\$3.7 billion 2014). In addition, NBCUDIC has guaranteed specific losses up to \$2.0 million.

One nursing home has guaranteed the debt of a related party. As at 31 March 2016, the guarantee totalled \$1.1 million (\$1.2 million 2015).

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b) Contaminated Sites

The Province recognizes a liability for the remediation of a contaminated site when the Province is responsible for remediation of the site and the cost of remediation can be reasonably estimated. In 2016, a liability of \$40.9 million (\$42.2 million 2015) has been accrued for the remediation of contaminated sites. This liability includes the net present value of \$0.9 million of remediation costs to be incurred over the next five years. The net present value was calculated using a discount rate equal to the Province's five year borrowing rate of 1.73% as at 31 March 2016. The liability is based on management's best estimate of the cost of remediation, using information available as at 31 March 2016. In accordance with PS 3260, in cases where uncertainty exists regarding the existence of contamination or the cost of remediation, no liability has been recognized. The estimated liability will be updated in future periods as new information becomes available.

The liability for contaminated sites is recognized in the statement of financial position under accounts payable and accrued expenses.

The following table discloses the total liability by nature and source:

Types of Sites	Nature of Contaminate	Source of Contamination	Number of Sites	(millions)	
				Liability	Estimated Recovery
Office/ Commercial/ Industrial	Metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc.	Activities associated with the operations of an office, commercial or industrial facility could result in contamination from fuel storage or handling, waste sites, use of metal-based paint, etc. Sites often have multiple sources of contamination.	16	\$ 5.5	\$ ---
Mineral Exploration Sites	Heavy metals, petroleum hydrocarbons, etc.	Mining activities; activities associated with mine operations e.g., fuel storage tanks, fuel handling, waste sites, etc. Sites often have multiple sources of contamination.	3	33.4	---
Fuel Related Practices	Petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc.	Activities associated with fuel storage and handling, e.g., aboveground storage tanks, underground storage tanks, fuel handling areas, pipelines, fueling stations, etc.	46	2.0	---
TOTAL			65	\$ 40.9	\$ ---

An additional environmental liability of \$14.0 million has been accrued by the New Brunswick Power Corporation. The liability is included in the investment balance of the New Brunswick Power Corporation.

c) Contingent Liabilities

Insurance

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

Legal Actions

The Province of New Brunswick is involved in various legal proceedings arising from government activities. Amounts totalling \$28.7 million (\$40.0 million 2015) have been accrued in these consolidated financial statements which

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represents management's best estimate of the likely losses due to legal actions. The Province of New Brunswick is also involved in various legal actions, some of which may be significant, the outcome of which is not determinable.

NOTE 14 COMMITMENTS

a) Operating Leases

The total future minimum payments under various operating lease agreements, including those of government business enterprises for the rental of space and equipment, amounts to \$393.5 million (\$465.5 million 2015). Minimum annual lease payments in each of the next five years are as follows:

<u>Fiscal Year</u>	<u>(millions)</u>
2016-2017	\$ 81.9
2017-2018	\$ 68.2
2018-2019	\$ 54.6
2019-2020	\$ 45.8
2020-2021	\$ 35.0

b) New Brunswick Lotteries and Gaming Corporation

In August 2013, the Atlantic Lottery Corporation communicated to New Brunswick Lotteries and Gaming Corporation that a pension deficit would be recovered from shareholders through withholdings of profit distributions beginning in September 2013 and ending in 2019. As of 31 March 2016, the impact on future profit distributions for New Brunswick Lotteries and Gaming Corporation is a decrease of \$11.2 million in aggregate.

c) Contractual Obligations

The nature of the government's activities results in significant multi-year contracts and obligations. The Province currently has outstanding contractual commitments of \$2,757.7 million. Significant commitments and agreements are as follows:

	<u>(millions)</u>
Consolidated Fund Entities	\$ 833.5
Other Government Entities	\$ 1,924.2

Significant commitments and agreements include:

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Consolidated Fund Entities

	(millions)					
	2017	2018	2019	2020	2021+	Totals
Education and Early Childhood Development						
Other Educational Operating Services	\$ 8.9	\$ 4.8	\$ 3.3	\$ 3.0	\$ 2.5	\$ 22.5
Environment and Local Government						
Animal Control Services for Local Service Districts	0.6	0.6	0.6	0.4	---	2.2
Energy and Mines						
Various agreements Under Energy and Mines	0.7	---	---	---	---	0.7
Finance						
Property Assessment and Taxation System						
Renewal Initiative	0.1	---	---	---	---	0.1
Project Management, Marketing, Web and Staffing Services	0.1	---	---	---	---	0.1
General Government						
Development and Coaching of Lean Six Sigma methodology	1.0	---	---	---	---	1.0
Health						
Various Health Care Services	18.5	10.8	3.0	---	---	32.3
Natural Resources						
Various Agreements Under Natural Resources Management	4.6	0.4	---	---	---	5.0
Public Safety						
Public Police Service Agreement (PPSA)	84.8	84.2	84.2	81.6	81.6	416.4
Social Development						
Home Support Services	10.5	---	---	---	---	10.5
Family Support Services	2.8	---	---	---	---	2.8
Advisory, Consulting, and IT Services	3.8	---	---	---	---	3.8
Adult Developmental Activities, Programs & Training	1.2	1.2	---	---	---	2.4
Tourism, Heritage and Culture						
Advertising, Publication, Software and Web Service Contracts	7.9	1.2	0.1	---	---	9.2
Transportation and Infrastructure						
Various Capital Projects	60.3	7.0	1.3	0.8	1.0	70.4
Deer Island Ferry Services Project	1.1	---	---	---	---	1.1
Fundy Islands Ferry Services Project Operations Agreement	18.9	19.3	19.9	20.4	157.4	235.9
National Highways System	1.9	---	---	---	---	1.9
Permanent Bridges and Highways	44.2	6.9	---	0.1	---	51.2
Rural Road Initiative	1.0	---	---	---	---	1.0
Subtotal	272.9	136.4	112.4	106.3	242.5	870.5
Capital Contributions from Outside Sources	14.4	17.9	4.7	---	---	37.0
Total	\$ 258.5	\$ 118.5	\$ 107.7	\$ 106.3	\$ 242.5	\$ 833.5

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Other Government Entities

	(millions)					
	2017	2018	2019	2020	2021+	Totals
Ambulance NB						
Management of Ambulance Services through NB EMS	\$ 29.9	\$ ---	\$ ---	\$ ---	\$ ---	\$ 29.9
Fundy Trail Development Authority						
Fundy Trail Parkway	2.9	2.3	---	---	---	5.2
New Brunswick Highway Corporation						
Maintenance and Rehabilitation of the Fredericton to Moncton Highway	11.5	11.5	11.5	11.5	89.3	135.3
Maintenance and Rehabilitation of the Trans Canada Highway from the Quebec border to Longs Creek	22.9	23.4	23.9	24.5	585.4	680.1
Maintenance and Rehabilitation of the Route 1 Gateway	21.4	21.9	22.4	22.9	682.3	770.9
Nursing Homes						
Construction Contract	9.1	---	---	---	---	9.1
Opportunities NB						
IT and Consulting Services	0.1	---	---	---	---	0.1
Regional Development Corporation						
Canada - New Brunswick Agreements	1.7	21.1	4.4	1.4	---	28.6
Regional and Community Development Initiative	15.0	50.7	49.1	43.1	24.1	182.0
Service New Brunswick						
Technology agreements	20.1	11.1	10.9	10.1	26.4	78.6
Horizon Health Network						
Service Support for Diagnostic Imaging Equipment	4.4	---	---	---	---	4.4
Total	\$ 139.0	\$ 142.0	\$ 122.2	\$ 113.5	\$ 1,407.5	\$ 1,924.2

The Province also has contractual obligations and other commitments through its government business enterprises. The New Brunswick Power Corporation has entered into various agreements related to the purchase and transmission of electricity and the supply and delivery of fuel oil and coal.

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NOTE 15 SEGMENT REPORTING

Note 15 is intended to provide supplementary information on the Province's revenue and expenses by segment. The segments have been defined based on the accountability and control relationships between the Government and the various organizations within the reporting entity. Although the government controls all the entities included, there are varying levels of accountability. The segments are defined as: Government Departments and Some Agencies; Regional Health Authorities; and Other Consolidated Entities. An Interaccount Eliminations column is added to eliminate double counting between columns and to reconcile to the Consolidated Statement of Operations. The extent of these items was \$3.4 million in 2016 (\$12.7 million 2015). Eliminations between the Province and entities impact asset and liability accounts with respect to tangible capital assets and deferred contributions from the Province. Transactions between segments are recorded at cost.

The Government Departments and Some Agencies segment represents the group most directly accountable to the Board of Management and Cabinet. The segment includes all line departments such as Health, Education and Transportation as well as the following agencies: Arts Development Trust Fund, Atlantic Education International Inc., Economic and Social Inclusion Corporation, Environmental Trust Fund, New Brunswick Agricultural Insurance Commission, New Brunswick Highway Corporation, New Brunswick Housing Corporation, New Brunswick Lotteries and Gaming Corporation, Regional Development Corporation, and Sport Development Trust Fund.

The Regional Health Authorities (RHA's) are disclosed separately due to the magnitude of their operations and the fact they are somewhat removed from day to day control of the Board of Management and Cabinet.

Other Consolidated Entities are also somewhat removed and independent with respect to day to day operations yet still controlled by government under the Public Sector Accounting Board's criteria for control. The organizations included in this segment are: New Brunswick Liquor Corporation, New Brunswick Municipal Finance Corporation, and New Brunswick Power Corporation. Also included with other agencies are the following entities which are consolidated in the Province's financial statements: Algonquin Golf Limited, Algonquin Properties Limited, Ambulance New Brunswick Inc., Collège communautaire du Nouveau-Brunswick; Financial and Consumer Services Commission, Forest Protection Limited, Kings Landing Corporation, New Brunswick Community College, New Brunswick Credit Union Deposit Insurance Corporation, New Brunswick Energy and Utilities Board, New Brunswick Health Council, New Brunswick Immigrant Investor Fund (2009) Ltd., New Brunswick Investment Management Corporation, New Brunswick Legal Aid Services Commission, Opportunities NB, Provincial Holdings Ltd., Recycle New Brunswick, Service New Brunswick and not-for-profit nursing homes operating in New Brunswick.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(millions)

	Government Departments and Some Agencies	Regional Health Authorities	Other Consolidated Entities	Interaccount Eliminations	Consolidated Total
	2016	2015	2016	2015	2016
Revenue					
Tax Revenue	\$ 4,029.7	\$ 3,983.1	\$ ---	\$ ---	\$ 4,029.7
Non Tax Revenue	884.9	851.9	118.0	110.2	1,214.7
Government Business Enterprises	---	---	---	---	---
Transfers Between Entities	6.0	6.0	1,717.2	1,785.4	---
Conditional Federal Grants	266.9	364.2	23.1	23.8	290.0
Unconditional Federal Grants	2,662.7	2,621.8	---	---	2,662.7
	7,850.2	7,827.0	1,858.3	1,919.4	8,386.2
			1,175.5	1,108.9	(2,497.8)
					(2,416.1)
Expenses					
Employee Benefits	1,885.4	2,104.8	1,371.1	1,348.4	3,782.7
Other Services	1,389.8	1,292.3	95.2	131.7	1,554.8
Materials and Supplies	208.7	202.4	348.2	302.2	620.8
Property and Equipment	20.8	71.6	---	---	42.9
Grants and Subsidies	1,453.7	1,500.3	---	5.6	1,478.1
Transfers Between Entities	2,437.8	2,314.5	---	---	---
Debt and Other Charges	732.9	742.5	---	20.3	740.6
Amortization	345.3	326.5	62.3	60.7	426.8
	8,474.4	8,554.9	1,876.8	1,843.0	8,646.7
			796.7	806.1	(2,501.2)
					(2,403.4)
Surplus (Deficit)	\$ (624.2)	\$ (727.9)	\$ (18.5)	\$ 76.4	\$ (260.5)
			\$ 378.8	\$ 302.8	\$ 3.4
					(12.7)
					\$ (361.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 TRUST FUNDS

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

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

	(millions)	
	<u>2016</u>	<u>2015</u>
<u>Cost Method:</u>		
Margaret R. Lynds Bequest	\$ 0.1	\$ 0.1
Mental Health Trust Fund	1.4	1.3
Viscount Bennett Bequest	0.2	0.2
	<u>\$ 1.7</u>	<u>\$ 1.6</u>
 <u>Market Value Method:</u>		
Judges' Superannuation Fund	\$ 43.2	\$ 42.0
Office of the Public Trustee Trust Fund	10.1	10.1
Pension Plan for the Management Employees of New Brunswick School Districts	6.6	7.6
Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts	341.3	339.2
Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts	80.1	78.0
	<u>\$ 481.3</u>	<u>\$ 476.9</u>

The Margaret R. Lynds Bequest awards three annual scholarships of equal value to students pursuing the study of communications at specified universities. The Mental Health Trust Fund is used to pay for psychoanalysis treatment of deserving New Brunswick residents. The income from the Viscount Bennett Bequest is used to develop the Province's historic resources. The Public Trustee of New Brunswick protects the financial and personal interests of the elderly, the mentally challenged, children, missing or deceased persons, when there is no one else able and willing to do so.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17 PRIOR PERIOD ADJUSTMENTS

Restatements to Net Debt and Accumulated Deficit

The tables below summarize the impact of the prior period adjustments on the opening net debt and accumulated deficit figures. The paragraphs following the tables provide additional information on these adjustments.

RESTATED NET DEBT - BEGINNING OF YEAR

	(millions)	
	2016	2015
	<u>Actual</u>	<u>Actual</u>
NET DEBT - BEGINNING OF YEAR		
As Previously Published	\$ (12,421.9)	\$ (11,811.3)
Nursing Homes	(521.7)	(497.7)
Target Benefit Pension Plans	(221.3)	(224.7)
Unamortized Premiums and Discounts	80.9	145.2
Liability for Injured Workers	(41.0)	(23.2)
Government Business Enterprises	<u>6.8</u>	<u>(3.4)</u>
RESTATED NET DEBT - BEGINNING OF YEAR	<u><u>\$ (13,118.2)</u></u>	<u><u>\$ (12,415.1)</u></u>

RESTATED ACCUMULATED DEFICIT - BEGINNING OF YEAR

	(millions)	
	2016	2015
	<u>Actual</u>	<u>Actual</u>
ACCUMULATED DEFICIT - BEGINNING OF YEAR		
As Previously Published	\$ (3,961.3)	\$ (3,426.1)
Nursing Homes	(81.5)	(96.9)
Target Benefit Pension Plans	(221.3)	(224.7)
Liability for Injured Workers	(41.0)	(23.2)
Government Business Enterprises	<u>6.8</u>	<u>(3.4)</u>
RESTATED ACCUMULATED DEFICIT - BEGINNING OF YEAR	<u><u>\$ (4,298.3)</u></u>	<u><u>\$ (3,774.3)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Nursing Home Consolidation

As a result of a change in accounting policy, the financial results of not-for-profit nursing homes located in New Brunswick are now being included in the Province's consolidated financial statements using the full consolidation method. See schedule 30 for a listing of nursing homes included within the government reporting entity. The change resulted in a restatement of 31 March 2015 financial results as follows: an increase of \$37.2 million in financial assets, \$440.3 million in non-financial assets, \$462.1 million in liabilities, \$75.1 million in revenue and \$59.7 million in expenses. Closing net debt increased by \$521.7 million and accumulated deficit increased by \$81.5 million. Opening net debt and accumulated deficit as at 1 April 2014 increased by \$497.7 and \$96.9 million respectively.

Target Benefit Pension Plans

Effective 1 April 2015, the Province retroactively changed its accounting policy for Target Benefit Pension Plans as described in Note 1 d) to the consolidated financial statements. The Province's 2015 consolidated financial statements have been restated as follows: a decrease of \$3.4 million in pension expense and an increase of \$221.3 million in closing net debt, accumulated deficit and pension liability. Opening net debt and accumulated deficit as at 1 April 2014 increased by \$224.7 million.

Financial Statement Presentation Change

As a result of a change in financial statement presentation in the current year, unamortized premiums, discounts, and issue expenses on debentures previously classified as non-financial assets are now included in the calculation of total funded debt. The impact of this change is a decrease in net debt of \$80.9 million as at 31 March 2015. Opening net debt as at 1 April 2014 also decreased by \$145.2 million.

Liability for Injured Workers

As a result of an assessment of the Province's liability for injured workers, it was determined that an adjustment was required to the previously recognized liability and expense amounts. For the year ended 31 March 2015, the adjustment resulted in an increase in opening net debt and accumulated deficit of \$23.2 million, an increase in expenses of \$17.8 million and an increase in the Province's liability for injured workers of \$41.0 million. Net debt and accumulated deficit as at 31 March 2015 also increased by \$41.0 million.

Government Business Enterprises

Effective 1 April 2015, NB Power adopted International Financial Reporting Standards, which resulted in a restatement of their 2015 financial results. NB Liquor also restated their 2015 results for the correction of an error. The impact of these restatements on the Province's 31 March 2015 consolidated financial statements is as follows: an increase in revenue of \$26.2 million, an increase in other comprehensive loss of \$16.0 million, an increase in assets and a decrease in accumulated deficit and net debt of \$6.8 million. Opening net debt and accumulated deficit as at April 1, 2014 increased by \$3.4 million.

NOTE 18 COMPARATIVE FIGURES

Certain of the 2015 figures have been reclassified to conform to the presentation adopted for 2016.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

	(millions)	
	2016	2015
SCHEDULE 1		
CASH AND SHORT TERM INVESTMENTS		
Cash	\$ 1,215.2	\$ 842.0
Short Term Investments	925.9	840.2
	\$ 2,141.1	\$ 1,682.2
SCHEDULE 2		
RECEIVABLES AND ADVANCES		
Accounts Receivable		
General Receivables of Government Departments	\$ 219.6	\$ 224.5
General Receivables of Government Entities	63.8	53.6
	283.4	278.1
Less: Allowance for Doubtful Accounts	100.0	112.2
	183.4	165.9
Due from Federal Government		
Central Government Services	56.7	80.6
Transportation	19.1	5.1
Harmonized Sales Tax Rebate	15.4	20.6
Economic Development	6.9	5.7
Education	2.3	38.1
Other	3.2	3.5
	103.6	153.6
Guarantee Payouts	126.7	129.7
Less: Allowance for Doubtful Accounts	125.9	126.2
	0.8	3.5
Advances		
Working Capital Advances	4.2	4.7
Other	5.2	5.5
	9.4	10.2
Less: Allowance for Doubtful Accounts	4.2	4.5
	5.2	5.7
Interest Receivable		
Student Loans	21.1	19.4
<i>Fisheries and Aquaculture Development Act</i>	6.6	6.5
<i>Opportunities New Brunswick Act</i>	4.8	5.1
<i>Agricultural Development Act</i>	0.3	0.2
Other	19.4	19.7
	52.2	50.9
Less: Allowance for Doubtful Accounts	42.0	40.4
	10.2	10.5
	\$ 303.2	\$ 339.2

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

	(millions)	
	2016	2015
SCHEDULE 3		
TAXES RECEIVABLE		
Real Property Tax	\$ 1,141.9	\$ 1,146.6
Gasoline and Motive Fuels Tax	23.9	22.3
Tobacco Tax	18.4	17.2
Royalties and Stumpage on Timber	12.5	20.7
Metallic Minerals Tax	0.1	—
Sales Tax	—	63.4
Other	4.1	8.5
	1,200.9	1,278.7
Less: Allowance for Doubtful Accounts	32.6	40.6
	\$ 1,168.3	\$ 1,238.1
 SCHEDULE 4		
INVENTORIES FOR RESALE		
Inventories for Resale		
Properties Held for Sale	\$ 0.3	\$ 1.7

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

	(millions)					
	2016			2015		
	Amount	Allowance for Doubtful Accounts	Net	Amount	Allowance for Doubtful Accounts	Net
SCHEDULE 5						
LOANS						
Loans to Students	\$ 464.9	\$ 105.0	\$ 359.9	\$ 455.2	\$ 101.6	\$ 353.6
<i>Opportunities New Brunswick Act</i>	226.5	94.0	132.5	216.5	98.9	117.6
<i>New Brunswick Housing Act</i>	89.9	7.2	82.7	104.6	5.9	98.7
<i>Agricultural Development Act</i>	15.0	3.4	11.6	14.5	2.6	11.9
<i>Fisheries and Aquaculture Development Act</i>	33.3	22.4	10.9	34.7	21.2	13.5
L'Office de Stabilisation	5.4	---	5.4	5.3	---	5.3
Fundy Trail Endowment Fund	4.3	---	4.3	4.1	---	4.1
Energy Efficiency Upgrade Loans	---	---	---	3.7	0.7	3.0
Unsatisfied Judgements	9.4	9.4	---	9.4	9.4	---
La Fondation du quotidien francophone	4.0	4.0	---	4.0	4.0	---
Other Loans	31.2	15.3	15.9	38.8	17.2	21.6
	\$ 883.9	\$ 260.7	\$ 623.2	\$ 890.8	\$ 261.5	\$ 629.3

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	(millions)	
	2016	2015
SCHEDULE 6		
EQUITY IN GOVERNMENT BUSINESS ENTERPRISES		
New Brunswick Power Corporation	\$ 207.0	\$ 336.0
less: regulatory deferral adjustment (Note 6)	(134.1)	(139.8)
New Brunswick Liquor Corporation	23.9	17.3
New Brunswick Municipal Finance Corporation	0.9	1.0
	<u>\$ 97.7</u>	<u>\$ 214.5</u>
OTHER INVESTMENTS		
Other Investments	\$ 51.4	\$ 44.9
Atlantic Lottery Corporation	(2.3)	(11.7)
	<u>\$ 49.1</u>	<u>\$ 33.2</u>
SCHEDULE 7		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES		
Accounts Payable	\$ 520.7	\$ 571.2
Due to Canada		
Equalization and Canada Health and Social Transfer	0.9	20.8
Other Agreements	57.7	2.2
	<u>58.6</u>	<u>23.0</u>
Accrued Interest		
Funded Debt	141.9	141.9
Other	62.6	66.0
	<u>204.5</u>	<u>207.9</u>
Employee Benefits		
Retirement Allowances (Note 11)	468.8	451.4
Accrued Salaries Payable	391.6	341.3
Sick Leave (Note 12)	248.4	247.8
Liability for Injured Workers	180.5	175.9
	<u>1,289.3</u>	<u>1,216.4</u>
Municipal Property Taxes Due to Municipalities	473.5	466.8
Liability for Contaminated Sites (Note 13)	40.9	42.2
Medicare and Out of Province Payments	38.4	48.5
Holdbacks on Contracts	16.4	12.9
Health Services Liability Protection Plan	10.3	12.1
Other	73.4	93.7
	<u>652.9</u>	<u>676.2</u>
	<u>\$ 2,726.0</u>	<u>\$ 2,694.7</u>

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(millions)

	2016	2015
SCHEDULE 8		
ALLOWANCE FOR LOSSES		
Economic Development	\$ 18.9	\$ 30.6
Agriculture, Aquaculture and Fisheries	2.1	2.4
Contingent Liabilities - Guaranteed Loan Provision (Note 13)	21.0	33.0
Property Tax Appeals	4.0	5.5
Post-Secondary Education, Training and Labour	0.3	0.3
	4.3	5.8
	\$ 25.3	\$ 38.8

SCHEDULE 9
DEFERRED REVENUE

Real Property Taxes	\$ 389.3	\$ 387.9
Motor Vehicle and Operators' Licenses	62.2	58.6
Capital Contributions	21.8	18.1
Other	33.0	25.5
	\$ 506.3	\$ 490.1

SCHEDULE 10
DEPOSITS HELD IN TRUST

New Brunswick Immigrant Investor Fund (2009) Ltd.	\$ 148.1	\$ 174.1
Retention Fund for Fee for Service Physicians	51.0	48.7
Tenants' Security Deposits	24.1	22.8
Court of Queen's Bench	10.3	8.8
Mining Licenses - Non-Performance Renewal Fees	6.8	7.0
Scholarship Trusts	3.9	3.8
New Brunswick Crop Reinsurance	2.8	0.9
Contractors' Deposits	2.4	2.7
Family Support Order Services	1.8	1.9
Sale of Property for Taxes	0.5	0.2
Other	110.3	104.8
	\$ 362.0	\$ 375.7

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(millions)

20162015

SCHEDULE 11
OBLIGATIONS UNDER CAPITAL LEASES

Highways	\$ 577.8	\$ 609.4
Health	94.1	94.7
Education	45.6	46.4
Protection	16.4	17.1
	<u>\$ 733.9</u>	<u>\$ 767.6</u>

SCHEDULE 12
INVENTORIES OF SUPPLIES

Health Supplies and Vaccines	\$ 20.8	\$ 21.7
Construction and Maintenance Materials	13.9	14.5
Machine Repair Parts	5.2	5.0
Veterinary Supplies	1.2	1.0
Educational Textbooks	0.7	0.7
Stationery and Supplies	0.2	1.5
Other Supplies	7.4	7.1
	<u>\$ 49.4</u>	<u>\$ 51.5</u>

SCHEDULE 13
PREPAID AND DEFERRED CHARGES

Public Private Partnership Contracts	\$ 130.2	\$ 126.9
Deferred Financing Charges	3.2	5.3
Other	36.2	50.5
	<u>\$ 169.6</u>	<u>\$ 182.7</u>

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

	(millions)		
	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
SCHEDULE 14			
TAXES			
Personal Income Tax	\$ 1,587.0	\$ 1,654.6	\$ 1,523.7
Corporate Income Tax	258.0	225.8	238.1
Metallic Minerals Tax	---	0.1	21.9
	<u>1,845.0</u>	<u>1,880.5</u>	<u>1,783.7</u>
 Provincial Real Property Tax	 <u>477.8</u>	 <u>480.4</u>	 <u>466.8</u>
 Harmonized Sales Tax	 1,184.2	 1,136.8	 1,240.9
Gasoline and Motive Fuels Tax	268.2	284.2	242.8
Tobacco Tax	135.8	148.7	143.4
Pari-mutuel Tax	0.6	0.4	0.4
	<u>1,588.8</u>	<u>1,570.1</u>	<u>1,627.5</u>
 Insurance Premium Tax	 53.6	 53.0	 49.3
Financial Corporation Capital Tax	27.0	21.3	29.4
Penalties and Interest	13.0	11.3	13.2
Other	12.0	13.1	13.2
	<u>105.6</u>	<u>98.7</u>	<u>105.1</u>
	<u>\$ 4,017.2</u>	<u>\$ 4,029.7</u>	<u>\$ 3,983.1</u>
 SCHEDULE 15			
LICENSES AND PERMITS			
Motor Vehicle	\$ 129.3	\$ 132.0	\$ 127.8
Fish and Wildlife	6.0	6.2	6.6
Mines	1.9	1.6	1.5
Liquor Licenses	0.9	0.9	0.7
Other	13.6	13.1	12.8
	<u>\$ 151.7</u>	<u>\$ 153.8</u>	<u>\$ 149.4</u>
 SCHEDULE 16			
ROYALTIES			
Forest	\$ 87.1	\$ 76.2	\$ 77.1
Mines	20.1	13.1	20.4
	<u>\$ 107.2</u>	<u>\$ 89.3</u>	<u>\$ 97.5</u>

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

	(millions)		
	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
SCHEDULE 17			
INCOME FROM GOVERNMENT BUSINESS ENTERPRISES			
New Brunswick Liquor Corporation	\$ 167.0	\$ 171.5	\$ 165.3
New Brunswick Power Corporation	91.0	12.0	100.0
add: regulatory deferral adjustment (Note 6)	---	5.7	5.7
Other Entities	---	(0.1)	(0.1)
	<u>\$ 258.0</u>	<u>\$ 189.1</u>	<u>\$ 270.9</u>
SCHEDULE 18			
OTHER PROVINCIAL REVENUE			
Sales of Goods and Services			
General	\$ 251.5	\$ 255.4	\$ 249.8
Leases and Rentals	24.4	104.9	109.4
Intergovernmental	37.2	37.9	36.4
Institutional	29.7	32.9	31.6
Provincial Parks	6.6	7.2	6.3
Lotteries and Gaming	141.5	162.3	145.1
Investment Income	39.2	39.1	39.7
Fines and Penalties	11.4	11.7	11.5
Other Revenue	86.7	126.1	102.8
	<u>\$ 628.2</u>	<u>\$ 777.5</u>	<u>\$ 732.6</u>
SCHEDULE 19			
UNCONDITIONAL GRANTS			
Canada Health Transfer	\$ 717.8	\$ 719.9	\$ 686.7
Canada Social Transfer	273.4	272.9	267.2
Statutory Subsidies	1.9	1.9	1.9
	<u>\$ 993.1</u>	<u>\$ 994.7</u>	<u>\$ 955.8</u>

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

	(millions)		
	2016 Budget	2016 Actual	2015 Actual
SCHEDULE 20			
CONDITIONAL GRANTS			
Education	\$ 142.5	\$ 139.6	\$ 145.5
Economic Development	48.7	46.1	44.8
Central Government Services	42.0	40.4	41.5
Health	24.0	24.1	26.6
Transportation	5.2	12.3	44.6
Social Services	3.9	3.9	3.9
Other	23.6	23.6	81.1
	<u>\$ 289.9</u>	<u>\$ 290.0</u>	<u>\$ 388.0</u>
SCHEDULE 21			
EDUCATION AND TRAINING			
Education	\$ 1,174.5	\$ 1,184.8	\$ 1,161.1
Post-Secondary Education Services	513.9	514.7	513.5
Pension Expense	91.4	95.5	342.3
Amortization Expense	46.6	47.9	44.4
Public Works and Infrastructure	5.3	8.4	5.2
Provision Expense	6.5	3.0	11.5
General Government	2.0	(8.0)	5.7
	<u>\$ 1,840.2</u>	<u>\$ 1,846.3</u>	<u>\$ 2,083.7</u>
SCHEDULE 22			
HEALTH			
Health Services	\$ 2,713.7	\$ 2,742.3	\$ 2,680.9
Pension Expense	78.4	77.5	70.5
Amortization Expense	72.8	75.2	73.0
Public Works and Infrastructure	---	4.0	6.5
	<u>\$ 2,864.9</u>	<u>\$ 2,899.0</u>	<u>\$ 2,830.9</u>

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	(millions)		
	2016 Budget	2016 Actual	2015 Actual
SCHEDULE 23			
SOCIAL DEVELOPMENT			
Social Development	\$ 1,124.1	\$ 1,171.0	\$ 1,144.6
Amortization Expense	1.9	7.1	9.2
Pension Expense	---	12.4	21.0
Provision Expense	4.0	5.6	7.2
General Government	0.3	0.3	0.3
	<u>\$ 1,130.3</u>	<u>\$ 1,196.4</u>	<u>\$ 1,182.3</u>
SCHEDULE 24			
PROTECTION SERVICES			
Public Safety	\$ 181.5	\$ 205.7	\$ 189.4
Justice	44.6	45.1	44.0
Attorney General	18.9	18.6	18.4
Pension Expense	6.7	5.7	5.6
Amortization Expense	5.1	5.1	4.4
General Government	0.4	0.5	0.4
Provision Expense	0.6	0.3	6.3
New Brunswick Credit Union Deposit Insurance Corporation	0.2	0.3	0.2
	<u>\$ 258.0</u>	<u>\$ 281.3</u>	<u>\$ 268.7</u>
SCHEDULE 25			
ECONOMIC DEVELOPMENT			
Regional Development Corporation	\$ 139.8	\$ 117.2	\$ 143.8
Tourism, Heritage and Culture	61.0	59.3	53.2
Opportunities NB	44.5	28.3	---
Invest NB	---	---	6.8
Post-Secondary Education, Training and Labour	3.7	4.1	3.8
Amortization Expense	4.9	3.7	3.4
Kings Landing Corporation	3.7	3.5	3.5
New Brunswick Immigrant Investor Fund (2009) Ltd.	0.1	2.4	2.0
Provincial Holdings Ltd.	2.5	1.4	1.2
Economic Development	---	---	22.2
Provision Expense	6.5	(15.9)	7.7
	<u>\$ 266.7</u>	<u>\$ 204.0</u>	<u>\$ 247.6</u>

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	(millions)		
	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
SCHEDULE 26			
LABOUR AND EMPLOYMENT			
Post-Secondary Education, Training and Labour	\$ 132.5	\$ 134.1	\$ 121.7
General Government	0.6	0.6	0.6
Amortization Expense	---	0.3	0.3
	<u>\$ 133.1</u>	<u>\$ 135.0</u>	<u>\$ 122.6</u>
SCHEDULE 27			
RESOURCES			
Natural Resources	\$ 92.4	\$ 90.3	\$ 99.9
Agriculture and Aquaculture and Fisheries	36.3	36.2	30.2
Environment	25.4	23.9	20.5
Energy and Mines	9.5	9.2	10.2
Forest Protection Limited	8.6	7.7	7.3
New Brunswick Agricultural Insurance Commission	8.1	6.1	6.5
Recycle New Brunswick	5.2	4.9	5.2
Energy and Utilities Board	3.7	3.3	3.1
Provision Expense	3.3	2.4	(0.2)
Amortization Expense	1.3	1.3	1.3
Energy Efficiency and Conservation Agency of New Brunswick	---	---	13.3
Transportation and Infrastructure	0.4	---	---
	<u>\$ 194.2</u>	<u>\$ 185.3</u>	<u>\$ 197.3</u>
SCHEDULE 28			
TRANSPORTATION AND INFRASTRUCTURE			
Transportation and Infrastructure	\$ 345.8	\$ 354.2	\$ 366.0
Amortization Expense	278.0	278.4	263.6
Provision Expense	0.3	3.4	20.1
	<u>\$ 624.1</u>	<u>\$ 636.0</u>	<u>\$ 649.7</u>

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016

	(millions)		
	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
SCHEDULE 29			
CENTRAL GOVERNMENT			
General Government	\$ 187.7	\$ 136.2	\$ 124.9
Pension Expense	125.4	118.7	123.2
Local Government	119.6	115.0	114.6
Service New Brunswick - Current	68.6	69.7	---
Service New Brunswick - Former	30.0	28.9	59.6
Legislative Assembly	22.6	22.6	31.3
Executive Council	20.0	19.9	17.9
Finance	15.6	15.1	17.1
New Brunswick Investment Management Corporation	11.2	12.2	10.9
Financial and Consumer Services Commission	10.3	11.1	9.8
New Brunswick Internal Services Agency	11.9	10.7	23.9
Amortization Expense	6.6	7.8	6.4
Human Resources	3.4	3.3	3.3
New Brunswick Lotteries and Gaming Corporation	2.3	3.2	4.5
Office of the Premier	1.6	1.6	2.7
Public Works and Infrastructure	0.2	0.1	0.1
Provision Expense	(3.5)	3.5	(19.9)
Government Services	4.7	5.7	10.3
	<u>\$ 638.2</u>	<u>\$ 585.3</u>	<u>\$ 540.6</u>

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2016**

**SCHEDULE 30
PROVINCIAL REPORTING ENTITY**

The Provincial Reporting Entity is comprised of certain organizations that are controlled by the government. These organizations are the Consolidated Fund, the General Sinking Fund and the agencies, commissions and corporations listed below. Further information regarding the accounting methods used to consolidate these organizations can be found in Note 1.

Organizations using the Consolidation Method:

Algonquin Golf Limited	New Brunswick Energy and Utilities Board
Algonquin Properties Limited	New Brunswick Health Council
Ambulance New Brunswick Inc.	New Brunswick Highway Corporation
Arts Development Trust Fund	New Brunswick Housing Corporation
Atlantic Education International Inc.	New Brunswick Immigrant Investor Fund (2009) Ltd.
Collège communautaire du Nouveau-Brunswick	New Brunswick Investment Management Corporation
Economic and Social Inclusion Corporation	New Brunswick Legal Aid Services Commission
Environmental Trust Fund	New Brunswick Lotteries and Gaming Corporation
Financial and Consumer Services Commission	Opportunities New Brunswick
Forest Protection Limited	Provincial Holdings Ltd.
Horizon Health Network	Recycle New Brunswick
Kings Landing Corporation	Regional Development Corporation
New Brunswick Community College	Service New Brunswick
New Brunswick Agricultural Insurance Commission	Sport Development Trust Fund
New Brunswick Credit Union Deposit Insurance Corporation	Vitalité Health Network

Nursing Homes using the Consolidation Method:

Campbellton Nursing Home Inc.	Kiwanis Nursing Home Inc.
Campobello Lodge Inc.	La Villa Sormany Inc.
Carleton Manor Inc.	Le Foyer St Thomas de la Vallée de Memramcook Inc. – Dr. Camille E. Gaudet
Carleton-Kirk Lodge	Les Résidences Inkerman Inc.
Central Carleton Nursing Home Inc.	Les Résidences Jodin Inc.
Central New Brunswick Nursing Home Inc.	Les Résidences Lucien Saindon Inc.
Dalhousie Nursing Home Inc.	Les Résidences Mgr Chiasson Inc.
Dr. V. A. Snow Centre Inc.	Lincourt Manor Inc.
Drew Nursing Home	Loch Lomond Villa Inc.
Forest Dale Home Inc.	Manoir Édith B. Pinet Inc.
Foyer Assomption	Manoir Saint-Jean Baptiste Inc.
Foyer Notre-Dame-de-Lourdes Inc.	Mill Cove Nursing Home Inc.
Foyer Notre-Dame de Saint-Léonard Inc.	Miramichi Senior Citizens Home Inc.
Foyer Saint-Antoine	Mount St. Joseph of Chatham, N.B.
Foyer Ste-Élisabeth Inc.	Nashwaak Villa Inc.
Fredericton South Nursing Home Inc. (Pine Grove Nursing Home)	Passamaquoddy Lodge Inc.
Fundy Nursing Home	Résidence Mgr Melanson Inc.
Grand Manan Nursing Home Inc.	Rexton Lions Nursing Home Inc.
Jordan Lifecare Centre Inc.	River View Manor Inc.
Kennebec Manor Inc.	Rocmaura Inc.
Kenneth E. Spencer Memorial Home Inc	Tabusintac Nursing Home Inc
Kings Way Care Centre Inc.	The Church of St. John and St. Stephen Home Inc.

**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2016**

The Salvation Army - Lakeview Manor
Tobique Valley Manor Inc.
Turnbull Nursing Home Inc.
Victoria Glen Manor Inc.
Villa Beauséjour Inc.
Villa des Chutes / Falls Villa
Villa du Repos Inc.
Villa Maria Inc.
Villa Providence Shédiac Inc.

Villa St-Joseph Inc.
W. G. Bishop Nursing Home
Waukehegan Manor Inc.
Westford Nursing Home
White Rapids Manor Inc.
Woolastook Long Term Care Facility Inc. (Orchard
View)
York Manor Inc.

Organizations using the Modified Equity Method:

New Brunswick Liquor Corporation
New Brunswick Municipal Finance Corporation

New Brunswick Power Corporation

Organizations using the Transaction Method:

New Brunswick Arts Board
New Brunswick Insurance Board
New Brunswick Museum

New Brunswick Public Libraries Foundation
Premier's Council on the Status of Disabled Persons
Strait Crossing Finance Inc.

**PROVINCE OF NEW BRUNSWICK –
FIRST QUARTER 2016–2017 REPORT**

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Treasury Board

Economic, Strategic Program
Review and Fiscal Update

First Quarter 2016-2017

**Economic, Strategic Program Review and Fiscal Update
First Quarter 2016-2017**

Published by:

Treasury Board and Department of Finance
Government of New Brunswick
P.O. Box 6000
Fredericton, New Brunswick
E3B 5H1
Canada

Internet: www.gnb.ca/finance

August 2016

Translation:

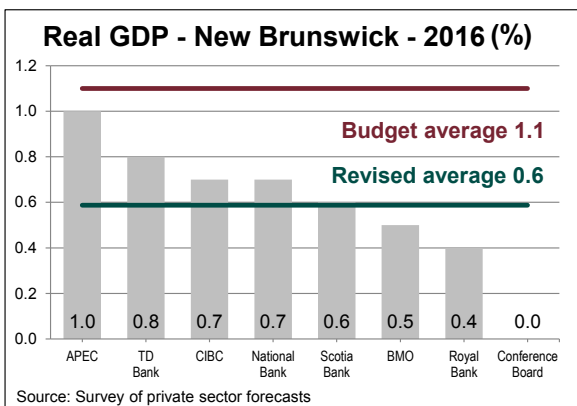
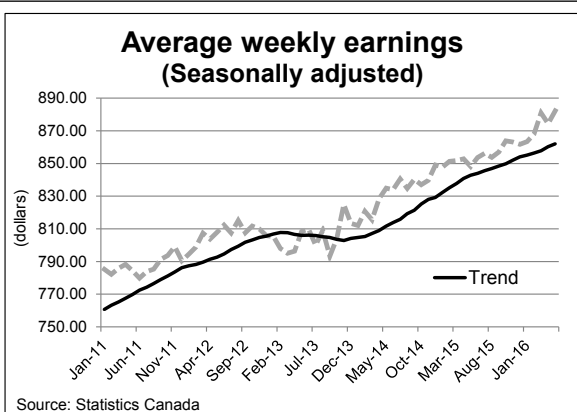
Translation Bureau, Service New Brunswick

ISBN 978-1-4605-0516-8



Think Recycling!

2016 Economic Update



New Brunswick Economic Outlook			
	2014	2015	2016F
Real GDP	-0.3	1.9	0.4
Household Final Consumption Expenditures	3.5	2.0	2.1
Primary Household Income	2.1	2.2	2.2
Employment	-0.2	-0.6	-0.4
Unemployment Rate (%)	9.9	9.8	9.9
Consumer Price Index	1.5	0.5	2.1

Sources: Statistics Canada, NB Department of Finance
F = Forecast
% change unless otherwise indicated

Based on data available as of August 5, 2016

- The International Monetary Fund (IMF) is forecasting global economic growth of 3.1 per cent in 2016. This is a downgrade from projected growth of 3.4 per cent at the time of Budget 2016-17.

- U.S. real GDP increased at an annual rate of 1.2 per cent in the second quarter of 2016, which represents an improvement over first quarter. Average growth has been below both the year-earlier average and the mark of 2.2 per cent projected by the IMF.

- The Bank of Canada lowered its Canadian growth outlook for 2016 from 1.7 per cent to 1.3 per cent, reflecting downward revisions to investment and exports.

- The Department of Finance projects real GDP growth for New Brunswick of 0.4 per cent for 2016. This is unchanged from budget and is consistent with the consensus among private sector forecasters.

- Positive drivers year-to-date include healthy income growth, strong retail sales and a supportive exchange rate.

- Exports (-20.4%) and manufacturing sales (-9.5%) have declined largely as a result of weak commodity prices. Wood products manufacturing and seafood product preparation and packaging remain bright spots, growing by 10.8 per cent and 23.0 per cent respectively.

- On a year-to-date basis, employment is down by 0.6 per cent. Weakness was observed primarily in the services-producing (-0.9%) sector.

- Despite weak employment conditions, average weekly earnings are up 2.9 per cent on a year-to-date basis – above the national growth rate of 0.4 per cent.

- Consumer spending has been robust to-date, with retail trade up 7.0 per cent on a year-to-date basis.

Strategic Program Review Update

- Strategic Program Review was an inclusive and transparent process with input sought from the public to help identify savings and revenues in order to eliminate the province's deficit. The review began by looking internally to government first through efforts such as reducing the number of deputy ministers by 30 per cent; centralizing some government services; and reducing travel costs. Over \$115 million in savings were found in the 2015-16 Budget.
- In the 2016-17 Budget, an additional \$181 million in savings to be achieved over the next five years was announced. Based on the first quarter information, the projected savings for 2016-17 will be over \$51 million; additional savings identified through Strategic Program Review will be seen as projects are implemented.
- Once fully realized the Strategic Program Review will yield \$296 million in expenditure reductions and \$293 million in revenue measures.

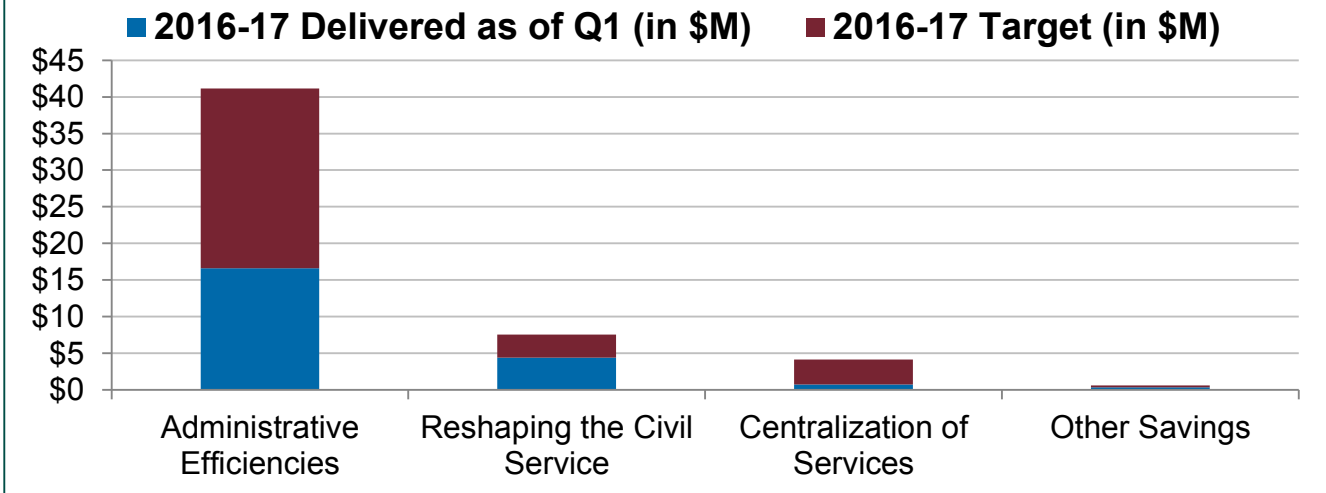
Strategic Program Review – by the numbers:

	<u>Savings</u>	<u>Revenue</u>
Announced in 2015-16 Budget	\$115 million	\$57 million
Announced in 2016-17 Budget	\$181 million	\$236 million
Total SPR savings/revenue achieved by 2020	\$296 million	\$293 million
Grand Total – SPR	\$589 million	

Strategic Program Review First Quarter Projections (in \$ Thousands)

Savings Initiatives	Achieved to date 2016-17	2016-17 Target	2016-17 Forecast	2020-21 Target	2020-21 Forecast
2015-16 Savings	\$115,200	\$ -	\$ -	\$115,200	\$115,200
Administrative Efficiencies	\$16,578	\$41,169	\$38,364	\$102,244	\$102,244
Reshaping the Civil Service	\$4,396	\$7,544	\$8,024	\$24,959	\$24,959
Centralization of Services	\$714	\$4,124	\$4,184	\$52,125	\$52,125
Other	\$715	\$639	\$715	\$1,262	\$1,262
Total	\$137,603	\$53,476	\$51,287	\$295,790	\$295,790

Strategic Program Review - Savings



- **Administrative Efficiencies:** Projects include but are not limited to administration of Municipal Tax Warrant (\$2 million), elimination of Municipal Fine Revenue Sharing (\$1.5 million), standardization of budget processes (\$1.4 million) and Vacant Bed Days policy compliance (\$800,000).
- **Reshaping the Civil Service:** Projects include but are not limited to reforming Transportation and Infrastructure (\$2 million), combining positions and eliminating unneeded positions (\$1.8 million).
- **Centralization of Services:** Projects include but are not limited to Human Resources centralization (\$300,000) and other centralization efforts (\$400,000).
- **Other Efficiencies:** Projects include but are not limited to Visitor Information Centre closures (\$195,000) and Off-Road Vehicle Enforcement (\$150,000).

2016-2017 Fiscal Update

Based on first quarter information, there is a projected deficit of \$342.4 million for 2016-2017. This is an improvement of \$4.6 million compared to the budgeted deficit of \$347.0 million. Both revenue and expenses have increased by over \$40 million due to additional funding received through various federal-provincial agreements. These items fully offset each other. As a result of lower projected Return on Investment, the contingency reserve has been lowered from \$100 million to \$80 million as of the first quarter.

Net debt is projected to increase by \$472.3 million, an increase of \$3.8 million from budget. Net debt is projected to reach \$13,462 million by March 31, 2017.

Revenue:

Revenue is \$6.4 million higher than budget. The major variances include:

- Conditional Grants are up \$23.1 million due to higher recoveries for various federally funded programs.
- Special Operating Agency revenue is up \$21.9 million because of new federal funding for the Post-Secondary Institutions Strategic Investment Fund, the Clean Water and Wastewater Fund, and the Public Transit Infrastructure Fund.
- Miscellaneous Revenue is up \$10.0 million mainly due to the realignment of revenue from Sale of Goods and Services, and various other accounts across departments.
- Lottery and Gaming Revenue is up \$6.0 million largely due to strong year-end results in 2015-16 resulting in higher than anticipated revenue for 2016-17.
- Return on Investment is down \$49.3 million primarily as a result of lower projected net income for NB Power. This is mainly due to lower export sales, loss of in-province industrial load and additional preventative maintenance investments for the Point Lepreau Nuclear Generating Station.
- Sale of Goods and Services is down \$6.9 million from budget which is mainly due to a realignment of revenue to Miscellaneous Revenue.
- Provincial Real Property Tax is down \$5.0 million due to the tax base being lower than forecasted.

Expense:

Total expenses were \$21.7 million higher than budget. The major variances include the following:

- General Government (\$15.6 million under): Primarily due to lower than expected expenses in the Legislated Pension Plans, Benefit Accruals, Subsidies, and Supplementary Allowances Programs associated with the retirement allowance benefit.

- Justice and Public Safety (\$6.0 million over): Due to higher than budgeted expenses under the Disaster Financial Assistance program associated with storm and flood events. These expenses are partially offset by increased recoveries from the federal government.
- Opportunities New Brunswick (\$5.8 million under): Mainly due to lower than anticipated expenses in the Financial Assistance and Business Development Services programs.
- Other Agencies (\$2.8 million under): Mainly due to lower than budgeted expenses in Consolidated Entities.
- Post-Secondary Education, Training and Labour (\$5.4 million over): Mainly due to costs associated with client driven programs in post-secondary education and additional expenditures in employment programs related to increased federal funding. These increases are partially offset by lower than budgeted expenses in other areas.
- Social Development (\$13.9 million over): Mainly due to increased costs in the Housing Services program associated with the new federal-provincial Social Infrastructure Fund Agreement.
- Capital Account (\$5.1 million under): Due to lower than expected Capital Account expense in the Department of Transportation and Infrastructure and the Regional Development Corporation.
- Special Operating Agency Account (\$25.7 million over): Mainly due to costs associated with the federal-provincial Clean Water and Wastewater Fund, the Public Transit Infrastructure Fund and the Post-Secondary Institutions Strategic Investment Fund in the Regional Development Corporation.

**PROVINCE OF NEW BRUNSWICK
FISCAL UPDATE
Thousands
\$**

	2016-2017 Budget	2016-2017 1st Quarter Projection	Variance from Budget
Revenue			
Ordinary Account.....	8,354,502	8,334,551	(19,951)
Capital Account.....	32,680	37,452	4,772
Special Purpose Account.....	76,101	75,744	(357)
Special Operating Agencies.....	65,282	87,209	21,927
Sinking Fund Earnings.....	190,200	190,200	0
Total Revenue.....	8,718,765	8,725,156	6,391
Expense			
Ordinary Account.....	8,261,450	8,260,958	(492)
Capital Account.....	122,649	117,584	(5,065)
Special Purpose Account.....	87,265	87,892	627
Special Operating Agencies.....	59,239	84,976	25,737
Amortization of Tangible Capital Assets.....	435,186	436,125	939
Total Expense.....	8,965,789	8,987,535	21,746
Contingency Reserve	(100,000)	(80,000)	20,000
Surplus (Deficit).....	<u>(347,024)</u>	<u>(342,379)</u>	<u>4,645</u>

CHANGE IN NET DEBT
Thousands
\$

	2016-2017 Budget	2016-2017 1st Quarter Projection	Variance from Budget
Net Debt - Beginning of Year.....	(12,989,898)	(12,989,898)	0
 Changes in Year			
Surplus (Deficit).....	(347,024)	(342,379)	4,645
Investments in Tangible Capital Assets.....	(556,661)	(566,083)	(9,422)
Amortization of Tangible Capital Assets.....	435,186	436,125	939
(Increase) Decrease in Net Debt.....	(468,499)	(472,337)	(3,838)
 Net Debt - End of Year.....	 <u>(13,458,397)</u>	 <u>(13,462,235)</u>	 <u>(3,838)</u>

APPENDIX A

ORDINARY ACCOUNT REVENUE BY SOURCE

Thousands

\$

	2016-2017 Budget	2016-2017 1st Quarter Projection	Variance from Budget
Taxes			
Personal Income Tax.....	1,632,000	1,632,000	0
Corporate Income Tax.....	276,200	276,200	0
Metallic Minerals Tax.....	0	200	200
Provincial Real Property Tax.....	514,688	509,688	(5,000)
Harmonized Sales Tax: net of credit.....	1,335,600	1,335,600	0
Gasoline and Motive Fuels Tax.....	288,000	288,000	0
Tobacco Tax.....	153,500	155,000	1,500
Pari-Mutuel Tax.....	420	420	0
Insurance Premium Tax.....	54,000	54,000	0
Real Property Transfer Tax.....	23,000	23,000	0
Financial Corporation Capital Tax.....	27,000	27,000	0
Penalties and Interest.....	13,000	13,000	0
Subtotal - Taxes.....	4,317,408	4,314,108	(3,300)
Return on Investment.....	303,686	254,376	(49,310)
Licences and Permits.....	150,604	150,613	9
Sale of Goods and Services.....	334,610	327,710	(6,900)
Lottery and Gaming Revenues.....	144,800	150,800	6,000
Royalties.....	70,430	70,430	0
Fines and Penalties.....	10,724	10,740	16
Miscellaneous.....	72,362	82,326	9,964
Total - Own Source Revenue.....	5,404,624	5,361,103	(43,521)
Unconditional Grants – Canada			
Fiscal Equalization Payments.....	1,708,400	1,708,400	0
Canada Health Transfer.....	753,900	753,900	0
Canada Social Transfer.....	279,000	279,000	0
Other.....	1,866	1,866	0
Subtotal - Unconditional Grants – Canada.....	2,743,166	2,743,166	0
Conditional Grants – Canada.....	216,936	240,003	23,067
Total - Grants from Canada.....	2,960,102	2,983,169	23,067
Subtotal.....	8,364,726	8,344,272	(20,454)
Inter-account Transactions.....	(10,224)	(9,721)	503
Ordinary Account Revenue.....	8,354,502	8,334,551	(19,951)

APPENDIX B

ORDINARY ACCOUNT EXPENSE

Thousands

\$

DEPARTMENT	2016-2017 Budget*	2016-2017 1st Quarter Projection	Variance from Budget	%
Agriculture, Aquaculture and Fisheries.....	37,209	36,970	(239)	-0.6%
Education and Early Childhood Development.....	1,137,886	1,137,886	0	0.0%
Energy and Resource Development.....	100,016	99,676	(340)	-0.3%
Environment and Local Government.....	138,481	138,481	0	0.0%
Executive Council Office.....	11,950	11,900	(50)	-0.4%
Finance.....	12,503	12,503	0	0.0%
General Government.....	782,359	766,717	(15,642)	-2.0%
Health.....	2,580,772	2,580,772	0	0.0%
Justice and Public Safety.....	224,141	230,111	5,970	2.7%
Legislative Assembly.....	26,030	26,430	400	1.5%
Office of the Attorney General.....	17,641	17,816	175	1.0%
Office of the Premier.....	1,598	1,598	0	0.0%
Opportunities New Brunswick.....	46,492	40,682	(5,810)	-12.5%
Other Agencies.....	263,594	260,814	(2,780)	-1.1%
Post-Secondary Education, Training and Labour.....	609,985	615,421	5,436	0.9%
Regional Development Corporation.....	79,922	79,922	0	0.0%
Service of the Public Debt.....	700,000	700,000	0	0.0%
Social Development.....	1,164,423	1,178,327	13,904	1.2%
Tourism, Heritage and Culture.....	51,514	52,014	500	1.0%
Transportation and Infrastructure.....	292,900	294,450	1,550	0.5%
Treasury Board.....	15,468	15,421	(47)	-0.3%
Subtotal.....	8,294,884	8,297,911	3,027	0.0 %
Investment in Tangible Capital Assets.....	(23,210)	(27,232)	(4,022)	17.3 %
Inter-account Transactions.....	(10,224)	(9,721)	503	-4.9 %
Ordinary Account Expense.....	8,261,450	8,260,958	(492)	0.0 %

*The 2016-2017 Budget has been restated to reflect government reorganization.

APPENDIX C

CAPITAL EXPENDITURES

Thousands

\$

	2016-2017 Budget*	2016-2017 1st Quarter Projection	Variance from Budget
Regular Capital Investments			
Agriculture, Aquaculture and Fisheries.....	500	531	31
Education and Early Childhood Development.....	65,022	62,308	(2,714)
Environment and Local Government.....	1,000	1,000	0
Health.....	70,100	63,806	(6,294)
Justice and Public Safety.....	0	33	33
Legislative Assembly.....	450	450	0
Post-Secondary Education, Training and Labour.....	5,895	5,895	0
Regional Development Corporation.....	2,707	2,707	0
Service New Brunswick.....	3,411	3,411	0
Tourism, Heritage and Culture.....	1,000	1,000	0
Transportation and Infrastructure.....	367,250	376,448	9,198
Regular Capital Investments.....	517,335	517,589	254
Strategic Infrastructure Initiative			
Agriculture, Aquaculture and Fisheries.....	1,000	1,000	0
Education and Early Childhood Development.....	41,085	43,935	2,850
Health.....	2,000	528	(1,472)
Legislative Assembly.....	335	361	26
Regional Development Corporation.....	44,500	43,100	(1,400)
Tourism, Heritage and Culture.....	1,295	1,295	0
Transportation and Infrastructure.....	35,210	35,287	77
Energy Retrofit and Renewable Energy.....	13,340	13,340	0
Strategic Infrastructure Initiative.....	138,765	138,846	81
Total - Capital Expenditures.....	656,100	656,435	335
Investments in Tangible Capital Assets.....	(533,451)	(538,851)	(5,400)
Capital Account Expense.....	122,649	117,584	(5,065)

*The 2016-2017 Budget has been restated to reflect government reorganization.

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