

Public Accounts

VOLUME 2 - AGENCIES AND FUNDS

Province of Nova Scotia

for the fiscal year **2001-2002**

THE HONOURABLE NEIL J. LEBLANC, MINISTER OF FINANCE



PROVINCE OF NOVA SCOTIA
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AUDITORS' REPORT

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

We have audited the statement of financial position of the Annapolis Valley District Health Authority as at March 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District Health Authority as at March 31, 2002 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 14, 2002

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

**Statement of Operations
for the year ended March 31, 2002**

	Operating Fund	Capital Fund	2002 Total	(Note 16) 2001 Total
Revenue				
Department of Health Funding.	\$ 58,390,950	\$ ---	\$ 58,390,950	\$ 17,608,297
Department of Veteran's Affairs	1,778,938	---	1,778,938	379,377
Patient services.	1,927,093	---	1,927,093	542,275
Physician funding	755,059	---	755,059	176,727
Program recoveries and sales.	2,224,807	---	2,224,807	389,969
Amortization of deferred capital grants	---	3,451,705	3,451,705	864,000
Other	164,834	123,918	288,752	34,826
	<u>65,241,681</u>	<u>3,575,623</u>	<u>68,817,304</u>	<u>19,995,471</u>
Expenses				
Administration and support	2,371,907	---	2,371,907	517,254
Addiction.	1,274,570	---	1,274,570	320,309
Diagnostic imaging	3,127,769	---	3,127,769	772,085
Environmental.	2,629,065	---	2,629,065	720,201
Finance.	611,501	---	611,501	167,457
Food and nutritional	3,030,084	---	3,030,084	799,854
Health registry	1,622,405	---	1,622,405	390,239
Human resources	503,049	---	503,049	139,828
Information.	1,020,318	---	1,020,318	279,037
Laboratory	4,193,985	---	4,193,985	1,024,135
Materials management.	1,475,345	---	1,475,345	403,134
Mental health	3,958,174	---	3,958,174	959,399
Nursing.	27,707,014	---	27,707,014	6,705,791
Pharmacy	652,875	---	652,875	150,529
Plant and support.	3,888,059	---	3,888,059	1,144,710
Public Health	1,352,872	---	1,352,872	326,974
Rehabilitation.	1,246,996	---	1,246,996	320,478
Other programs.	1,280,348	---	1,280,348	266,483
Amortization of property, plant and equipment.	---	3,773,795	3,773,795	940,149
Interest.	---	107,022	107,022	---
Employee future benefits.	431,324	---	431,324	3,241,882
Other.	2,364,021	22,897	2,386,918	485,669
Miller building removal.	500,000	---	500,000	---
	<u>65,241,681</u>	<u>3,903,714</u>	<u>69,145,395</u>	<u>20,075,597</u>
Deficiency of revenues over expenses before payment of 2000 -2001 operating deficiency.				
	---	(328,091)	(328,091)	(80,126)
Department of Health Funding of				
2000 - 2001 operating deficiency.	<u>25,491</u>	---	<u>25,491</u>	---
Excess (deficiency) of				
revenues over expenses.	<u>\$ 25,491</u>	<u>\$ (328,091)</u>	<u>\$ (302,600)</u>	<u>\$ (80,126)</u>

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

**Statement of Financial Position
as at March 31, 2002**

ASSETS

	Operating Fund	Capital Fund	2002 Total	(Note 3 f) 2001 Total
Current				
Cash and cash equivalents (Page 8) . . . \$	1,737,734	\$ (149,269)	\$ 1,588,465	\$ 2,878,458
Accounts receivable (Note 4)	9,824,386	1,088,530	10,912,916	8,045,941
Inventory	934,203	---	934,203	892,845
Prepaid expenses	276,200	25,563	301,763	253,008
	<u>12,772,523</u>	<u>964,824</u>	<u>13,737,347</u>	<u>12,070,252</u>
Long-term assets (Note 5)	3,764,965	---	3,764,965	3,335,501
Property, plant and equipment (Note 6)	---	45,542,519	45,542,519	46,448,898
	<u>\$ 16,537,488</u>	<u>\$ 46,507,343</u>	<u>\$ 63,044,831</u>	<u>\$ 61,854,651</u>

LIABILITIES

Current				
Accounts payable and accrued liabilities (Note 8) \$	10,356,657	\$ 839,514	\$ 11,196,171	\$ 8,320,351
Current portion of long-term debt (Note 9)	---	29,440	29,440	29,440
Revenue received in advance	2,663,686	---	2,663,686	2,294,372
	<u>13,020,343</u>	<u>868,954</u>	<u>13,889,297</u>	<u>10,644,163</u>
Long-term debt (Note 9)	---	67,877	67,877	97,317
Employee future benefits (Note 3 and 14)	3,517,145	---	3,517,145	3,241,882
Deferred capital grants (Note 10)	---	44,312,006	44,312,006	46,310,183
	<u>16,537,488</u>	<u>45,248,837</u>	<u>61,786,325</u>	<u>60,293,545</u>

FUND BALANCES

Restricted (Page 7)	---	322,028	322,028	243,341
Unrestricted (Page 7)	---	936,478	936,478	1,317,765
	<u>---</u>	<u>1,258,506</u>	<u>1,258,506</u>	<u>1,561,106</u>
	<u>\$ 16,537,488</u>	<u>\$ 46,507,343</u>	<u>\$ 63,044,831</u>	<u>\$ 61,854,651</u>

Commitments (Note 11)
Contingency (Note 15)

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

**Statement of Changes in Fund Balances
For the Year Ended March 31, 2002**

	Operating Fund	Capital Fund	2002 Total	(Note 16) 2001 Total
Restricted Fund Balances				
Balance, beginning of period. \$	---	\$ 243,341	\$ 243,341	\$ ---
Restricted fund balance transferred from Western Regional Health Board (Note 2).	---	---	---	243,341
Transfer from unrestricted fund balance.	---	78,687	78,687	---
	<u>---</u>	<u>78,687</u>	<u>78,687</u>	<u>---</u>
Balance, end of period.	<u>---</u>	<u>322,028</u>	<u>322,028</u>	<u>243,341</u>
Unrestricted Fund Balances				
Balance, beginning of period.	(25,491)	1,343,256	1,317,765	---
Unrestricted fund balance transferred from Western Regional Health Board (Note 2).	---	---	---	1,397,891
Transfer to restricted fund balance.	---	(78,687)	(78,687)	---
Excess (deficiency) of revenues over expenses (Page 5).	25,491	(328,091)	(302,600)	(80,126)
	<u>25,491</u>	<u>(328,091)</u>	<u>(302,600)</u>	<u>(80,126)</u>
Balance, end of period	<u>---</u>	<u>936,478</u>	<u>936,478</u>	<u>1,317,765</u>
Total Fund Balances. \$	<u>---</u>	<u>\$ 1,258,506</u>	<u>\$ 1,258,506</u>	<u>\$ 1,561,106</u>

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

**Statements of Cash Flows
Year Ended March 31, 2002**

	Operating Fund	Capital Fund	2002 Total	(Note 16) 2001 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Excess (deficiency) of revenues over expenditures. \$	25,491	\$ (328,091)	\$ (302,600)	\$ (80,126)
Adjusted for:				
Amortization of property, plant and equipment (Page 5).	---	3,773,795	3,773,795	940,149
Amortization of deferred capital grants (Page 5).	---	(3,451,705)	(3,451,705)	(864,000)
Employee future benefits (Note 14).	431,324	---	431,324	3,241,882
Payment of employee future benefits.	(156,061)	---	(156,061)	---
Changes in working capital items (Note 13).	63,864	224,181	288,045	1,422,929
	<u>364,618</u>	<u>218,180</u>	<u>582,798</u>	<u>4,660,834</u>
Financing				
Assumption of long term debt from Western Regional Health Board . . .	---	---	---	134,119
Proceeds from capital grants (Note 10).	---	1,453,528	1,453,528	47,174,183
Net increase in restricted fund balance from Western Regional Health Board	---	---	---	243,341
Net increase in unrestricted fund balance from Western Regional Health Board	---	---	---	1,397,891
Repayment of long term debt.	---	(29,440)	(29,440)	(7,362)
	<u>---</u>	<u>1,424,088</u>	<u>1,424,088</u>	<u>48,942,172</u>
Investing				
Investment in long term assets from Western Regional Health Board . . .	---	---	---	(92,328)
Investment in long term assets.	(429,464)	---	(429,464)	(3,243,173)
Net capital assets of the Western Regional Health Board	---	---	---	(47,267,628)
Acquisition of property, plant and equipment.	---	(2,887,415)	(2,887,415)	(190,816)
Proceeds on disposal of property, plant and equipment	---	20,000	20,000	69,397
	<u>(429,464)</u>	<u>(2,867,415)</u>	<u>(3,296,879)</u>	<u>(50,724,548)</u>
Net cash inflow (outflow).	(64,846)	(1,225,147)	(1,289,993)	2,878,458
Cash and cash equivalents, beginning of period.	<u>1,802,580</u>	<u>1,075,878</u>	<u>2,878,458</u>	<u>---</u>
Cash and cash equivalents (bank indebtedness), end of period. \$	<u>\$ 1,737,734</u>	<u>\$ (149,269)</u>	<u>\$ 1,588,465</u>	<u>\$ 2,878,458</u>

ANNAPOLIS VALLEY DISTRICT HEALTH AUTHORITY

**Notes to the Financial Statements
Year Ended March 31, 2002**

1. DESCRIPTION OF ORGANIZATION

The Annapolis Valley District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The District Health Authority's mission is to maintain and improve the health and well-being of those we service throughout an integrated and accessible health system.

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

2. TRANSFER OF FUND BALANCES

Fund balances of the Western Regional Health Board as at December 31, 2000 were transferred in accordance with the allocation methodology approved by the Department of Health to the Annapolis Valley District Health Authority effective January 1, 2001, as follows:

	2001
Restricted fund balance transferred from	\$
Western Regional Health Board.....	243,341
Unrestricted fund balance transferred from	
Western Regional Health Board.....	\$ 1,397,891

3. ACCOUNTING POLICIES

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

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the Annapolis Valley District Health Authority's capital assets and special purposes and endowment funds.

b) Revenue Recognition

The Annapolis Valley District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted Capital Fund balances.

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

c) Property, Plant and Equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Capital assets transferred in under Note 2 are recorded at original costs less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

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

d) Deferred Capital Grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as depreciation of the related assets.

e) Inventory

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

f) Employee Future Benefits

Effective April 1, 2001, the District adopted, retroactively with prior years restated, the new recommendations of The Canadian Institute of Chartered Accountants (CICA) with respect to accounting for employee future benefits. The result was an increase in long term assets of \$3,241,882 and an increase in employee future benefits of \$3,241,882 for 2001. There were no other effects as the liability was fully funded by the Department of Health.

Under the new method, employee future benefits are determined based on assumptions as outlined in note 14 and recognized in the period in which benefits are earned by the employee. Prior to the adoption of the new recommendations, employee benefits were recognized as they were paid by the employer.

4. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2002 Total	2001 Total
Department of Health				
Operating funding. \$	7,765,689	---	7,765,689	5,948,360
Transition support program	360,717	---	360,717	211,463
Capital grants	---	245,868	245,868	357,324
Department of Veteran's Affairs . .	161,710	---	161,710	42,856
Patient Care.	564,974	---	564,974	572,153
HST rebates.	417,057	245,335	662,392	329,691
Charitable foundations	84,678	597,327	682,005	167,248
Psychiatric recoveries	163,729	---	163,729	143,504
Federal grant funding.	288,288	---	288,288	33,164
Other	17,544	---	17,544	240,178
	<u>\$ 9,824,386</u>	<u>\$ 1,088,530</u>	<u>\$ 10,912,916</u>	<u>\$ 8,045,941</u>

5. LONG-TERM ASSETS

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

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			2002	2001
Land and land improvements . . . \$	412,007	\$ 221,857	\$ 190,150	\$ 179,386
Building and building service equipment	58,239,557	18,889,812	39,349,745	40,796,324
Equipment	32,911,127	27,031,701	5,879,426	5,288,276
Equipment under capital lease. . .	716,306	593,108	123,198	184,912
	<u>\$ 92,278,997</u>	<u>\$ 46,736,478</u>	<u>\$ 45,542,519</u>	<u>\$ 46,448,898</u>

7. BANK INDEBTEDNESS

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling \$4.1 million. As well, the District Health Authority has available a capital line of credit in the amount of \$1,025,000 with a Canadian chartered bank. As of March 31, 2002, interest charges on any overdraft accounts are prime less .75%. There were no amounts owing on these lines at March 31, 2002 as the consolidated bank balance for South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority was positive. Subsequent to year-end, capital bank indebtedness was eliminated through the collection of a receivable from the Department of Health.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	2002 Total	2001 Total
Trade payables \$	1,497,668	\$ 36,917	\$ 1,534,585	\$ 1,385,212
Accrued liabilities	625,588	802,597	1,428,185	710,393
Vacation pay.	3,479,952	---	3,479,952	3,547,114
Salary and benefits	3,980,180	---	3,980,180	2,426,952
Miller building removal	500,000	---	500,000	---
Other	273,269	---	273,269	250,680
	<u>\$ 10,356,657</u>	<u>\$ 839,514</u>	<u>\$ 11,196,171</u>	<u>\$ 8,320,351</u>

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

9. LONG-TERM DEBT

	2002	2001
Obligations Under Capital Leases		
- interest at 0%, maturing in 2006. \$	97,317	\$ 126,757
Current portion	<u>(29,440)</u>	<u>(29,440)</u>
	<u>\$ 67,877</u>	<u>\$ 97,317</u>

Estimated minimum principal repayments over the next five years are expected to be as follows:

	2003	2004	2005	2006	2007
\$	29,440	\$ 29,440	\$ 29,440	\$ 8,997	Nil

10. DEFERRED CAPITAL GRANTS

	2002	2001
Balance, beginning of period	\$ 46,310,183	\$ ---
Transferred from Western Regional Health Board.	---	45,897,177
Grant received for:		
Capital assets purchased.	1,453,528	150,757
Future capital asset purchases	---	1,126,249
	<u>47,763,711</u>	<u>47,174,183</u>
Amortization of deferred capital grants	<u>(3,451,705)</u>	<u>(864,000)</u>
Balance, end of period.	<u>\$ 44,312,006</u>	<u>\$ 46,310,183</u>

11. COMMITMENTS

Leases and Purchase Commitments

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

	<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>		<u>2007</u>
	\$ 751,404		\$ 691,213		\$ 608,998		\$ 347,548		\$ 172,211

12. PENSION PLAN

The Annapolis Valley District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and showed an unfunded liability for the entire plan of \$nil. The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was conducted as at December 31, 2000 and showed an unfunded liability for the entire plan of \$nil. The Annapolis Valley District Health Authority bears no financial responsibility for any unfunded liability of either plan.

13. CHANGES IN WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	2002 Total	2001 Total
Accounts receivable	\$ (2,263,461)	\$ (603,515)	\$ (2,866,976)	\$ (8,045,941)
Inventory.	(41,358)	---	(41,358)	(892,845)
Prepaid expenses.	(69,948)	21,193	(48,755)	(253,008)
Accounts payable and accrued liabilities.	2,069,317	806,503	2,875,820	8,320,351
Revenue received in advance.	369,314	---	369,314	2,294,372
	<u>\$ 63,864</u>	<u>\$ 224,181</u>	<u>\$ 288,045</u>	<u>\$ 1,422,929</u>

14. PROVINCE OF NOVA SCOTIA RETIRING ALLOWANCE PROGRAM FOR EMPLOYEES OF HEALTH CARE FACILITIES

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the Annapolis Valley District Health Authority, upon retirement. The most recent actuarial valuation was for the years ended March 31, 2001 and March 31, 2002.

Financial position of the program as follows:

Continuity Schedule	2001-2002	2000-2001
Liability, Beginning of Year.	\$ 3,241,882	\$ 3,143,401
Current Service Costs	202,000	43,405
Interest on Liability.	220,100	51,501
Benefits Paid Out To Retirees.	(156,061)	---
Current Year Amortized Loss	9,224	3,575
Liability, End of Year.	<u>\$ 3,517,145</u>	<u>\$ 3,241,882</u>

(estimated)

Significant actuarial assumptions adopted in measuring the financial position of the program as at March 31, 2002 were calculated using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2000. The discount rate used was 7.05% and the salary growth rate 3.65% per year, plus promotional scale. The net expenditure related to these employee future benefits was \$270,254 for the year.

All accumulated past liabilities from the retiring allowance program that relate directly to employees of the Annapolis Valley District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2002.

15. CONTINGENCY

The Annapolis Valley District Health Authority has yet to reach a collective agreement with the employees of the Nova Scotia Government Employees Union for Clerical, Drug Dependency, and Public Health. The most recent collective agreement expired March 31, 2001. Although a retroactive wage adjustment is likely to cover the period from April 1, 2001 to March 31, 2002, it has been determined that such an amount can not be reasonably estimated based on information available prior to the release of the financial statements. As a result, the financial statements do not include a provision for this contingent liability. The Department of Health has agreed to fully fund any such liability on behalf of the Annapolis Valley District Health Authority.

16. COMPARATIVE FIGURES

Comparative figures for fiscal 2001 reflect three months of operations for the District Health Authority.

AUDITORS' REPORT

To the Chairman and Members of
Annapolis Valley Regional School Board

We have examined the Consolidated, Operating Fund, Capital Fund, Reserve Fund and Trust Fund balance sheets of the Annapolis Valley Regional School Board as at March 31, 2002, and the statements of operations for the year ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002, and results of its operations and the changes in its capital position for the year then ended in accordance with generally accepted accounting principles adopted for Nova Scotia School Boards.

MACKENZIE, MORSE AND BREWSTER
Chartered Accountants

Berwick, Nova Scotia
June 19, 2002

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
as at March 31, 2002**

ASSETS

	2002	2001
Current		
Cash.....	\$ 5,450	\$ 610,618
Receivables		
Province of Nova Scotia	9,518,780	8,454,120
Gov't of Canada.....	1,118,546	1,183,359
Other school boards	32,196	214,351
Other	892,532	510,862
Due from Trust Funds.....	126,008	6,461
Prepaid expenses	357,696	7,026
Inventories.....	127,091	121,410
	<u>12,178,299</u>	<u>11,108,207</u>
Restricted cash & investments (Note 2)	18,298	76,181
Fixed assets at cost		
School property & equipment (Note 1)	80,132,322	82,550,963
School buses & other vehicles (Note 1).....	4,604,270	4,884,426
	<u>\$ 96,933,189</u>	<u>\$ 98,619,777</u>

LIABILITIES

Current		
Bank Indebtedness	\$ 1,180,637	\$ ---
Payables and accruals		
Trade	351,688	1,128,454
Other	330,469	1,405,565
Deferred Revenue	1,467,805	794,195
	<u>3,330,599</u>	<u>3,328,214</u>
Retirement Allowance (Note 3).....	7,505,000	7,065,000
Term Debt		
Capital Lease (Note 4).....	---	121,887
	<u>10,835,599</u>	<u>10,515,101</u>

EQUITY

Investment in Capital Assets	84,736,592	87,313,502
Surplus - Non Restricted	731,916	104,209
Surplus - Restricted (Cafeteria)	18,298	76,181
Reserves	610,784	610,784
	<u>86,097,590</u>	<u>88,104,676</u>
	<u>\$ 96,933,189</u>	<u>\$ 98,619,777</u>
Contingencies (Note 6)		
Commitments (Note 8)		

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Statement of Operations
for the year ended March 31, 2002**

		<u>2002</u>		
	Page	Budget	Actual	2001 Actual
Revenue				
Province of Nova Scotia	21	\$ 71,163,380	\$ 72,321,643	\$ 70,787,426
Government of Canada	21	579,831	513,435	701,243
Appropriations from Councils	21	14,313,209	14,315,935	14,532,618
Prior Years' Surplus		104,209	104,209	---
Board Operations	21	3,309,086	4,570,467	4,392,176
Transfer from Reserves		606,070	---	---
		<u>90,075,785</u>	<u>91,825,689</u>	<u>90,413,463</u>
Expenditures				
Regional Board Management	22	2,553,711	2,476,824	2,328,012
School Admin. & Instruction	22	59,777,404	60,252,625	59,575,367
School Cafeterias	23	1,161,052	1,187,292	1,152,538
Property Services	23	7,439,911	7,045,815	7,388,985
Pupil Transportation	23	6,614,497	6,533,013	6,258,323
Special Education	24	10,054,945	10,262,787	9,865,734
Adult Education	24	1,550,942	1,991,044	1,742,476
Federal Programs	24	47,800	24,191	47,856
Capital Purchases	24	875,523	851,182	1,518,963
Debt Service - Teachers' Service Award	24	---	469,000	431,000
		<u>90,075,785</u>	<u>91,093,773</u>	<u>90,309,254</u>
Excess of Revenue Expenditures		<u>\$ ---</u>	<u>\$ 731,916</u>	<u>\$ 104,209</u>

**Statement of Continuity of Surplus
for the year ended March 31, 2002**

	2002	2001
Balance, beginning of period	\$ 104,209	\$ ---
Transfer to current operations	<u>104,209</u>	<u>---</u>
	<u>---</u>	<u>---</u>
Excess of revenue over expenditures	<u>731,916</u>	<u>104,209</u>
Balance, end of period	<u>\$ 731,916</u>	<u>\$ 104,209</u>

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Operating Fund Balance Sheet
as at March 31, 2002**

ASSETS

	2002	2001
Current		
Cash	\$ 5,450	\$ 610,618
Receivables		
Province of Nova Scotia	8,181,034	8,285,865
Government of Canada	1,118,546	1,183,359
Due from other Boards	32,196	214,351
Other	892,532	510,862
Due from Capital Fund	1,337,746	168,255
Due from Trust Funds	126,008	6,461
Inventories, at cost	127,091	121,410
Prepaid expenses	357,696	7,026
	<u>12,178,299</u>	<u>11,108,207</u>
Restricted cash & Investments (Note 2)	18,298	76,181
	<u>\$ 12,196,597</u>	<u>\$ 11,184,388</u>

LIABILITIES

Current		
Bank Indebtedness	\$ 1,180,637	\$ ---
Payables and accruals		
Trade	351,688	1,128,454
Other	330,469	1,405,565
Deferred Revenue	1,467,805	794,195
	<u>3,330,599</u>	<u>3,328,214</u>
Due to Reserve Fund	610,784	610,784
Retirement Allowance (Note 3)	7,505,000	7,065,000
	<u>11,446,383</u>	<u>11,003,998</u>

EQUITY

Surplus - Restricted (Cafeteria)	18,298	76,181
Surplus - Non Restricted	731,916	104,209
	<u>750,214</u>	<u>180,390</u>
	<u>\$ 12,196,597</u>	<u>\$ 11,184,388</u>

Commitments (Note 6)

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Capital Fund Balance Sheet
as at March 31, 2002**

ASSETS

	2002		2001
Accounts Receivable			
Due from Province of NS	\$ 1,337,746	\$	168,255
Fixed assets, at cost			
Land, buildings and improvements (Note 1)	71,720,505		74,139,146
Equipment and furnishings.	8,411,817		8,411,817
School buses and other vehicles	4,604,270		4,884,426
	<u>\$ 86,074,338</u>	\$	<u>87,603,644</u>

LIABILITIES

Due to operating fund.	\$ 1,337,746	\$	168,255
Term debt			
Capital Lease	---		121,887

EQUITY

Investment in capital assets	84,736,592		87,313,502
	<u>\$ 86,074,338</u>	\$	<u>87,603,644</u>

**Statement of Continuity in Investment in Capital Assets
for the year ended March 31, 2002**

Balance, beginning of period	\$ 87,313,502	\$	86,122,872
Capital expenditures from operating:			
School buses	---		600,600
Equipment and furnishings	121,886		256,346
Land, building & improvements	---		642,510
	<u>121,886</u>		<u>1,499,456</u>
Retirement of fixed assets:			
Disposal of Building	(2,418,640)		---
School buses	(280,156)		(308,826)
	<u>(2,698,796)</u>		<u>(308,826)</u>
Balance, end of period	\$ 84,736,592	\$	87,313,502

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Reserve Fund Balance Sheet
as at March 31, 2002**

ASSETS

	2002	2001
Due from Operating Fund	\$ 610,784	\$ 610,784
	<u>\$ 610,784</u>	<u>\$ 610,784</u>

EQUITY

Special Capital	\$ 96,938	\$ 96,938
Reserves for program enhancement:		
School Bus Disposal	9,132	9,132
KCDSB History	2,000	2,000
Prof. Development - Kings	2,714	2,714
Future Operations	500,000	500,000
	<u>\$ 610,784</u>	<u>\$ 610,784</u>

**Statement of Continuity of Reserves
For the year ended March 31, 2002**

	Balance at March 31, 2001	Transfers from Operating	Transfers to Operating	Balance at March 31, 2002
Special Capital	\$ 96,938	\$ ---	\$ ---	\$ 96,938
School Bus Disposal	9,132	---	---	9,132
KCDSB History	2,000	---	---	2,000
Prof. Development - Kings	2,714	---	---	2,714
Future Operations	500,000	---	---	500,000
	<u>\$ 610,784</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 610,784</u>

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Trust Funds Balance Sheet
as at March 31, 2002**

ASSETS

	2002		2001
Cash	\$ 670,685	\$	626,476
Investments, at cost	3,700		3,700
Receivables Prov of NS	96,831		---
Due from (to) operating account	<u>(126,008)</u>		<u>(6,461)</u>
	<u>\$ 645,208</u>	\$	<u>623,715</u>

EQUITY

Trust funds (Note 5)	<u>\$ 645,208</u>	\$	<u>623,715</u>
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**Statement of Trust Funds
for the year ended March 31, 2002**

Balance, beginning of period	\$ 623,715	\$	539,921
Donations received	422,393		226,907
Interest earned	23,497		34,854
Disbursements	<u>(424,397)</u>		<u>(177,967)</u>
Balance, end of period	<u>\$ 645,208</u>	\$	<u>623,715</u>

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Supplementary Detail of Revenues
for the year ended March 31, 2002**

2002

	Budget		Actual		2001 Actual
	<u> </u>		<u> </u>		<u> </u>
PROVINCE OF NOVA SCOTIA					
General Formula	\$ 64,972,900	\$	\$ 65,253,203	\$	\$ 63,092,673
Special education	5,238,500		5,238,500		4,837,727
Textbook Allocation	867,800		867,800		865,000
French special project	23,066		17,679		13,791
French Immersion.	61,114		60,244		58,035
Bus purchase grant	---		---		600,600
Other.	---		884,217		1,319,600
	<u>\$ 71,163,380</u>	\$	<u>\$ 72,321,643</u>	\$	<u>\$ 70,787,426</u>
 GOVERNMENT OF CANADA					
Human Resources Development	\$ 47,800	\$	\$ 35,428	\$	\$ 231,092
Native students	250,000		209,584		216,764
Secretary of State:					
Minority Language	44,938		40,116		26,379
French Special Projects	84,308		74,171		81,923
French Immersion.	152,785		154,136		145,085
	<u>\$ 579,831</u>	\$	<u>\$ 513,435</u>	\$	<u>\$ 701,243</u>
 APPROPRIATIONS FROM COUNCILS					
Mandatory					
Town of Annapolis Royal	\$ 80,791	\$	\$ 80,791	\$	\$ 82,738
Town of Berwick	320,432		320,432		317,579
Town of Bridgetown.	118,713		118,713		126,051
Town of Hantsport.	176,758		176,758		180,508
Town of Kentville.	674,893		674,893		689,213
Town of Middleton	243,197		243,393		235,443
Town of Windsor	472,771		472,771		480,448
Town of Wolfville.	440,476		440,476		427,793
Municipality of Annapolis.	2,305,285		2,305,285		2,332,224
Municipality of Kings	7,839,725		7,842,255		8,037,925
Municipality of West Hants.	1,640,168		1,640,168		1,622,696
	<u>\$ 14,313,209</u>	\$	<u>\$ 14,315,935</u>	\$	<u>\$ 14,532,618</u>
 BOARD OPERATIONS					
Investment interest.	\$ 135,000	\$	\$ 151,670	\$	\$ 126,498
Cafeterias.	1,161,052		1,176,094		1,138,524
Adult Education Fees & Revenues.	1,367,895		1,550,170		1,461,974
Facility and Bus Rental	13,000		10,000		7,286
Sale of Assets.	16,500		18,426		5,519
Other Fees & revenues	615,639		1,664,107		1,652,375
	<u>\$ 3,309,086</u>	\$	<u>\$ 4,570,467</u>	\$	<u>\$ 4,392,176</u>

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures
for the year ended March 31, 2002**

2002

	Budget		Actual		2001 Actual
	<u> </u>		<u> </u>		<u> </u>
REGIONAL BOARD MANAGEMENT					
Salaries and Wages	\$ 1,309,089	\$	1,275,763	\$	1,356,723
Board Member expense.	114,600		106,144		110,099
Employee benefits.	172,566		163,257		94,932
Supplies and materials.	109,675		113,518		99,823
Telephone	42,034		42,686		40,936
Travel and conference - staff.	52,630		43,001		25,035
Travel and conference - board	61,000		41,323		33,812
Insurance.	125,599		125,599		114,180
Professional fees	92,500		122,159		94,071
Contracted Services	14,961		26,764		9,361
Office Rental & Maintenance.	170,177		170,177		166,860
Advertising and Promotion.	35,525		26,922		26,367
Equipment Contracts.	4,500		2,885		3,566
NSSBA & Other Dues & Fees.	81,060		80,897		44,545
In-Service & Prof. Development	36,475		40,919		6,674
Occupational Health & Safety.	26,725		15,252		7,378
Bank charges.	83,100		68,630		69,796
School Board Elections	---		---		8,641
Other	21,495		10,928		15,213
	<u>\$ 2,553,711</u>	\$	<u>2,476,824</u>	\$	<u>2,328,012</u>
 SCHOOL ADMINISTRATION & INSTRUCTION					
Salaries and Wages					
Administration.	\$ 5,875,528	\$	5,594,301	\$	5,010,776
Instructional.	40,169,273		39,892,414		40,286,972
Substitutes.	1,858,348		1,594,233		1,918,184
Sabbatical.	205,000		240,000		210,000
Library.	760,447		784,564		700,202
Guidance.	899,674		899,674		876,260
Clerical.	1,727,262		1,746,662		1,803,989
Other.	1,333,344		1,361,018		1,460,977
Employee Benefits	3,233,583		3,302,752		3,119,024
Professional Development.	365,270		311,088		335,441
Service Awards.	335,037		378,597		408,843
Supplies and Materials.	1,182,272		1,606,129		1,313,948
Inservice training.	69,000		96,354		89,864
Conference grants.	165,000		188,606		125,672
Travel and conferences.	127,070		105,873		116,903
Telephone	260,655		246,391		259,252
Computer Services.	176,731		175,592		189,820
Textbook Allocation.	867,800		867,800		865,000
Library books and aids	85,656		55,309		26,227
Other	80,454		805,268		458,013
	<u>\$ 59,777,404</u>	\$	<u>60,252,625</u>	\$	<u>59,575,367</u>

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
for the year ended March 31, 2002**

2002

	<u>Budget</u>		<u>Actual</u>		<u>2001 Actual</u>
SCHOOL CAFETERIAS					
Salaries and Wages	\$ 370,479	\$	\$ 379,555	\$	\$ 370,440
Employee Benefits	45,573		45,727		39,746
Food and materials	745,000		762,010		742,352
	<u>\$ 1,161,052</u>	\$	<u>\$ 1,187,292</u>	\$	<u>\$ 1,152,538</u>
 PROPERTY SERVICES					
Salary and wages	\$ 2,299,702	\$	\$ 2,251,739	\$	\$ 2,242,914
Employee benefits	357,103		350,045		344,361
Supplies and materials	718,000		743,510		567,136
In-Service & Prof. Development	500		143		416
Travel and conferences	34,500		22,883		50,623
Insurance	206,773		206,773		188,075
Utilities	2,129,620		1,890,226		2,282,147
Contracted services - Maintenance	248,500		210,985		216,989
Contracted services - Custodial	1,396,488		1,329,325		1,420,335
Telephone	23,510		17,406		22,255
Computer Services	215		---		177
Other Expenses	25,000		22,780		53,557
	<u>\$ 7,439,911</u>	\$	<u>\$ 7,045,815</u>	\$	<u>\$ 7,388,985</u>
 PUPIL TRANSPORTATION					
Salaries and Wages	\$ 1,781,783	\$	\$ 1,839,207	\$	\$ 1,766,025
Employee benefits	295,736		289,739		280,272
Vehicle operating:					
Gas and oil	219,500		203,638		236,629
Tires	40,800		33,820		40,761
Repairs and maintenance	267,000		271,850		265,103
License and insurance	43,000		45,915		42,728
Supplies and materials	72,215		96,609		69,429
Maintenance and utilities:					
Garages	41,900		40,230		45,596
Bus Site maintenance	2,000		783		1,393
Travel & conferences	18,000		16,454		17,923
Contract conveyance	3,785,547		3,705,094		3,504,434
Inservice training	7,800		8,215		7,727
Extra-curricular (Recoveries)	---		(58,554)		(52,804)
Telephone	10,876		10,601		11,064
Other	28,340		29,412		22,043
	<u>\$ 6,614,497</u>	\$	<u>\$ 6,533,013</u>	\$	<u>\$ 6,258,323</u>

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
for the year ended March 31, 2002**

2002

	<u>Budget</u>		<u>Actual</u>		<u>2001 Actual</u>
SPECIAL EDUCATION					
Salaries and Wages	\$ 9,049,054	\$	\$ 9,277,955	\$	\$ 8,916,325
Employee benefits	818,249		814,064		811,937
Supplies and materials.	100,339		86,977		41,831
Travel and conferences.	51,500		55,128		50,222
Telephone.	13,053		10,257		12,255
In Service & Prof. Development.	5,250		5,609		2,334
Other	17,500		12,797		30,830
	<u>\$ 10,054,945</u>	\$	<u>\$ 10,262,787</u>	\$	<u>\$ 9,865,734</u>
ADULT EDUCATION					
Salaries and wages.	\$ 924,426	\$	\$ 1,107,144	\$	\$ 1,060,030
Employee benefits	81,224		94,689		80,724
Supplies and materials.	182,993		270,429		225,483
Travel and conferences.	49,925		94,770		43,190
Facility Rental	106,900		159,588		126,365
Telephone.	27,350		48,873		30,004
Inservice & Prof. Development	29,200		27,472		40,025
Computer Services.	19,624		26,458		9,065
Advertising & Promotion.	22,500		22,553		23,824
Other	106,800		139,068		103,766
	<u>\$ 1,550,942</u>	\$	<u>\$ 1,991,044</u>	\$	<u>\$ 1,742,476</u>
FEDERAL PROGRAMS					
Co-op Education.	\$ 47,800	\$	\$ 24,191	\$	\$ 47,856
	<u>\$ 47,800</u>	\$	<u>\$ 24,191</u>	\$	<u>\$ 47,856</u>
DEBT SERVICE COSTS					
Service Awards - Teachers	\$ ---	\$	\$ 469,000	\$	\$ 431,000
	<u>\$ ---</u>	\$	<u>\$ 469,000</u>	\$	<u>\$ 431,000</u>
CAPITAL PURCHASES					
Repair and renovations.	\$ 613,528	\$	\$ 453,368	\$	\$ 642,510
Furniture and equipment.	261,995		397,814		275,853
Transportation - buses.	---		---		600,600
	<u>\$ 875,523</u>	\$	<u>\$ 851,182</u>	\$	<u>\$ 1,518,963</u>

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

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Notes to the Financial Statements March 31, 2002

1. Summary of significant accounting policies

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

Financial statement presentation

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

Basis of accounting

The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis. Teachers' salaries and those of non-teaching employees are recorded on the cash basis. Outstanding purchase orders at the balance sheet date are accrued and recorded as payables.

School property, equipment, buses and other vehicles

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

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

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

All capital additions and acquisitions from December 31, 1981 to March 31, 2001 have been recorded at actual cost. Effective April 1, 2001, the Province of Nova Scotia adopted tangible Capital Assets Accounting Guidelines and as a result only expenditures which meet the TCA Thresholds will be capitalized. Depreciation is not being recorded on the school buildings, equipment, buses or other vehicles.

2. Restricted cash and investments

Schedule of restricted cash and investments:	2002	2001
Operating fund (pg. 17)		
Surplus - Restricted (Cafeterias)	\$ 18,298	\$ 76,181

3. Retirement Allowance

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

4. Trust funds

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

Managed Trust Funds:

	<u>March 31,</u> <u>2001</u>	<u>Additions</u>	<u>Interest</u>	<u>Disburse-</u> <u>ments</u>	<u>March 31,</u> <u>2002</u>
ACES Trust	\$ 2,310	\$ ---	\$ 77	\$ 1,000	\$ 1,387
ARRA Library Trust	6,197	53	215	---	6,465
Atkinson Trust	2,111	---	72	350	1,833
Barteau Trust	4,788	---	164	500	4,452
Bateman Trust	1,160	1,500	70	---	2,730
Beals Trust	144,286	---	4,957	4,500	144,743
Beattie Trust	10,662	---	368	535	10,495
Bergevin Trust	1,051	---	33	1,077	7
Blackburn Trust	46	305	2	350	3
Borden Trust	3,438	---	119	190	3,367
Brannon Trust	894	---	31	---	925
Carter Trust	6,671	---	231	---	6,902
Clarke	6,356	---	220	---	6,576
Coldwell Trust	5,236	---	181	275	5,142
Cummings Trust	12,858	---	446	---	13,304
Dalton Trust	15,760	---	534	775	15,519
DeEll Trust	55,538	---	1,906	2,000	55,444
Evans Trust	858	---	30	---	888
Haskell Trust	23,322	1,000	830	1,000	24,152
Hibbard Trust	10,707	---	371	500	10,578
Horton Alumni	2,204	---	76	125	2,155
Hudgins Trust	420	---	14	20	414
Inglis Trust	21,448	---	741	733	21,456
Jones - BRES	4,988	---	174	---	5,162
Jones-BRHS	13,183	15,138	309	14,453	14,177
Johnson Trust	11,378	---	386	550	11,214
KCA Closing	5,212	---	163	5,343	32
KCDSB Trust(Warner).	5,406	73	187	300	5,366
Lightfoot Trust	---	1,163	26	500	689
Lockhart Trust	1,574	---	53	500	1,127
Lyons Trust	4,792	---	165	250	4,707
Margeson	2,305	---	77	900	1,482
MacFarlane	8,651	50	293	558	8,436
MacNutt Trust	33,768	700	1,177	1,000	34,645
Mitchell Trust	1,343	---	45	75	1,313
MRH! 40 th Ann. Trust	10,931	5,080	485	480	16,016
Neily Trust	423	---	15	8	430
Nixon Trust	5,498	250	194	250	5,692
Harry E. Parker Trust	4,393	---	152	---	4,545
Rena B. Parker Trust	38,039	---	1,312	2,000	37,351
Quartermain Trust	1,253	---	41	600	694
Rainforth Trust	437	---	15	---	452
Leah Rhoddy Trust	---	5,000	---	---	5,000
Sinnott Trust	10,908	---	376	500	10,784
Earle Spicer Trust	22,547	---	637	1,050	22,134
Worthylake Trust	14,265	300	498	1,000	14,063
Champlain Refresh	---	53,734	257	22,076	31,915
Horton Refresh	---	56,137	155	110,308	(54,016)
Northeast Kings	---	88,578	245	79,728	9,095
Pine Ridge Refresh	---	79,571	250	62,741	17,080

Funds held temporarily for redistribution:

Foundation	<u>84,100</u>	<u>113,761</u>	<u>4,122</u>	<u>105,297</u>	<u>96,686</u>
	<u>\$ 623,715</u>	<u>\$ 422,393</u>	<u>\$ 23,497</u>	<u>\$ 424,397</u>	<u>\$ 645,208</u>

5. Pension Plan

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

6. Commitments

Facility Rental

The Annapolis Valley Regional School Board currently leases 21,408 sq. ft. of office and storage space from the Western Kings Memorial Health Centre to house the regional school board's administrative operations. The ten year lease agreement will expire in July 2007. Rental charges for 2002-03 will be approximately \$180,000 and will increase in subsequent year by the prior Year's Consumer Price Index increase for Nova Scotia.

7. Comparative Figures

Certain of the 2001 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.

AUDITOR'S REPORT

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

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

Art Gallery of Nova Scotia	- Combined Balance Sheet as at March 31, 2002
Gallery, Gallery Shop, Product Development and Western Branch	- Balance Sheet as at March 31, 2002
Gallery	- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2002
Gallery Shop	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2002
Product Development	- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 2002
Western Branch	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2002
Endowment Fund	- Balance Sheet as at March 31, 2002 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2002
Phase II Expansion Fund	- Balance Sheet as at March 31, 2002 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2002
Acquisition Fund	- Balance Sheet as at March 31, 2002 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 2002

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

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

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

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Art Gallery of Nova Scotia as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

ERNST & YOUNG LLP
Chartered Accountants

Halifax, Canada
May 17, 2002

ART GALLERY OF NOVA SCOTIA

**Combined Balance Sheet
As at March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash and cash equivalents (note 6)	\$ 1,055,074	\$ 1,048,260
Accounts receivable	109,273	99,546
Prepays	12,500	---
Inventory	<u>161,825</u>	<u>194,767</u>
	1,338,672	1,342,573
Investments (note 5)	<u>2,505,510</u>	<u>2,527,573</u>
	<u>\$ 3,844,182</u>	<u>\$ 3,870,146</u>

LIABILITIES AND SURPLUS

Current		
Accounts payable and accrued liabilities	\$ 369,462	\$ 442,710
Phase II expansion liability (note 6)	1,307,201	1,958,828
Deferred revenue	<u>---</u>	<u>66,140</u>
	<u>1,676,663</u>	<u>2,467,678</u>
(Deficit) - Gallery	(118,451)	(142,958)
Surplus - Gallery Shop	134,589	166,085
(Deficit) surplus - Product Development	(3,083)	3,876
Surplus - Western Branch	175,039	2,750
Surplus - Endowment Fund	1,848,159	2,023,576
Surplus (deficit) - Phase II Expansion Fund	133,286	(654,875)
(Deficit) surplus - Acquisition Fund	<u>(2,020)</u>	<u>4,014</u>
	<u>2,167,519</u>	<u>1,402,468</u>
	<u>\$ 3,844,182</u>	<u>\$ 3,870,146</u>

See accompanying notes

Contingency (note 7)

ART GALLERY OF NOVA SCOTIA

**Gallery, Gallery Shop, Product Development and Western Branch
Balance Sheet
As at March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash and cash equivalents	\$ 332,500	\$ 177,269
Accounts receivable	98,305	98,169
Due from Endowment Fund	139,862	18,900
Due from Acquisition Fund	2,500	10,000
Due from Phase II Expansion Fund	---	26,800
Prepays	12,500	---
Inventory	161,825	194,767
	<u>\$ 747,492</u>	<u>\$ 525,905</u>

LIABILITIES AND SURPLUS

Current		
Accounts payable and accrued liabilities	\$ 350,448	\$ 430,012
Due to Phase II Expansion Fund	193,950	---
Due to Acquisition Fund	15,000	---
Deferred revenue	---	66,140
	<u>559,398</u>	<u>496,152</u>
(Deficit) - Gallery	(118,451)	(142,958)
Surplus - Gallery Shop	134,589	166,085
(Deficit) surplus - Product Development	(3,083)	3,876
Surplus - Western Branch	175,039	2,750
	<u>188,094</u>	<u>29,753</u>
	<u>\$ 747,492</u>	<u>\$ 525,905</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Gallery
Statement of Revenue, Expenditures and Deficit
Year ended March 31, 2002**

	2002	2001
Revenue		
Province of Nova Scotia (note 3)	\$ 1,091,283	\$ 1,003,050
Admissions	199,979	47,420
Sponsorships	177,277	330,760
Special grants	176,118	171,900
Other income	102,974	175,813
Memberships	65,649	42,753
Donations - AGNS appeal, major gifts	52,316	42,372
Public Education Programs	46,586	40,243
Special events	46,178	27,740
Corporate campaign	19,292	20,340
Interest	3,534	8,715
	<u>1,981,186</u>	<u>1,911,106</u>
 Expenditures (Schedule)		
Salaries and benefits	768,128	793,110
Building operations	638,539	602,121
Exhibitions and programming	493,880	600,497
Development/public relations	126,240	101,724
Administration	141,528	153,230
Printing and publication	34,260	15,219
Technology	12,188	10,081
Miscellaneous	6,916	6,845
	<u>2,221,679</u>	<u>2,282,827</u>
 Contribution from Gallery Shop	 50,000	 10,000
Contribution from Endowment Fund	215,000	215,000
	<u>265,000</u>	<u>225,000</u>
 Excess of revenue over expenditures for the year	 24,507	 (146,721)
 (Deficit) surplus, beginning of year	 (142,958)	 3,763
(Deficit), end of year	\$ <u>(118,451)</u>	\$ <u>(142,958)</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Gallery
Schedule of Expenditures
Year ended March 31, 2002**

	2002	2001
Salaries and Benefits		
Salaries and employee benefits	\$ 768,128	\$ 793,110
	<u>768,128</u>	<u>793,110</u>
Building Operations		
Utilities	221,340	209,061
Security	177,887	174,376
Climate control	125,342	133,188
Building maintenance and cleaning	63,067	46,275
Insurance	27,386	26,237
Elevator maintenance	10,378	9,063
Building repairs	13,139	3,921
	<u>638,539</u>	<u>602,121</u>
Exhibitions and Programming		
Programs	470,965	576,092
Workshop supplies	8,988	8,625
Collections management and gallery services	7,382	6,454
Vehicle	5,385	7,722
Conservation lab	1,160	1,604
	<u>493,880</u>	<u>600,497</u>
Administration		
Stationery and postage	42,259	57,188
Telephone	26,029	28,312
Travel	16,874	26,946
Professional fees	16,845	16,302
Equipment rental	14,331	13,890
Memberships	5,051	5,535
Equipment maintenance	3,688	4,134
Delivery administration	1,163	923
	<u>126,240</u>	<u>153,230</u>
Development/public relations		
Development/public relations	141,528	101,724
	<u>141,528</u>	<u>101,724</u>
Printing and Publication		
Printing and publication	33,513	13,200
Photography	747	2,019
	<u>34,260</u>	<u>15,219</u>
Technology		
Technology	10,539	7,861
Training and development	1,649	2,220
	<u>12,188</u>	<u>10,081</u>
Miscellaneous		
Bank charges	5,935	4,031
Miscellaneous	981	2,814
	<u>6,916</u>	<u>6,845</u>
Total expenditures	\$ <u><u>2,221,679</u></u>	\$ <u><u>2,282,827</u></u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Gallery Shop
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2002**

	2002	2001
Revenue		
Art and craft sales	\$ 287,026	\$ 237,144
Art and craft sales on consignment	95,416	115,991
Books, notes and posters	<u>30,801</u>	<u>38,983</u>
	413,243	392,118
Cost of sales	<u>246,301</u>	<u>225,591</u>
Gross profit	<u>166,942</u>	<u>166,527</u>
 Expenditures		
Salaries and employee benefits	92,965	96,165
Office and administration	40,473	51,629
Promotional	<u>---</u>	<u>1,941</u>
	<u>133,438</u>	<u>149,735</u>
 Excess of gross profit over expenditures		
for the year	33,504	16,792
Surplus, beginning of year	166,085	159,293
Contribution to Gallery	(50,000)	(10,000)
Contribution to Acquisition Fund	<u>(15,000)</u>	<u>---</u>
Surplus, end of year	\$ <u>134,589</u>	\$ <u>166,085</u>

**Product Development
Statement of Revenue, Expenditures and Deficit
Year ended March 31, 2002**

Revenue	\$ 112,077	\$ 43,494
Cost of sales	<u>75,235</u>	<u>18,206</u>
Gross profit	<u>36,842</u>	<u>25,288</u>
 Expenditures		
Salaries and employee benefits	25,737	14,880
Promotional	6,889	2,685
Office and administration	6,567	3,240
Members' discount	<u>4,608</u>	<u>607</u>
	<u>43,801</u>	<u>21,412</u>
 Excess of expenditures over gross profit		
for the year	(6,959)	3,876
Surplus, beginning of year	<u>3,876</u>	<u>---</u>
(Deficit) surplus, end of year	\$ <u>(3,083)</u>	\$ <u>3,876</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Western Branch
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2002**

	2002	2001
Revenue		
Donations	\$ 186,859	\$ 94,082
Special grants (note 3)	80,000	220,000
Fundraising	2,119	13,206
Interest	1,224	8,548
	<u>270,202</u>	<u>335,836</u>
Expenditures		
Building capital cost	72,950	474,935
Office and miscellaneous	17,879	28,730
Building operations	6,165	5,504
Building fundraising	919	21,085
	<u>97,913</u>	<u>530,254</u>
Excess of revenue over expenditures for the year	172,289	(194,418)
Surplus, beginning of year	2,750	197,168
Surplus, end of year	<u>\$ 175,039</u>	<u>\$ 2,750</u>

**Endowment Fund
Balance Sheet
as at March 31, 2002**

	2002	2001
ASSETS (note 4)		
Current		
Cash and cash equivalents	\$ 12,009	\$ 9,669
Accounts receivable	118	812
Due from Acquisition Fund	3,892	23,132
	<u>16,019</u>	<u>33,613</u>
Investments (note 5)	2,505,510	2,527,573
	<u>\$ 2,521,529</u>	<u>\$ 2,561,186</u>

LIABILITIES AND SURPLUS

Current		
Accounts payable	\$ 1,632	\$ 5,218
Due to Gallery	139,862	18,900
	<u>141,494</u>	<u>24,118</u>
Due to Phase II	531,876	513,492
	<u>673,370</u>	<u>537,610</u>
Surplus		
Restricted	310,000	300,000
Unrestricted	1,538,159	1,723,576
	<u>1,848,159</u>	<u>2,023,576</u>
	<u>\$ 2,521,529</u>	<u>\$ 2,561,186</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Endowment Fund
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2002**

	2002	2001
Revenue (Note 4)		
Investment income	\$ 87,729	\$ 154,985
Life memberships	12,375	26,500
Restricted donations	10,475	150
Oyler project	4,000	7,500
Gallery endowments	3,500	---
Marian deWitt Endowment	---	1,000
	<u>118,079</u>	<u>190,135</u>
 Expenditures (note 4)		
Trustee fees	25,574	24,762
Administration	10,903	16,049
Promotion and public relations	8,368	14,880
Donor restricted projects	7,329	7,921
Printing and postage	6,000	7,440
Miscellaneous	4,153	61
Receptions	1,169	300
Life membership servicing	---	5,615
Gallery Endowment expenses	---	2,265
	<u>63,496</u>	<u>79,293</u>
 Excess of revenue over expenditures for the year	 54,583	 110,842
Surplus, beginning of year	2,023,576	2,142,734
Contribution to Gallery	(215,000)	(215,000)
Contribution to Acquisition Fund	<u>(15,000)</u>	<u>(15,000)</u>
 Surplus, end of year	 1,848,159	 2,023,576
Less: restricted surplus	<u>(310,000)</u>	<u>(300,000)</u>
 Unrestricted surplus, end of year	 <u>\$ 1,538,159</u>	 <u>\$ 1,723,576</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Phase II Expansion Fund
Balance Sheet
as at March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash	\$ 667,653	\$ 819,046
Due from Gallery	193,950	---
Due from Acquisition Fund	50,000	---
Accounts Receivable	430	---
	<u>912,033</u>	<u>819,046</u>
Due from Endowment Fund	531,876	513,492
	<u>\$ 1,443,909</u>	<u>\$ 1,332,538</u>

LIABILITIES AND SURPLUS

Current		
Accounts payable	\$ 3,422	\$ 1,785
Phase II expansion liability (note 6)	1,307,201	1,958,828
Due to Gallery	---	26,800
	<u>1,310,623</u>	<u>1,987,413</u>
Surplus (deficit)	<u>133,286</u>	<u>(654,875)</u>
	<u>\$ 1,443,909</u>	<u>\$ 1,332,538</u>

**Phase II Expansion Fund
Statement of Revenue, Expenditures and Surplus
Year ended March 31, 2002**

	2002	2001
Revenue		
Pledges and donations	\$ 162,377	\$ 176,390
Investment income	46,164	71,910
	<u>208,541</u>	<u>248,300</u>
Expenditures		
Capital expenses	98,309	103,391
Furniture and fixtures	23,216	260
Trustee fees	6,527	6,326
Fundraising expenses	5,328	10,189
	<u>133,380</u>	<u>120,166</u>
Excess of revenue over expenditures for the year	75,161	128,134
Deficit, beginning of year	(654,875)	(783,009)
Phase II expansion liability forgiveness (note 6)	713,000	---
Surplus (deficit), end of year	<u>\$ 133,286</u>	<u>\$ (654,875)</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Acquisition Fund
Balance Sheet
as at March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash	\$ 42,912	\$ 42,276
Accounts receivable	10,420	566
Due from Gallery Shop	15,000	---
	<u>\$ 68,332</u>	<u>\$ 42,842</u>
LIABILITIES AND SURPLUS		
Current		
Accounts payable	\$ 13,960	\$ 5,696
Due to Phase II	50,000	---
Due to Endowment Fund	3,892	23,132
Due to Gallery	2,500	10,000
	<u>70,352</u>	<u>38,828</u>
(Deficit) surplus	<u>(2,020)</u>	<u>4,014</u>
	<u>\$ 68,332</u>	<u>\$ 42,842</u>

**Statement of Revenue, Expenditures and Deficit
Year ended March 31, 2002**

Revenue		
Donations:		
Art Sales and Rental Society	\$ 75,000	\$ 45,000
Other	13,110	21,790
Friends of the Gallery	6,500	6,000
Grants (note 3)	29,900	22,870
AGNS Appeal	17,250	14,522
Contribution from Endowment Fund	15,000	15,000
Contribution from Gallery Shop	15,000	---
Interest	---	159
	<u>171,760</u>	<u>125,341</u>
Expenditures		
Acquisitions	153,270	56,795
Appraisal and professional fees	15,082	30,808
Insurance	5,000	10,000
Shipping	1,703	827
Promotion	1,628	2,009
Administration	580	2,000
Miscellaneous	312	649
Permanent collection exhibit	179	---
Bank charges	40	65
	<u>177,794</u>	<u>103,153</u>
Excess of expenditures over revenue for the year	(6,034)	22,188
Surplus (deficit), beginning of year	4,014	(18,174)
(Deficit) surplus, end of year	<u>\$ (2,020)</u>	<u>\$ 4,014</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Notes to Financial Statements as at March 31, 2002

1. Purpose of the Organization

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

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

2. Significant Accounting Policies

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

Fund accounting

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

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

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

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

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

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

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

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

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

Cash and equivalents

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

Inventory

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

Investments

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

Revenue recognition

Revenue from donations, life memberships and investment income is recognized when the cash is received. All other revenue is recognized on the accrual basis of accounting.

Acquisitions

Acquisitions of works of art, including donated works, become the property of the Province of Nova Scotia. Accordingly, acquisitions paid for by the Art Gallery of Nova Scotia are expensed in the year acquired. Acquisitions expensed in the current year amounted to \$153,270 (2001 - \$56,795).

Other income

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

Contributed service

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

3. Government Assistance

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

	2002	2001
Gallery Fund:		
Nova Scotia Department of Tourism and Culture	\$ 1,091,283	\$ 1,003,050
Canada Council for the Arts	120,000	165,900
Federal Department of Canadian Heritage	27,000	---
Halifax Regional Municipality	<u>25,500</u>	<u>6,000</u>
	<u>1,263,783</u>	<u>1,174,950</u>
Western Branch Fund:		
Nova Scotia Department of Tourism and Culture	80,000	80,000
Town of Yarmouth.	---	50,000
Municipal District of Yarmouth.	---	10,000
Department of Economic Development and Tourism	<u>---</u>	<u>80,000</u>
	<u>80,000</u>	<u>220,000</u>
Acquisition Fund:		
Canada Council for the Arts	<u>29,900</u>	<u>22,870</u>
	<u>29,900</u>	<u>22,870</u>
	<u>\$ 1,373,683</u>	<u>\$ 1,417,820</u>

4. Endowment Fund

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

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

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

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

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

5. Investments

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

	<u>2002</u>		<u>2001</u>	
	Cost	Market Value	Cost	Market Value
Endowment Fund				
Equity	\$ 2,505,510	\$ 3,144,684	\$ 2,527,573	\$ 3,007,982
	<u>\$ 2,505,510</u>	<u>\$ 3,144,684</u>	<u>\$ 2,527,573</u>	<u>\$ 3,007,982</u>

6. Phase II Expansion Liability Forgiveness

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

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

7. Contingency

There are \$45,624 in disputed amounts owed by AGNS to another government agency which date back several years. The AGNS believes that the result of this dispute is not determinable and no liability has been recorded.

8. Comparative Amounts

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

AUDITORS' REPORT

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

We have audited the statement of financial position of the Cape Breton District Health Authority as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
July 26, 2002

CAPE BRETON DISTRICT HEALTH AUTHORITY

**Statement of Financial Position
March 31, 2002, with comparative figures for 2001**

ASSETS

	2002	2001
Current Assets:		
Cash	\$ 2,871,287	\$ 5,479,900
Internally restricted cash	160,945	160,945
Accounts receivable (note 2)	22,360,497	18,603,267
Inventories (note 4)	2,372,238	2,339,853
Prepaid expenses	<u>197,682</u>	<u>502,352</u>
	27,962,649	27,086,317
Capital assets (note 5)		
Cost	249,900,972	246,682,272
Less accumulated amortization	<u>90,414,898</u>	<u>80,970,913</u>
	159,486,074	165,711,359
Other assets (note 7)		
Due from Department of Health for retirement allowance.	<u>9,707,969</u>	<u>10,176,924</u>
	<u>\$ 197,156,692</u>	<u>\$ 202,974,600</u>

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

Current liabilities:		
Accounts payables and accrued liabilities (note 6).	\$ 28,972,343	\$ 28,067,819
Deferred contributions for capital assets (note 8).	157,885,162	164,048,366
Other liabilities:		
Retirement allowance payable (note 7)	9,707,969	10,176,924
Net assets :		
Unrestricted (deficiency).	(1,170,639)	(1,142,447)
Restricted (note 1 (c))	160,945	160,945
Invested in capital assets (note 9)	<u>1,600,912</u>	<u>1,662,993</u>
	591,218	681,491
	<u>\$ 197,156,692</u>	<u>\$ 202,974,600</u>

Contingencies (note 11)

See accompanying notes to the financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

Statement of Operations
Year ended March 31, 2002, with comparative figures for the
three months ended March 31, 2001

	Shareable	Non- Shareable	Total 2002	Total 2001
Income:				
Net patient income:				
Provincial Plan.	\$ 142,250,185	\$ ---	\$ 142,250,185	\$ 35,942,704
Other.	9,804,234	952,201	10,756,435	2,744,020
Medical service insurance.	6,624,203	---	6,624,203	1,933,246
Net differential.	1,233,049	404,122	1,637,171	372,918
Dietary recoveries.	1,261,968	---	1,261,968	294,762
Miscellaneous.	254,624	300,849	555,473	142,721
Investment income.	---	112,329	112,329	70,370
Referred in work.	56,832	---	56,832	11,360
Equipment grant	---	38,508	38,508	9,627
	<u>161,485,095</u>	<u>1,808,009</u>	<u>163,293,104</u>	<u>41,521,728</u>
Expenses:				
Nursing inpatient services.	60,541,681	686,713	61,228,394	14,600,792
Support services.	40,501,739	---	40,501,739	11,710,706
Diagnostic and therapeutic services.	29,454,323	---	29,454,323	7,373,979
Ambulatory care services.	25,360,155	---	25,360,155	6,108,140
Addiction services.	3,343,458	---	3,343,458	868,791
Public health.	2,818,332	---	2,818,332	714,828
Education	586,703	---	586,703	144,492
	<u>162,606,391</u>	<u>686,713</u>	<u>163,293,104</u>	<u>41,521,728</u>
Excess of revenue over expenditures before below noted items			---	---
Amortization of deferred contributions related to capital assets			9,353,712	2,208,706
Amortization of capital assets.			(9,443,985)	(2,258,390)
Department of Health funding for retirement allowance			468,955	296,903
Retirement allowance.			(468,955)	(296,903)
Excess of expenditure and revenue			\$ <u>(90,273)</u>	\$ <u>(49,684)</u>

See accompanying notes to financial statements

CAPE BRETON DISTRICT HEALTH AUTHORITY

**Statement of Changes in Net Assets
Year ended March 31, 2002, with comparative figures for the
three months ended March 31, 2001**

	Unrestricted	Restricted	Investment in Capital Assets	Total 2002	Total 2001
Balance, beginning					
of period	\$ (1,142,447)	\$ 160,945	\$ 1,662,993	\$ 681,491	\$ ---
Acquired from					
predecessor entities	---	---	---	---	731,175
Excess of expenditure					
over revenue	---	---	(90,273)	(90,273)	(49,684)
Net change in investment					
in capital assets (note 9)	<u>(28,192)</u>	<u>---</u>	<u>28,192</u>	<u>---</u>	<u>---</u>
Balance, end of period	<u>\$ (1,170,639)</u>	<u>\$ 160,945</u>	<u>\$ 1,600,912</u>	<u>\$ 591,218</u>	<u>\$ 681,491</u>

**Statement of Cash Flows
Year ended March 31, 2002, with comparative figures for the
three months ended March 31, 2001**

	2002	2001
Cash provided by (used in):		
Operation activities:		
Excess of expenditure over revenue.	\$ (90,273)	\$ (49,684)
Items not involving cash:		
Amortization of capital assets.	9,443,985	2,258,390
Amortization of deferred contributions related to capital assets.	(9,353,712)	(2,208,706)
Retirement allowance.	(468,955)	(296,903)
Department of Health funding for retirement allowance.	468,955	296,903
Change in non-cash operating working capital:		
Increase in accounts receivable.	(3,757,230)	(3,427,732)
(Increase) decrease in inventories.	(32,385)	210,006
(Increase) decrease in prepaid expenses.	304,670	(152,151)
Decrease in accounts payable and accrued liabilities	<u>904,524</u>	<u>4,350,210</u>
	(2,580,421)	980,333
Financing and investing activities:		
Purchases of capital assets.	(3,218,700)	(3,009,212)
Contribution for capital assets.	<u>3,190,508</u>	<u>1,135,147</u>
	<u>(28,192)</u>	<u>(1,874,065)</u>
Decrease in cash position.	(2,608,613)	(893,732)
Cash, beginning of period.	<u>5,640,845</u>	<u>6,534,577</u>
Cash, end of period.	<u>\$ 3,032,232</u>	<u>\$ 5,640,845</u>
Cash is represented by the following:		
Cash internally restricted.	\$ 160,945	\$ 160,945
Cash.	<u>2,871,287</u>	<u>5,479,900</u>
	<u>\$ 3,032,232</u>	<u>\$ 5,640,845</u>

See accompanying notes to the financial statements.

CAPE BRETON DISTRICT HEALTH AUTHORITY

**Notes to Financial Statements
Year ended March 31, 2002**

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

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

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

1. Significant accounting policies:

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

(a) Revenue recognition:

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

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

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

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

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

(b) Inventories:

Inventories are stated at cost.

(c) Restricted:

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

(d) Capital assets:

Capital assets are stated at cost.

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

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

2. Accounts receivable:

	2002		2001
Patients (less allowance for doubtful accounts)	\$ 908,707	\$	771,373
Medical service insurance	288,984		493,500
Department of Community Services	30,495		44,310
Level 11 Care (less allowance for doubtful accounts)	582,369		526,859
Harmonized sales tax	1,052,687		1,067,218
Hospital Foundations (note 10)	783,586		1,073,858
Veterans	170,468		259,153
Sundry	3,156,688		1,652,950
Guysborough Antigonish Strait Health Authority	142,923		---
Department of Health (note 3):			
Estimated year end adjustment	3,322,790		4,234,172
Capital funding	798,675		2,658,698
Vacation accrual	5,608,548		5,608,548
Addiction Services and Public Health	883,538		212,628
Contract settlement	4,630,039		---
	<u>\$ 22,360,497</u>	\$	<u>18,603,267</u>

3. Accounts with the Department of Health:

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

	2002		2001
Accounts receivable:			
Retirement allowance (note 7)	\$ 9,707,969		10,176,924
Estimated year end adjustment	3,322,790		4,234,172
Capital funding	798,675		2,658,698
Vacation accrual	5,608,548		5,608,548
Addiction Services and Public Health	883,538		212,628
Contract settlement	4,630,039		---
	<u>\$ 24,951,559</u>	\$	<u>22,890,970</u>

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

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

4. Inventories:

	2002		2001
Medical and surgical	\$ 507,631	\$	490,567
Drugs	779,574		961,643
Food	74,885		53,947
General	1,010,148		833,696
	<u>\$ 2,372,238</u>	\$	<u>2,339,853</u>

5. Capital assets:

	2002	2001
Land	\$ 570,230	\$ 570,230
Land improvements	2,277,640	2,434,109
Buildings and service equipment	140,804,971	143,522,420
Equipment	<u>15,833,233</u>	<u>19,184,600</u>
	<u>\$ 159,486,074</u>	<u>\$ 165,711,359</u>

6. Accounts payable and accrued liabilities:

	2002	2001
Accounts payable	\$ 8,317,194	\$ 9,238,975
Due to Department of Health:		
Advances by Provincial Plan - current	5,706,731	5,549,989
Employee deductions payable	245,582	126,618
Accrued salaries:		
Salaries	7,582,193	4,939,568
Vacation pay accrual	5,376,012	6,842,374
Other accruals	770,570	167,709
Payable for equipment	35,312	73,820
Department of Health new hospital construction	938,749	938,749
Guysborough Antigonish Strait Health Authority	---	190,017
	<u>\$ 28,972,343</u>	<u>\$ 28,067,819</u>

7. Retirement allowance:

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

To promote consistency amongst Authorities, the Department engaged consulting actuaries to quantify for each Health Authority the retiring allowance liability and expense for years up to March 31, 2002 along with a projection of the expense and liability for the fiscal year ended March 31, 2003.

In compliance with the Department's request, the District Health Authority has recorded the following in respect of retiring allowances accrued up to March 31, 2002:

	2002	2001
Opening balance	\$ 10,176,924	\$ 9,880,021
Retiring allowance expense computed with reference to the actuarial projection of expense for the period	1,161,168	296,903
Actuarial allocation adjustment	(1,130,123)	---
Retirement allowance payouts (estimated)	<u>(500,000)</u>	<u>---</u>
Funding receivable from the Department for the actual projected liability	<u>\$ 9,707,969</u>	<u>\$ 10,176,924</u>

8. Deferred contributions related to capital assets:

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

	2002	2001
Opening balance	\$ 164,048,366	\$ ---
Transferred from Cape Breton Healthcare Complex	---	145,506,715
Transferred from District Health Authority #7	---	19,615,210
Additional contributions received	3,190,508	1,135,147
Less amounts amortized to revenue	<u>(9,353,712)</u>	<u>(2,208,706)</u>
	<u>\$ 157,885,162</u>	<u>\$ 164,048,366</u>

9. Invested in capital assets:

a) Investment in capital assets is calculated as follows:

	2002	2001
Capital assets	\$ 159,486,074	\$ 165,711,359
Amounts financed by deferred contributions.	<u>157,885,162</u>	<u>164,048,366</u>
	<u>\$ 1,600,912</u>	<u>\$ 1,662,993</u>

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

	2002	2001
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 9,353,712	\$ 2,208,706
Amortization of capital assets.	<u>9,443,985</u>	<u>2,258,390</u>
	<u>\$ (90,273)</u>	<u>\$ (49,684)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 3,218,700	\$ 3,009,212
Amounts funded by deferred contributions	<u>3,190,508</u>	<u>1,866,765</u>
	<u>\$ 28,192</u>	<u>\$ 1,142,447</u>

10. Related party transactions:

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

As at March 31, 2002 the following amounts were due from the Foundations with comparative figures:

	2002	2001
Cape Breton Regional Hospital Foundation	\$ 118,661	\$ 408,861
Northside Hospital Charitable Foundation.	45,905	36,327
Inverness Consolidated Memorial Hospital Foundation.	49,639	49,639
Buchanan Memorial Hospital Foundation	499,031	579,031
New Waterford Consolidated Charitable Foundation.	<u>70,350</u>	<u>---</u>
	<u>\$ 783,586</u>	<u>\$ 1,073,858</u>

11. Contingencies:

a) Law suits:

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

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

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

b) Funds required to settle labour dispute:

The financial statements contain an accrual for the expected cost of contract settlement with the Nova Scotia Government Employees Union, the Canadian Automobile Works Union and the Canadian Union of Public Employees in respect of retroactive amounts owing from April 1, 2001 to March 31, 2002. The estimate was based on assumptions as provided by the Department of Health based on expected settlements, see below. The actual cost of settlement may differ from that accrued in the financial statements once the contracts have been officially settled and ratified. Any differences will be recognized in the period of settlement. It is the Department of Health's position that any costs associated with the settlement will be financed by the Department and therefore there is no effect on net income.

Assumptions (for all unions):

	Rates	Lump Sum
Nursing (RN, BN)	7%, 5%, 5%	None
Nursing (LPN)	2%, 3.5%, 2%	\$ 1,500
Healthcare workers:		
Technical	2%, 3.5%, 2%	\$ 1,500
Clerical & support	2%, 2%, 2%	None

Non-wage items are estimated to be 1.25% of base salary.

Benefits are estimated at 16% of gross amounts.

AUDITORS' REPORT

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

We have audited the balance sheets of the Cape Breton-Victoria Regional School Board as at March 31, 2002, and the statement of operations for the year then ended. These financial statements are the responsibility of the Cape Breton-Victoria Regional School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cape Breton-Victoria Regional School Board as at March 31, 2002, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles established for school boards in the Province of Nova Scotia.

ROACH PERRY ANDERSON
Chartered Accountants

Sydney, Nova Scotia
June 17, 2002

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Current		
Accounts receivable		
First Nation.	\$ 502,796	\$ 194,195
Government of Canada (Note 2).....	404,436	385,566
Province of Nova Scotia (Note 3)	815,771	1,426,172
Other.	365,701	773,266
Prepaid expenses	462,366	63,830
Inventories.	145,942	156,450
	<u>2,697,012</u>	<u>2,999,479</u>
Restricted Assets		
Cash and investments - Scholarships.	380,842	383,515
Cash restricted for teachers' service awards	3,874	3,874
	<u>384,716</u>	<u>387,389</u>
Other Assets		
Deferred Service Awards (Note 5)	3,828,695	---
Fixed Assets (Note 6)		
School buildings.	56,096,215	56,096,216
Interest in properties.	16,135,801	14,421,084
Equipment and furnishings.	13,063,171	12,268,199
School buses and maintenance vehicles	9,116,977	8,393,049
Assets under capital lease.	137,151	137,151
	<u>94,549,315</u>	<u>91,315,699</u>
	<u>\$ 101,459,738</u>	<u>\$ 94,702,567</u>

LIABILITIES

Current		
Cheques issued in excess of funds on deposit.	\$ 837,475	\$ 2,057,198
Accounts payable and accrued liabilities	949,143	737,956
Deferred revenue	550,936	1,150,154
	<u>2,337,554</u>	<u>3,945,308</u>
Other liabilities		
Teachers' service awards, in trust	3,874	3,874
Teachers retraining fund	50,000	50,000
Service Awards	3,828,695	---
	<u>3,882,569</u>	<u>53,874</u>

EQUITY

Reserves		
Scholarship trust fund reserve.	380,842	383,515
Surplus (Deficit)	309,458	(995,829)
Investment in capital assets.	94,549,315	91,315,699
	<u>94,858,773</u>	<u>90,319,870</u>
	<u>\$ 101,459,738</u>	<u>\$ 94,702,567</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

**Operating Fund Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Current		
Accounts receivable:		
First Nation.....	\$ 502,796	\$ 194,195
Government of Canada (Note 2).....	404,436	385,566
Province of Nova Scotia (Note 3).....	815,771	1,426,172
Other.....	365,701	773,266
Prepaid expenses.....	462,366	63,830
Inventories.....	<u>145,942</u>	<u>156,450</u>
	2,697,012	2,999,479
 Cash restricted for teachers' service awards.....	 3,874	 3,874
 Other assets		
Deferred Service Awards (Note 5).....	<u>3,828,695</u>	<u>---</u>
	 <u>\$ 6,529,581</u>	 <u>\$ 3,003,353</u>

LIABILITIES

Current		
Cheques issued in excess of funds on deposit.....	\$ 837,475	\$ 2,057,198
Accounts payable and accrued liabilities.....	949,143	737,956
Deferred revenue.....	<u>550,936</u>	<u>1,150,154</u>
	2,337,554	3,945,308
 Other Liabilities:		
Teachers' service awards, in trust.....	3,874	3,874
Teacher retraining fund.....	50,000	50,000
Service Awards.....	<u>3,828,695</u>	<u>---</u>
	3,882,569	53,874

EQUITY

Surplus (Deficit).....	<u>309,458</u>	<u>(995,829)</u>
	<u>\$ 6,529,581</u>	<u>\$ 3,003,353</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

**Statement of Operations
Year ended March 31, 2002**

	2002		2002		2001
	Budget		Actual		Actual
Revenue					
Province of Nova Scotia					
Formula funding (Schedule A)	\$ 95,393,226	\$	96,461,212	\$	93,284,900
Other (Schedule A)	1,507,575		3,414,108		1,209,426
Transfer from reserve	---		---		500,000
	<u>96,900,801</u>		<u>99,875,320</u>		<u>94,994,326</u>
First Nation Tuition Revenue	643,000		717,260		699,905
Government of Canada (Schedule A)	188,590		181,783		210,696
Appropriation from Councils (Schedule A)	11,378,974		11,378,972		12,001,752
Board operations (Schedule A)	2,849,426		3,184,130		2,433,408
	<u>111,960,791</u>		<u>115,337,465</u>		<u>110,340,087</u>
Expenditures (Schedule B):					
Board management	2,695,439		2,798,793		2,687,609
School administration and instruction	85,815,730		85,846,152		85,760,294
Property service	10,703,886		10,487,976		10,592,426
Pupil transportation	4,871,697		4,992,776		4,995,234
Special education	4,775,788		4,645,383		4,875,475
Adult education	128,460		73,486		128,208
Summer school	6,200		5,856		9,348
Cafeteria	629,162		597,372		642,037
Adult day school	393,391		440,542		392,318
Capital equipment and repairs	935,209		3,071,964		1,243,520
Grant expenditure - Schedule C	---		630,381		---
Board of pupils	10,000		8,542		9,447
Accrued wage provision - non-teaching	---		432,955		---
Deficit of prior year	995,829		995,829		---
	<u>111,960,791</u>		<u>115,028,007</u>		<u>111,335,916</u>
Excess of revenue over expenditure	\$ <u>---</u>	\$	<u>309,458</u>	\$	<u>(995,829)</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

**Statement of Surplus
Year ended March 31, 2002**

	2002		2001
Deficit, beginning of year.	\$ (995,829)	\$	(308,000)
Deficit transferred to current operations	995,829		---
Deficit transferred to accounts receivable	---		308,000
	<u>---</u>		<u>---</u>
Excess of revenue over expenditure	309,458		(995,829)
Surplus (deficit), end of year.	\$ <u>309,458</u>	\$	<u>(995,829)</u>

**Capital Fund Balance Sheet
March 31, 2002**

	2002		2001
ASSETS			
Fixed assets (Note 6)			
School buildings, land	\$ 56,096,215	\$	56,096,216
Interest in properties.	16,135,801		14,421,084
Equipment and furnishings.	13,063,171		12,268,199
School buses and maintenance vehicles.	9,116,977		8,393,049
Assets under capital leases.	137,151		137,151
	<u>\$ 94,549,315</u>	\$	<u>91,315,699</u>
EQUITY			
Investment in Capital Assets.	\$ <u>94,549,315</u>	\$	<u>91,315,699</u>

**Statement of Investment in Capital Assets
Year ended March 31, 2002**

	2002		2001
Balance, beginning of year.	\$ 91,315,699	\$	89,927,553
Capital purchases funded from operations:			
Interest in properties	1,714,717		366,903
Equipment and furnishings	794,971		669,652
School buses and maintenance vehicles	1,404,746		738,545
	<u>3,914,434</u>		<u>1,775,100</u>
	95,230,133		91,702,653
Retirement of school buses and vehicles	(680,818)		(386,954)
Balance, end of year	\$ <u>94,549,315</u>	\$	<u>91,315,699</u>

See accompanying notes to financial statements.

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

**Scholarship Trust Fund Balance sheet
March 31, 2002**

	2002	2001
ASSETS		
Cash and investments	\$ <u>380,842</u>	\$ <u>383,515</u>
 RESERVE FOR SCHOLARSHIPS		
Rossetti Scholarship	\$ 163,791	\$ 164,850
Townsend Scholarship	1,010	1,007
McDonagh Scholarship	5,121	5,064
Panagiotakos Scholarship	9,026	9,019
McQuarrie Scholarship	3,206	3,206
Annie Hall Scholarship	2,018	2,025
C.J.C.B. Scholarship	4,386	4,228
Daniel Munroe Scholarship	3,201	3,181
John D. MacLeod Scholarship	1,048	1,058
Annie Bell Grady Memorial	21,113	20,905
T.L. Sullivan Memorial	2,098	2,205
Mary Elizabeth Brennan Scholarship	2,405	2,414
William Hillchie Memorial	3,142	3,124
Isabel MacDermid Memorial	3,329	3,246
Wendell Coldwell Memorial	2,103	2,123
Jon David Corbett	3,147	3,200
Leonard Matheson	1,415	1,435
Ellen Dunn Balah	5,139	5,188
George MacKay Bursary	144,144	145,839
Dorothy Wilkins	---	198
	\$ <u>380,842</u>	\$ <u>383,515</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Statement of Scholarship Trust Fund Reserve
Year ended March 31, 2002

	<u>Rossetti</u>	<u>Townsend</u>	<u>McDonagh</u>	<u>Panagiotakos</u>	<u>McQuarrie</u>	<u>Annie Hall</u>	<u>CJCB</u>	<u>Munro</u>
Balance, beginning of year \$	164,850 \$	1,007 \$	5,064 \$	9,019 \$	3,206 \$	2,025 \$	4,228 \$	3,181
Interest earned	<u>8,991</u>	<u>48</u>	<u>257</u>	<u>447</u>	<u>180</u>	<u>93</u>	<u>158</u>	<u>120</u>
	173,841	1,055	5,321	9,466	3,386	2,118	4,386	3,301
Scholarship awarded.	<u>10,050</u>	<u>45</u>	<u>200</u>	<u>440</u>	<u>180</u>	<u>100</u>	<u>---</u>	<u>100</u>
Balance, end of year \$	<u><u>163,791</u></u>	<u><u>1,010</u></u>	<u><u>5,121</u></u>	<u><u>9,026</u></u>	<u><u>3,206</u></u>	<u><u>2,018</u></u>	<u><u>4,386</u></u>	<u><u>3,201</u></u>

	<u>MacLeod</u>	<u>Grady</u>	<u>Sullivan</u>	<u>Brennan</u>	<u>Hillchie</u>	<u>MacDermid</u>	<u>Coldwell</u>
Balance, beginning of year \$	1,058 \$	20,905 \$	2,205 \$	2,414 \$	3,124 \$	3,246 \$	2,123
Interest earned	<u>40</u>	<u>808</u>	<u>93</u>	<u>91</u>	<u>118</u>	<u>183</u>	<u>80</u>
	1,098	21,713	2,298	2,505	3,242	3,429	2,203
Scholarship awarded.	<u>50</u>	<u>600</u>	<u>200</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Balance, end of year \$	<u><u>1,048</u></u>	<u><u>21,113</u></u>	<u><u>2,098</u></u>	<u><u>2,405</u></u>	<u><u>3,142</u></u>	<u><u>3,329</u></u>	<u><u>2,103</u></u>

	<u>Corbert</u>	<u>Matheson</u>	<u>Dunn Balah</u>	<u>MacKay</u>	<u>Wilkins</u>	<u>2002 Total</u>	<u>2001 Total</u>
Balance, beginning of year \$	3,200 \$	1,435 \$	5,188 \$	145,839 \$	198 \$	383,515 \$	382,637
Interest earned	<u>122</u>	<u>55</u>	<u>201</u>	<u>7,005</u>	<u>3</u>	<u>19,093</u>	<u>22,963</u>
	3,322	1,490	5,389	152,844	201	402,608	405,600
Scholarship awarded.	<u>175</u>	<u>75</u>	<u>250</u>	<u>8,700</u>	<u>201</u>	<u>21,766</u>	<u>22,085</u>
Balance, end of year \$	<u><u>3,147</u></u>	<u><u>1,415</u></u>	<u><u>5,139</u></u>	<u><u>144,144</u></u>	<u><u>---</u></u>	<u><u>380,842</u></u>	<u><u>383,515</u></u>

See accompanying notes to financial statements.

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

**Notes to Financial Statements
Year ended March 31, 2002**

The Cape Breton-Victoria Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system serving the Cape Breton Regional Municipality and the Municipality of the County of Victoria.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

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

(A) Financial Statement Presentation:

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

(B) Revenue and Expenditures Recognition:

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

(C) Fixed Assets:

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

2. ACCOUNTS RECEIVABLE, GOVERNMENT OF CANADA

	2002		2001
Harmonized sales tax	\$ 240,939	\$	173,899
Other	163,497		211,667
	<u>\$ 404,436</u>	\$	<u>385,566</u>

3. ACCOUNTS RECEIVABLE, PROVINCE OF NOVA SCOTIA

	2002	2001
Special capital projects	\$ ---	\$ 90,000
Information Economy Initiative.	---	428,133
P-3 transitional funding	---	100,000
Staff salary increase.	544,893	---
Renovation South End Community Centre	120,000	---
Other	61,864	176,826
Library books/ Materials P-3 Schools/Boularderie.	55,969	164,923
Gas tax rebate	33,045	---
Fuel rebate	---	399,100
Sherwood Park Technology Refresh.	---	67,190
	<u>\$ 815,771</u>	<u>\$ 1,426,172</u>

4. EARLY RETIREMENT PLAN

During the 2000-2001 fiscal year, the Province of Nova Scotia assumed full responsibility for the Early Retirement plan (1994-1998).

5. DEFERRED SERVICE AWARDS

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

6. FIXED ASSETS

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

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

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

7. SALARY CONTINUATION PREMIUM

During the year, it has been determined that \$308,110 of salary continuation premium, previously accrued, was not recoverable. Consequently, this amount has been offset against revenue for the year ended March 31, 2002. This determination was a result of litigation between the Nova Scotia School Boards Association and the Nova Scotia Teachers' Union Trustees over a matter involving the teacher Salary Continuation Insurance Program (SALCON).

8. DEFERRED TEACHERS' SALARIES

Under terms of the teachers' contract, the School Board withholds a portion of certain eligible teachers' salaries and deposits it with the Nova Scotia Teachers Credit Union. These amounts are subsequently withdrawn by the teachers in a year when they are on leave of absence. As at March 31, 2002, the Board had \$725,585 (\$896,820 at March 31, 2001) of such funds on deposit together with a corresponding liability to these teachers which amounts have not been included in these financial statements.

9. PENSION PLANS

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

The Board's non-teaching staff are covered by a money-purchase pension plan.

10. INSURANCE

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

11. RELATED PARTY TRANSACTIONS

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

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

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

**Schedule A - Supplementary Details of Revenue
Year ended March 31, 2002**

	Budget	Actual
Province of Nova Scotia, formula funding:		
Unrestricted funding	\$ 87,722,026	\$ 88,790,012
Restricted funding:		
Special education	6,647,100	6,647,100
Textbook credit allocation	1,024,100	1,024,100
	<u>\$ 95,393,226</u>	<u>\$ 96,461,212</u>
Province of Nova Scotia, other funding:		
Capital technology	50,725	48,868
P3 transitional funding	133,000	177,948
Correctional program grant	34,700	35,981
Information economy initiative	56,484	390,978
Emergency capital	---	1,489,256
Funding assistance	1,053,890	1,054,000
Parish rentals	178,776	217,077
	<u>\$ 1,507,575</u>	<u>\$ 3,414,108</u>
First Nation Tuition Revenue	<u>\$ 643,000</u>	<u>\$ 717,260</u>
Government of Canada:		
Secretary of State:		
Minority language	47,000	34,417
French immersion	141,590	147,366
	<u>\$ 188,590</u>	<u>\$ 181,783</u>
Appropriation from Councils:		
Mandatory:		
Cape Breton Regional Municipality	10,159,292	10,159,292
County of Victoria	1,219,682	1,219,680
	<u>\$ 11,378,974</u>	<u>\$ 11,378,972</u>
Board operations:		
Insurance proceeds (deferred)	129,612	110,759
Cafeterias	649,562	620,632
Investment interest	150,000	154,446
Adult night school fees	70,000	32,850
Adult day school fees	135,000	153,250
Rentals (facilities and buses)	62,000	39,367
Vocational school revenues	19,000	17,534
P-3 property service charges	1,491,852	1,491,861
Tuition (over 21)	12,000	6,000
Grant Revenue, Re: special projects - Schedule C	66,000	614,724
Fuel Rebate Ashford	---	195,057
International Student	34,400	42,793
Other	30,000	12,967
Unrealized Revenue - Salary Continuation Premium (Note 7)	---	(308,110)
	<u>\$ 2,849,426</u>	<u>\$ 3,184,130</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

**Schedule B - Supplementary Details of Expenditures
Year ended March 31, 2002**

	Budget	Actual
Board management:		
Salaries, wages and employee benefits	1,876,294	1,880,127
Supplies and materials	106,662	112,963
Conference/In Service/Meetings.....	69,900	65,630
Fees and dues	81,758	84,516
Telephone.....	49,200	44,226
Travel	29,500	31,433
Legal fees.....	225,500	314,644
Contracts	128,900	102,228
Insurance.....	58,225	63,568
Other.....	69,500	99,458
	\$ <u>2,695,439</u>	\$ <u>2,798,793</u>
 School administration and instruction:		
Salaries, wages and employee benefits	82,510,851	82,759,994
Supplies and materials	1,155,585	994,137
Professional development.....	340,000	340,000
Telephone.....	388,840	374,532
Travel	161,500	158,511
Other.....	187,854	158,848
French minority.....	47,000	36,030
Textbook allocation.....	1,024,100	1,024,100
	\$ <u>85,815,730</u>	\$ <u>85,846,152</u>
 Property service:		
Salaries, wages and employee benefits	5,155,809	4,846,524
Supplies and materials	744,000	947,912
Utilities and Fuel.....	3,695,236	3,357,420
Meterage/In Service/Conference/Seminars.....	25,500	24,118
Vehicle operation.....	65,500	69,306
Insurance.....	315,624	315,624
Contracted services	487,000	668,035
Rental of facilities	215,217	259,037
	\$ <u>10,703,886</u>	\$ <u>10,487,976</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (continued)
Year ended March 31, 2002

	Budget	Actual
Pupil transportation:		
Salaries, wages and employee benefits	3,214,727	3,285,917
Vehicle operation	1,134,548	1,206,372
Vehicle registration	73,000	76,157
Insurance	53,422	58,159
Garage operation	93,000	96,775
Meterage/In Service/Conference/Seminars	10,000	17,594
Contract conveyance	265,000	222,604
Transit subsidy	7,000	3,219
Other	21,000	25,979
	\$ <u>4,871,697</u>	\$ <u>4,992,776</u>
Special education:		
Salaries, wages and employee benefits	4,706,058	4,594,016
Supplies and materials	67,730	49,124
Fees and contracts	2,000	2,243
	\$ <u>4,775,788</u>	\$ <u>4,645,383</u>
Adult education:		
Salaries, wages and employee benefits	119,960	67,557
Supplies and materials	8,500	5,929
	\$ <u>128,460</u>	\$ <u>73,486</u>
Summer school:		
Salaries, wages and employee benefits	4,900	5,000
Supplies and materials	1,300	856
	\$ <u>6,200</u>	\$ <u>5,856</u>
School cafeterias and lunchrooms:		
Salaries, wages and employee benefits	252,600	240,864
Supplies and materials	376,562	356,508
	\$ <u>629,162</u>	\$ <u>597,372</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (continued)
Year ended March 31, 2002

	Budget	Actual
Adult day school:		
Salaries, wages and employee benefits	349,526	393,406
Supplies and materials	7,080	8,091
Rentals	33,000	36,389
Telephone	3,785	2,656
	<u>\$ 393,391</u>	<u>\$ 440,542</u>
Capital equipment and repairs:		
Property service - special (repairs)	---	1,489,250
- regular (repairs)	420,000	597,907
School equipment	100,000	194,730
Information Economy Initiative	56,484	390,978
P-3 Technology Refresh	133,000	173,732
Board technology initiative	225,725	225,367
	<u>\$ 935,209</u>	<u>\$ 3,071,964</u>

CAPE BRETON-VICTORIA REGIONAL SCHOOL BOARD

**Schedule C - Supplementary Details of Net Grant Costs
Year ended March 31, 2002**

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

Program	Revenue	Expenditure	Net Cost
Child youth services	\$ 248,203	\$ 248,203	\$ ---
Anti-racism	3,326	3,326	---
Special Ed	11,230	11,230	---
Reading recovery	18,568	18,568	---
At risk - African Canadians	8,294	9,848	1,554
Breakfast program	81,490	81,490	---
Conservatory of music	5,975	5,975	---
Cornwallis & Cusack	2,468	2,468	---
Mountainview	3,231	3,231	---
English as second language	2,370	2,370	---
Heritage	6,992	6,992	---
Page Master	387	1,667	1,280
Grassroots	59,810	59,810	---
Summer Breakfast	3,000	4,608	1,608
N.S. International Students	93,171	93,171	---
4 Plus	28,668	28,668	---
Southside Learning	5,000	5,000	---
Baddeck - J.H.N.W.	926	926	---
George D. Lewis	3,121	3,121	---
Morrision	1,098	1,098	---
St. Mikes	2,143	2,143	---
Sydney Mines	2,717	2,717	---
SPEC	4,132	4,132	---
Thompson	1,577	1,577	---
Rankin	2,007	2,007	---
Malcolm Munroe	2,010	2,010	---
MacLennan	1,594	1,594	---
MacDonald Complex	2,530	2,530	---
Dr. T.L. Sullivan	926	926	---
Donkin	2,275	2,275	---
Breton Education Ctr.	1,169	1,169	---
Whitney Pier Memorial	1,290	1,290	---
Bridgeport	1,519	1,519	---
Cabot	1,507	1,507	---
Worker's Compensation	---	11,215	11,215
	<u>\$ 614,724</u>	<u>\$ 630,381</u>	<u>\$ 15,657</u>

AUDITORS' REPORT

To the Board of Directors of
Capital District Health Authority

We have audited the statement of financial position - operating and capital funds of the Capital District Health Authority ("Capital Health") as at March 31, 2002 and the statements of fund balances, revenues and expenditures - operating fund, and cash flow for the year then ended. These financial statements are the responsibility of the Capital Health's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital District Health as at March 31, 2002 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ERNST & YOUNG LLP
Chartered Accountants

Halifax, Canada
May 17, 2002

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Financial Position - Operating and Capital Funds
as at March 31, 2002

	Operating Fund	Capital Fund	Total 2002	Total 2001
	(in thousands)			
ASSETS				
Current				
Cash & short term investments \$	35,268 \$	--- \$	35,268 \$	40,919
Accounts receivable	29,318	---	29,318	23,286
Due from Department of Health	21,469	---	21,469	25,431
Due from Department of Finance	1,258	---	1,258	4,131
Due from Foundations	893	---	893	225
Due (to) from other fund	(8,322)	8,322	---	---
Inventories (note 3)	5,584	---	5,584	4,367
Prepaid expenses	1,841	---	1,841	2,059
Due from Provincial Drug Distribution Program	265	---	265	---
	<u>87,574</u>	<u>8,322</u>	<u>95,896</u>	<u>100,418</u>
Other receivables	2,759	---	2,759	2,674
Due from Department of Finance	29,598	---	29,598	26,703
Restricted cash and short-term investments (notes 2 and 6)	16,884	---	16,884	15,422
	<u>136,815</u>	<u>8,322</u>	<u>145,137</u>	<u>145,217</u>
Capital assets (note 4)	---	229,754	229,754	233,076
	<u>\$ 136,815 \$</u>	<u>\$ 238,076 \$</u>	<u>\$ 374,891 \$</u>	<u>\$ 378,293</u>

LIABILITIES				
Current				
Accounts payable and accrued liabilities \$	74,101 \$	--- \$	74,101 \$	67,254
Deferred revenue (note 5)	16,802	8,322	25,124	32,493
Due to Provincial Drug Distribution Program	---	---	---	3,406
	<u>90,903</u>	<u>8,322</u>	<u>99,225</u>	<u>103,153</u>
Restricted liabilities (notes 2 and 6)	16,884	---	16,884	15,422
	<u>107,787</u>	<u>8,322</u>	<u>116,109</u>	<u>118,575</u>
Employee future benefits (notes 2 and 7)	29,017	---	29,017	26,631
	<u>136,804</u>	<u>8,322</u>	<u>145,126</u>	<u>145,206</u>

FUND BALANCE				
Operating surplus	11	---	11	11
Investment in capital assets	---	229,754	229,754	233,076
	<u>11</u>	<u>229,754</u>	<u>229,765</u>	<u>233,087</u>
	<u>\$ 136,815 \$</u>	<u>\$ 238,076 \$</u>	<u>\$ 374,891 \$</u>	<u>\$ 378,293</u>

Contingencies and commitments (notes 8, 9, 10 and 11)

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Fund Balances
Year ended March 31, 2002

	2002	2001
	(in thousands)	
OPERATING FUND		
Balance, beginning of year	\$ 11	\$ 231
Net revenues under expenditures.	---	(180)
	11	51
Transfer equity to capital fund	---	40
Balance, end of year	\$ 11	\$ 11

INVESTMENT IN CAPITAL ASSETS

Capital Funding, beginning of year	\$ 378,208	\$ 370,476
Transfer Home Support central.	---	112
Capital funding for the year (Schedule C)	22,051	7,620
	400,259	378,208
Accumulated amortization of capital funding, beginning		
of year	(145,132)	(119,217)
Transfer Home Support central.	---	(40)
Amortization of capital funding for the year	(25,373)	(25,875)
Accumulated amortization of capital funding, end of year	(170,505)	(145,132)
Balance, end of year	\$ 229,754	\$ 233,076

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Revenues and Expenditures
Operating Fund
Year ended March 31, 2002

	2002	2001
	(in thousands)	
Operating		
Revenues (Schedule A)	\$ 510,388	\$ 468,400
Expenditures (Schedule B)	517,094	484,599
Results from operating activities	<u>(6,706)</u>	<u>(16,199)</u>
Research		
Revenues	14,178	13,088
Expenditures	12,716	11,811
	1,462	1,277
Opening balance	<u>15,422</u>	<u>14,145</u>
Ending funds available for research	16,884	15,422
Funds committed to future periods	16,884	15,422
Results from research activities	<u>---</u>	<u>---</u>
Net revenues under expenditures before deficit funding	(6,706)	(16,199)
Operating deficit funding received from Department of Health	<u>6,706</u>	<u>16,019</u>
Net revenues under expenditures	<u>---</u>	<u>(180)</u>

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Statement of Cash Flow
Year ended March 31, 2002

2002 **2001**

(in thousands)

OPERATING ACTIVITIES

Net revenues under expenditures - operating fund.	\$ (6,706)	\$ (16,199)
Items not requiring cash		
Depreciation.	25,373	25,875
Amortization of capital funding.	(25,373)	(25,875)
Changes in non-cash working capital items.	(8,037)	(1,899)
Cash used in operating activities	(14,743)	(18,098)

FINANCING ACTIVITIES

Operating deficit funding from Department of Health	6,706	16,019
Transfer of equity to capital fund	---	(40)
Capital funding (Schedule C).	22,051	7,620
Addition of Home Support net capital funding	---	72
Employee future benefits.	2,386	3,818
Restricted funding	1,462	1,277
Cash provided by financing activities	32,605	28,766

INVESTING ACTIVITIES

Capital assets acquired (Schedule C)	(22,051)	(7,277)
Cash used in investing activities	(22,051)	(7,277)
Net (decrease) increase in cash during the year	(4,189)	3,391
Cash position, beginning of year	56,341	52,950
Cash position, end of year	52,152	56,341
Cash position, end of year is comprised as follows:		
Cash	35,268	40,919
Restricted cash and short-term investments	16,884	15,422
	\$ 52,152	\$ 56,341

See accompanying notes

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Notes to Combined Financial Statements
March 31, 2002

1. Nature of the Organization

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

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

2. Significant Accounting Policies

Fund Accounting

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

The operating fund contains the non-capital operating assets, liabilities, revenues and expenditures of Capital Health related to the provision of hospital services.

The capital fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

Investments

Investments are stated at cost.

Inventories

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

Capital Assets

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

Halifax Infirmary building	50 years straight-line
Other buildings and additions	20 - 50 years straight-line
Equipment	10 years straight-line
Leasehold improvements	10 years straight-line
Information technology	5 years straight-line
Parking	5 years straight-line
Paving	5 years straight-line

Restricted cash and short-term investments and restricted liabilities

Restricted cash and short-term investments are designated for restricted purposes by independent funders, by regulation, or by resolution of Capital Health's Board of Directors. The corresponding restricted liability represents the unexpended fund balance.

Capital contributions

Capital contributions are recorded as capital funding and amortized to income using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in the investment in capital.

Employee Future Benefits Plans

As at March 31, 2002, Capital Health retroactively adopted the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The Province of Nova Scotia is funding the liability and additional expenses incurred by Capital Health in association with adoption of Section 3461. The main components of this accounting policy are as follows:

- Costs for employee future benefits other than pensions are accrued over the periods in which the employees render services in return for these benefits.
- A liability for employee future benefits of \$29,017,000 has been included in the financial statements in the current year. The liability has been assumed by the Province of Nova Scotia so an offset of the same amount has been recorded as a receivable from the Department of Finance. The current year's net expense incurred for future employee benefits is \$3,506,000.

3. Inventories

	2002	2001
	(in thousands)	
Drugs	\$ 3,511	\$ 2,704
General supplies	1,746	1,414
Medical Surgical	327	249
	<u>\$ 5,584</u>	<u>\$ 4,367</u>

4. Capital Assets

	2002		2001	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	(in thousands)			
Land	\$ 324	\$ ---	\$ 324	\$ ---
Land Improvements	692	135	692	129
Halifax Infirmary building	110,023	12,066	110,023	9,865
Buildings and additions	74,640	33,093	74,641	31,596
Equipment	165,445	113,105	157,709	101,518
Leasehold improvements	54,129	20,498	42,304	15,622
Information technology	32,045	28,754	28,347	22,406
Parking	20	7	20	5
Paving	313	219	313	156
	<u>437,631</u>	<u>207,877</u>	<u>414,373</u>	<u>181,297</u>
Less: accumulated depreciation	207,877		181,297	
	<u>\$ 229,754</u>		<u>\$ 233,076</u>	

5. Deferred Revenue

Deferred revenue in the operating fund of \$16,802,000 represents advance funding received from the Department of Health for the 2002/03 fiscal year. Deferred revenue in the capital fund of \$8,322,000 represents advance funding for capital equipment to be purchased subsequent to March 31, 2002.

6. Restricted Cash and Short-term Investments and Restricted Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 2. For the fiscal year 2001/2002, research revenue totaled \$14,178,000 and research expenses totaled \$12,716,000, resulting in a net increase of \$1,462,000.

	2002	2001
	(in thousands)	
Centre for Clinical Research	\$ 14,877	\$ 13,669
Other	2,007	1,753
	<u>\$ 16,884</u>	<u>\$ 15,422</u>

7. Employee Future Benefits

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

	2002	2001
		(in thousands)
Accrued benefit liability		
Beginning balance, retiring allowances	\$ 26,151	\$ 22,813
Current service cost for the year	1,791	1,725
Interest cost during the year	1,716	1,672
Amortization of experience loss	---	76
Estimated fiscal payments for employees	(1,121)	(135)
Ending balance, retiring allowances	<u>28,537</u>	<u>26,151</u>
Life insurance benefits	480	480
Ending balance, accrued benefit liability	<u>\$ 29,017</u>	<u>\$ 26,631</u>
Employee future benefits expense		
Current service costs	\$ 1,790	\$ 1,725
Interest on accrued benefits	1,716	1,672
Amortization of experience loss	---	76
Estimated fiscal payments for NSH employees	---	(135)
Life insurance benefits	---	480
	<u>\$ 3,506</u>	<u>\$ 3,818</u>

The significant actuarial assumptions adopted in measuring the company's employee future benefits are as follows (weighted-average assumptions) as at March 31, 2002:

	Retirement Allowance	Life Insurance
Discount rate	7.05%	7.5%
Retirement % at age 65	---	50.0%
Average age of employees	42.3	---
Average age of services	12.2	---
Future mortality rate	---	20.0%
Rate of compensation increase	3.65%	---

8. Pension Funds

Public Service Superannuation Fund

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

Nova Scotia Association of Health Organizations

Employees of the former Nova Scotia Rehabilitation Centre ("NSRC") and Camp Hill Medical Centre ("CHMC") and the Central Regional Health Board ("CRHB") participate in the multi-employer pension plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and showed a funding excess for the entire plan of over \$107,000,000.

Federal Superannuation Fund

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

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

	2002	2001
	(in thousands)	
Employer contributions	\$ <u>14,436</u>	\$ <u>12,427</u>

9. Long-term disability plan

Public Service Long Term Disability Plan Trust Fund

Employees of the former VGH, CTRF, NSH and Public Health/Drug Dependency from the Central Regional Health Board are members of this plan which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Plan is currently administered by the Province of Nova Scotia and NSGEU. The most recent actuarial valuation was conducted as at March 31, 2001 and disclosed an unfunded liability of approximately \$46,300,000.

Nova Scotia Association of Health Organizations

Employees of the former CHMC, QEII and the former CRHB are members of this plan, which is funded equally by employee and employer contributions. The employer's contributions are included in Capital Health's operating expenses. The Nova Scotia Association of Health Organizations administers this long-term disability plan. The most recent actuarial valuation was completed as of December 31, 1999 and disclosed an unfunded liability of approximately \$240,000.

Canada Life Plan

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

10. Lease commitments

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

2003	\$	3,447
2004		4,000
2005		4,482
2006		4,409
2007		3,822

11. Contingency

Capital Health is disputing amounts claimed by a consulting firm to the QEII as a result of a re-engineering project. The outcome of this dispute is not determinable at this time and no amount has been recorded in the financial statements as at March 31, 2002. The costs of settlement of this matter, if any, will be recorded in the year of resolution.

12. Comparative Figures

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

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Schedule of Revenues
Operating Fund
Year ended March 31, 2002

	Operating	Provincial Funded Programs	2002 Total	2001 Total
				(in thousands)
Department of Health	\$ 387,187	\$ 61,938	\$ 449,125	\$ 404,163
Amortization of capital funding	25,373	---	25,373	25,875
Federal Government	16,552	---	16,552	17,416
Other	8,296	380	8,676	8,984
Preferred accommodation	7,342	---	7,342	7,655
Non resident billings	7,338	56	7,394	7,544
Dietary	5,171	---	5,171	5,098
Lab and support services	4,098	---	4,098	5,495
Medical education	---	5,287	5,287	5,391
Provincial grants	3,506	---	3,506	3,336
Workers Compensation Board	3,237	---	3,237	3,318
Gross revenues	<u>468,100</u>	<u>67,661</u>	<u>535,761</u>	<u>494,275</u>
Less: Amortization of capital funding	<u>25,373</u>	<u>---</u>	<u>25,373</u>	<u>25,875</u>
Net revenues	<u>\$ 442,727</u>	<u>\$ 67,661</u>	<u>\$ 510,388</u>	<u>\$ 468,400</u>

Schedule B

Schedule of Expenditures
Operating Fund
Year ended March 31, 2002

	Operating	Provincial Funded Research	2002 Total	2001 Total
				(in thousands)
Compensation	\$ 319,378	\$ 52,682	\$ 372,060	\$ 345,195
Supplies	34,501	3,994	38,495	35,103
Plant maintenance/utilities	28,774	988	29,762	30,003
Depreciation	25,373	---	25,373	25,875
Drugs	19,263	833	20,096	19,528
Other	13,874	3,802	17,676	17,314
Purchased services	11,942	3,324	15,266	14,363
Lab/diagnostic supplies	9,874	88	9,962	8,221
Fees	8,321	1,950	10,271	11,054
Retirement allowance	3,506	---	3,506	3,818
Gross expenditures	<u>474,806</u>	<u>67,661</u>	<u>542,467</u>	<u>510,474</u>
Less: Depreciation	<u>25,373</u>	<u>---</u>	<u>25,373</u>	<u>25,875</u>
Net expenditures	<u>\$ 449,433</u>	<u>\$ 67,661</u>	<u>\$ 517,094</u>	<u>\$ 484,599</u>

CAPITAL DISTRICT HEALTH AUTHORITY
(operating as Capital Health)

Schedule of Changes in Capital
Year ended March 31, 2002

	2002	2001
	(in thousands)	
Capital Funding		
Department of Health	\$ 10,378	\$ 6,897
Other	8,716	---
Foundations.	2,957	723
	<u>\$ 22,051</u>	<u>\$ 7,620</u>
 Capital Expenditures		
Leasehold Improvements.	\$ 11,825	\$ 2,093
Equipment	7,736	3,860
Information technology.	2,490	1,208
Buildings	---	116
	<u>\$ 22,051</u>	<u>\$ 7,277</u>

CHECK INNS LIMITED

The following statements for Check Inns Limited are unaudited.

CHECK INNS LIMITED

Balance Sheet
year ended March 31, 2002

	2002	2001
ASSETS		
Expenses	\$ <u>---</u>	\$ <u>---</u>
LIABILITIES		
Current		
Payables and Accruals		
Department of Tourism and Culture	\$ <u>89,907</u>	\$ <u>89,907</u>
SHAREHOLDER'S EQUITY		
Capital Stock		
Authorized		
5,000 common shares with par value of \$1 each		
Issued		
3 common shares	3	3
Retained earnings	<u>(89,910)</u>	<u>(89,910)</u>
	<u>(89,907)</u>	<u>(89,907)</u>
	<u>\$ ---</u>	<u>\$ ---</u>

Statement of Loss and Retained Earnings
year ended March 31, 2002

	2002	2001
Expenses	\$ <u>---</u>	\$ <u>---</u>
Retained earnings, beginning of year	\$ (89,910)	\$ (89,910)
Net loss	<u>---</u>	<u>---</u>
Retained earnings, end of year	<u>\$ (89,910)</u>	<u>\$ (89,910)</u>

AUDITORS' REPORT

To the Chairperson and Members
of the Board

We have audited the balance sheets of Chignecto-Central Regional School Board as at March 31, 2002 and the statements of operations, surplus, investment in capital assets and continuity of reserves for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002 and the results of its operations for the year then ended in accordance with generally accepted accounting principles established for school boards in the Province of Nova Scotia.

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

KPMG LLP
Chartered Accountants

Halifax, Canada
July 5, 2002

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
		(Restated Note 4)
Current assets:		
Cash	\$ 9,395	\$ 4,900,742
Accounts receivable:		
Government of Canada (note 2)	2,492,442	1,217,674
Province of Nova Scotia (note 3)	3,027,473	1,598,347
Municipalities	91,677	---
Other	449,443	660,868
Prepaid expenses	<u>397,159</u>	<u>69,258</u>
	6,467,589	8,446,889
Other assets:		
Province of Nova Scotia-Service Awards (note 4)	15,813,000	14,989,000
Restricted cash and investments	<u>4,902,105</u>	<u>1,421,410</u>
	20,715,105	16,410,410
Capital assets (note 5):		
School buildings and land	83,024,541	82,053,492
Equipment and furnishings	34,053,139	32,681,785
School buses and maintenance vehicles	<u>11,558,551</u>	<u>10,943,441</u>
	128,636,231	125,678,718
	<u>\$ 155,818,925</u>	<u>\$ 150,536,017</u>

LIABILITIES AND EQUITY

	2002	2001
Current liabilities:		
Bank indebtedness	\$ 447,839	\$ ---
Accounts payable and accrued liabilities	5,220,336	7,585,922
Deferred revenue	<u>696,947</u>	<u>759,658</u>
	6,365,122	8,345,580
Other liabilities:		
Service awards (note 4)	<u>15,813,000</u>	<u>14,989,000</u>
	15,813,000	14,989,000
Equity:		
Reserves	4,902,106	1,422,478
Investment in capital assets	128,697,261	125,739,748
Surplus - non-restricted	<u>41,437</u>	<u>40,279</u>
	133,640,804	127,202,505
	<u>\$ 155,818,926</u>	<u>\$ 150,537,085</u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Operating Fund Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
		(Restated Note 4)
Current assets:		
Cash	\$ 9,395	\$ 4,900,742
Accounts receivable:		
Government of Canada (note 2)	2,492,442	1,217,674
Province of Nova Scotia (note 3)	3,027,473	1,598,347
Municipalities	91,677	---
Other	449,443	660,868
Prepaid expenses	<u>397,159</u>	<u>69,258</u>
	6,467,589	8,446,889
Other assets:		
Accounts receivable, Province of Nova Scotia		
Service awards (note 4)	15,813,000	14,989,000
Restricted cash and investments	<u>4,856,564</u>	<u>1,377,867</u>
	20,669,564	16,366,867
	<u>\$ 27,137,153</u>	<u>\$ 24,813,756</u>

LIABILITIES AND EQUITY

Current liabilities:		
Bank indebtedness	\$ 447,839	\$ ---
Accounts payable and accrued liabilities	5,220,336	7,585,922
Deferred revenue	696,947	759,658
Due to own funds	<u>4,917,594</u>	<u>1,438,897</u>
	11,282,716	9,784,477
Other liabilities:		
Service award liability (note 4)	15,813,000	14,989,000
Equity:		
Surplus - non-restricted	<u>41,437</u>	<u>40,279</u>
	41,437	40,279
	<u>\$ 27,137,153</u>	<u>\$ 24,813,756</u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Statement of Operations
Year ended March 31, 2002**

	2002 Budget	2002 Actual	2001 Actual (Restated Note 4)
Revenue (schedule A):			
Province of Nova Scotia	\$ 111,489,515	\$ 117,497,661	\$ 112,170,038
Government of Canada	2,145,958	2,770,106	2,414,883
Appropriation from Councils	19,264,656	19,264,623	18,587,294
Board Operations	3,026,347	3,587,746	3,381,127
Transfer from reserves	500,000	73,370	---
	<u>136,426,476</u>	<u>143,193,506</u>	<u>136,553,342</u>
Expenditures (schedule B):			
Regional services	3,558,059	3,685,947	3,311,805
Instructional services	94,963,544	94,948,439	92,474,833
Property service	14,181,450	14,875,554	14,494,595
Pupil transportation	8,035,644	7,675,631	7,429,278
Special education	12,956,404	13,842,967	12,596,553
Adult education	614,139	638,962	602,041
Summer school	98,500	87,580	92,528
Cafeteria	1,168,736	1,208,032	1,240,095
Capital equipment, repairs and renovations	850,000	2,192,222	4,083,300
Bad debt expense	---	486,014	---
Transfer to reserve for Instructional Program Enhancement	---	---	213,977
Transfer to reserve for future operations	---	3,551,000	---
	<u>136,426,476</u>	<u>143,192,348</u>	<u>136,539,005</u>
Excess of revenue over expenditures	<u>---</u>	<u>1,158</u>	<u>14,337</u>

**Statement of Surplus
Year ended March 31, 2002**

	2002	2001
Surplus, beginning of year	\$ 40,279	\$ 25,942
Excess of revenue over expenditures	1,158	14,337
Surplus, end of year	<u>41,437</u>	<u>40,279</u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Capital Fund Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Due from own funds	\$ 61,030	\$ 61,030
Capital assets (note 5):		
School buildings and land	83,024,541	82,053,492
Equipment and furnishings.	34,053,139	32,681,785
School buses and maintenance vehicles.	11,558,551	10,943,441
	<u>\$ 128,697,261</u>	<u>\$ 125,739,748</u>

EQUITY

Investment in capital assets	<u>128,697,261</u>	<u>125,739,748</u>
	<u>\$ 128,697,261</u>	<u>\$ 125,739,748</u>

**Statement of Investment in Capital Assets
Year ended March 31, 2002**

	2002	2001
Balance, beginning of year.	\$ 125,739,748	\$ 121,486,297
Capital asset purchases funded from operations:		
School buildings and land	971,049	2,219,264
Equipment and furnishings.	1,188,418	759,952
School buses and maintenance vehicles.	32,755	1,104,084
School buses purchased by Province	1,025,280	---
Donated capital assets:		
School buildings.	---	160,099
Equipment and furnishings.	263,632	370,462
	<u>3,481,134</u>	<u>4,613,861</u>
Retirement of capital assets:		
School buses and maintenance vehicles.	(523,621)	(360,410)
Balance, end of year	<u>\$ 128,697,261</u>	<u>\$ 125,739,748</u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Reserve Fund Balance Sheet
March 31, 2002**

	2002	2001
ASSETS		
Cash and investments	\$ 45,542	\$ 43,543
Due from own funds	<u>4,856,564</u>	<u>1,378,935</u>
	\$ <u><u>4,902,106</u></u>	\$ <u><u>1,422,478</u></u>
RESERVES		
Reserve for Instructional Program Enhancement	\$ 779,105	\$ 852,475
Reserve for School Advisory Councils	18,633	18,633
Reserve for future operations	4,051,000	500,000
Special Capital Reserve	13,692	13,499
Capital Reserve	<u>39,676</u>	<u>37,871</u>
	\$ <u><u>4,902,106</u></u>	\$ <u><u>1,422,478</u></u>

**Statement of Continuity of Reserves
Year ended March 31, 2002**

	2002	2001
Balance, beginning of year	\$ 1,422,478	\$ 1,206,488
Interest earned	<u>1,998</u>	<u>2,013</u>
	1,424,476	1,208,501
Transfer from (to) current operations:		
Instructional Program Enhancement	(73,370)	213,977
Future operations	3,551,000	---
Balance, end of year	\$ <u><u>4,902,106</u></u>	\$ <u><u>1,422,478</u></u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Notes to Financial Statements
Year ended March 31, 2002**

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

1. Significant accounting policies:

Basis of accounting:

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

(a) Financial statement presentation:

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

(b) Revenue and expenditures recognition:

Revenue and expenditures are recorded using the modified accrual basis of accounting. Major revenues and expenditures are recorded on the accrual basis except for principal and interest payments relating to term debt which are recorded as an expense when paid. Capital assets acquired with operating funds are recorded as an expenditure when incurred. Teachers' salaries are recorded on a cash basis. Outstanding purchase orders at the balance sheet date are accrued and recorded as payables.

(c) Capital assets:

Capital assets are recorded at cost. Funds received through capital assistance programs are treated as additions to the investment in capital assets. The School Board does not record depreciation on its capital assets. Effective April 1, 2002, the Province of Nova Scotia no longer provided funding to Boards for purchases of school buses, assuming fully the responsibility and cost of purchasing. School buses purchased under this program are treated as additions to the capital assets and additions to the investment in capital assets.

(d) Basis of consolidation:

The consolidated balance sheet has been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook. Trust funds are not included in the consolidation (see note 8) and interfund balances have been eliminated.

2. Accounts receivable, Government of Canada:

	2002		2001
Band Councils	\$ 1,658,076	\$	697,509
Harmonized Sales Tax	785,804		495,767
Other	48,562		24,398
	<u>\$ 2,492,442</u>	\$	<u>1,217,674</u>

3. Accounts receivable, Province of Nova Scotia:

	2002	2001
French special projects.	\$ 481,036	\$ 249,831
Information Economy Initiative.	312,486	18,037
Fuel subsidy.	---	440,800
Retroactive wages	652,511	---
Special capital projects.	986,000	---
Technology Refresh.	308,115	221,945
Other.	287,325	667,734
	<u>\$ 3,027,473</u>	<u>\$ 1,598,347</u>

4. Service Award Program:

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

During the year ended March 31, 2002 the Board paid \$904,731 (2001 - \$266,592) in service awards to retiring teachers.

The Province of Nova Scotia is assuming responsibility for the payment of service awards for all qualifying school board employees effective April 1, 2002. As a result, school boards are required to make certain entries on their financial statements for the year ending March 31, 2002, to record the value of projected liabilities, as well as a corresponding receivable from the Province of Nova Scotia. These entries have been determined by the Nova Scotia Department of Finance pursuant to an independent actuarial evaluation performed for them. This evaluation calculated the present value of the service awards payable for past services for the Chignecto-Central Regional School Board to be \$15,813,000 as of March 31, 2002. Beginning in 2003, school boards will be required to expense 1% of payroll to the Province of Nova Scotia as a contribution towards these costs.

This change in accounting policy has been applied retroactively. Accordingly, a liability for service awards of \$14,989,000 has now been recorded on the balance sheet as at March 31, 2001 along with an equal and offsetting receivable from the Province of Nova Scotia. In addition, Province of Nova Scotia revenue has been increased by \$1,450,000, service awards expense increased by \$544,000 and service award interest expense increased by \$906,000 from the amounts previously reported for fiscal 2001. These adjustments had a net impact of \$nil on excess of revenue over expenditures for fiscal 2001.

5. Capital assets:

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

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

6. Insurance:

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

7. Pension plans:

The Regional School Board's Canadian Union of Public Employees (CUPE) staff participate in a defined benefit pension plan held on behalf of the Regional School Board by the Nova Scotia School Boards Association. The latest actuarial valuation was performed on December 31, 1999 and indicated accrued pension benefits of \$2,882,300 and pension fund assets with market values of \$3,202,900.

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

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

8. Prior year encumbrances:

In prior year, accounts payable totalling approximately \$2,000,000 were inappropriately accrued at March 31, 2001 based on commitments considered to be outstanding at that time and were expensed as capital, equipment, repairs and renovations. These accruals were reversed against the same accounts in the current year and the related funding was spent on similar items. In accordance with generally accepted accounting principles established for school boards in the Province of Nova Scotia, these adjustments to the expenditures have been reflected in the current year.

9. Trust funds (schedules C and D):

The following are trust fund balances as at March 31:

	2002	2001
ARHS Prize	\$ 1,805	\$ 1,905
Biggs	21,160	21,386
Blaikie	2,355	2,805
Brine	1,180	1,153
Campbell	1,217	1,207
Chignecto Family	7,833	7,259
Christie	14,140	14,049
Class of Fifty	1,465	1,465
Cole	2,137	2,157
Coleman	---	230
Decker	6,242	6,349
Dempsey	191	111
Devenne	5,093	4,852
Dowe	712	714
Dunbar	3,010	3,000
Eaton	1,352	1,988
Edwards	3,319	2,962
Fields	1,735	1,733
Fulmer	16,947	16,322
Gosse	2,721	2,589
Harrison	5,109	5,131
Hewson	24,055	23,938
Hunter	43,000	45,000
Balance carry-forward	<u>166,778</u>	<u>168,305</u>

	2002	2001
Balance carried forward	\$ 166,778	\$ 168,305
Kirkpatrick	745	1,103
LaFarge	10,000	9,625
Loggie	12,000	---
MacInnes	2,000	2,000
MacKenzie	11,998	12,016
McBrien	5,527	5,510
MacIver	6,063	6,019
McIver	1,581	1,517
Milner	2,055	---
Parker	2,763	2,627
Parrsboro Prize	1,010	1,011
Puglsey	78,841	78,829
Red Cross	3,044	3,262
Roach	1,175	1,132
Smith	1,542	1,538
Sorge	5,468	5,472
Stay-in-School	13,988	13,962
Taylor	10,000	---
Thompson	13,399	---
Tingley	13,278	13,154
Tye	34,101	31,385
Wilkes	5,620	5,520
	<u>\$ 402,976</u>	<u>\$ 363,987</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Schedule A - Supplementary Details of Revenue
Year ended March 31, 2002**

	2002 Budget		2002 Actual		2001 Actual (Restated note 4)
Province of Nova Scotia:					
General formula	\$ 102,249,000	\$	\$ 102,249,000	\$	\$ 99,533,301
Special education	7,638,800		7,638,800		7,078,400
Textbook credit allocation	1,292,900		1,208,000		1,297,200
Severe Learning Disabilities	225,100		225,100		225,100
Recovery of retroactive salary increases	---		1,505,865		---
Capital transportation	---		---		1,014,800
Special capital grants	---		1,972,000		---
French special projects	83,715		104,124		81,188
Service awards funding (note 4)	---		824,000		1,450,000
Information Economy Initiative	---		658,067		451,830
Special one time funding	---		426,000		---
Other	---		686,705		1,038,219
	<u>\$ 111,489,515</u>	\$	<u>\$ 117,497,661</u>	\$	<u>\$ 112,170,038</u>
Government of Canada:					
Indian and Northern Affairs Canada	\$ 1,800,000	\$	\$ 2,320,528	\$	\$ 2,021,877
Secretary of State:					
Minority language	45,000		22,919		38,546
French special projects	209,285		260,310		202,969
Employment and Immigration Canada	91,673		75,792		141,491
Other	---		90,557		10,000
	<u>\$ 2,145,958</u>	\$	<u>\$ 2,770,106</u>	\$	<u>\$ 2,414,883</u>
Appropriation from Councils:					
Municipality of Colchester	\$ 4,509,025	\$	\$ 4,509,016	\$	\$ 4,371,062
Municipality of Cumberland	2,571,866		2,571,864		2,178,696
Municipality of East Hants	2,420,860		2,420,860		2,451,816
Municipality of Pictou	3,457,179		3,457,176		3,036,936
Town of Amherst	1,106,187		1,106,184		1,152,012
Town of New Glasgow	1,175,829		1,175,832		1,208,232
Town of Oxford	172,341		172,341		182,664
Town of Parrsboro	137,152		137,148		143,496
Town of Pictou	343,290		343,282		350,040
Town of Springhill	363,939		363,936		383,880
Town of Stellarton	494,127		494,124		523,056
Town of Stewiacke	143,981		143,976		149,304
Town of Trenton	236,228		236,232		223,800
Town of Truro	1,887,708		1,887,708		1,973,496
Town of Westville	244,944		244,944		258,804
	<u>\$ 19,264,656</u>	\$	<u>\$ 19,264,623</u>	\$	<u>\$ 18,587,294</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Schedule A - Supplementary Details of Revenue (continued)
Year ended March 31, 2002**

	2002 Budget		2002 Actual		2001 Actual
Board operations:					
Cafeterias	\$ 1,168,736	\$	1,249,042	\$	1,278,343
Investment interest	300,000		370,540		451,329
Adult education fees	129,500		79,138		121,801
Rentals	556,782		459,402		564,266
Summer School	35,500		29,945		34,662
International Student Program	---		757,020		577,924
Public Private Partnership	607,129		478,050		152,866
Other	228,700		164,609		199,936
	<u>\$ 3,026,347</u>	\$	<u>3,587,746</u>	\$	<u>3,381,127</u>

**Schedule B - Supplementary Details of Expenditures
Year ended March 31, 2002**

	2002 Budget		2002 Actual		2001 Actual (Restated note 4)
Regional services:					
Salaries and wages	\$ 2,255,679	\$	2,266,349	\$	2,097,302
Board member honorarium	129,000		128,374		128,975
Employee benefits	244,559		288,184		219,439
Supplies and materials	178,480		192,281		212,184
Travel and conference - Staff	139,230		125,268		148,252
Travel and conference - Board	62,000		60,082		42,080
Telephone	85,700		70,944		70,679
Professional fees	94,000		174,602		67,116
Administrative services	175,117		129,527		168,905
Facilities rental	23,832		23,831		23,831
Dues and fees	93,162		100,817		54,628
Advertising	46,000		53,421		17,127
Consulting and contracted services	20,000		69,357		31,343
School board elections	10,000		70		29,844
Other	1,300		2,840		100
	<u>\$ 3,558,059</u>	\$	<u>3,685,947</u>	\$	<u>3,311,805</u>
Instructional services:					
Salaries and wages	\$ 84,015,558	\$	82,506,233	\$	80,738,278
Employee benefits	5,286,010		4,941,711		4,814,477
Service awards (note 4)	811,829		643,101		785,605
Service award interest expense (note 4)	---		1,017,000		906,000
Supplies and materials	2,596,930		2,642,243		2,264,497
Textbook credit allocation	1,292,900		1,208,000		1,297,200
Travel and conferences	204,811		661,124		348,313
In-service training	---		221,618		79,643
Program initiatives	191,618		212,697		373,435
Telephone	285,000		265,019		271,815
Computer services	278,888		293,410		291,425
International Student Program	---		310,326		291,032
Other	---		25,957		13,113
	<u>\$ 94,963,544</u>	\$	<u>94,948,439</u>	\$	<u>92,474,833</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year ended March 31, 2002

	2002		2002		2001
	Budget		Actual		Actual
Property service:					
Salaries and wages	\$ 6,695,158	\$	6,921,310	\$	6,604,982
Employee benefits	1,042,663		1,160,360		1,048,626
Supplies and materials	1,419,957		1,751,761		1,266,996
Utilities	4,266,813		4,086,577		4,651,628
Travel, conference and in-services	29,630		51,864		43,756
Insurance	302,500		341,148		301,060
Contracted Services	350,417		449,765		484,756
Telephone	49,500		62,003		58,183
Other	24,812		50,766		34,608
	<u>\$ 14,181,450</u>	\$	<u>14,875,554</u>	\$	<u>14,494,595</u>
Pupil transportation:					
Salaries and wages	\$ 3,980,082	\$	3,747,496	\$	3,620,150
Employee benefits	581,180		586,994		565,332
Vehicle operating	1,174,950		1,118,750		1,117,244
License	70,000		77,663		75,005
Insurance	77,000		88,967		63,882
Garage expenses	59,000		41,044		50,048
Travel, conferences and in-services	5,732		7,597		8,089
Contract conveyance	2,028,000		1,964,025		1,897,766
Bus site maintenance	15,000		11,473		11,398
Telephone	44,700		31,622		20,364
	<u>\$ 8,035,644</u>	\$	<u>7,675,631</u>	\$	<u>7,429,278</u>
Special education:					
Salaries and wages	\$ 11,761,574	\$	12,467,659	\$	11,463,508
Employee benefits	921,716		1,087,930		852,318
Supplies and materials	170,000		133,761		147,447
Travel, conferences and in-services	77,114		115,205		112,327
Telephone	26,000		24,717		20,810
Other (CAYAC)	---		13,695		143
	<u>\$ 12,956,404</u>	\$	<u>13,842,967</u>	\$	<u>12,596,553</u>
Adult education:					
Salaries and wages	\$ 482,072	\$	499,544	\$	477,646
Employee benefits	43,067		55,033		50,136
Travel and conference	7,000		9,154		9,978
Supplies and materials	43,000		35,313		27,541
Advertising	25,000		24,102		20,914
Facilities rental	2,500		140		3,122
Telephone and computer services	11,500		15,676		12,704
	<u>\$ 614,139</u>	\$	<u>638,962</u>	\$	<u>602,041</u>
Summer school:					
Salaries, wages and employee benefits	\$ 93,000	\$	85,328	\$	90,391
Supplies and materials	3,500		1,959		2,028
Travel and conference	2,000		---		109
Other	---		293		---
	<u>\$ 98,500</u>	\$	<u>87,580</u>	\$	<u>92,528</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (Continued)
Year ended March 31, 2002

	2002		2002		2001
	Budget		Actual		Actual
Cafeteria:					
Salaries and wages	\$ 439,687	\$	446,879	\$	428,131
Employee benefits	64,229		64,971		56,631
Supplies and materials	614,820		642,916		706,327
Contracted services	50,000		53,266		49,006
	<u>\$ 1,168,736</u>	\$	<u>1,208,032</u>	\$	<u>1,240,095</u>

Schedule C - Trust Fund Balance Sheet
March 31, 2002

ASSETS

		2002		2001
Cash and investments	\$	399,507	\$	365,055
Contributions receivable		3,469		---
	\$	<u>402,976</u>	\$	<u>365,055</u>

EQUITY

Due to Operating Fund	\$	---	\$	1,068
Trust Funds (note 9)		402,976		363,987
	\$	<u>402,976</u>	\$	<u>365,055</u>

Schedule D - Statement of Continuity of Trust funds
Year Ended March 31, 2002

		2002		2001
Balance, beginning of year	\$	363,987	\$	290,499
Receipts:				
Principal		49,779		82,408
Interest earned		13,852		14,152
		<u>63,631</u>		<u>96,560</u>
Disbursements:				
Bursaries and scholarships		(24,642)		(23,072)
Balance, end of year	\$	<u>402,976</u>	\$	<u>363,987</u>

See accompanying notes to financial statements.

AUDITORS' REPORT

To the Board of Directors of
Colchester East Hants Health Authority (formerly District Health Authority 4)

We have audited the statement of financial position of Colchester East Hants Health Authority (formerly the District Health Authority 4) as at March 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Colchester East Hants Health Authority (formerly District Health Authority 4) as at March 31, 2002, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Accountants

Truro, Nova Scotia
June 7, 2002

COLCHESTER EAST HANTS HEALTH AUTHORITY
(formerly District Health Authority 4)

Statement of Financial Position
March 31, 2002

ASSETS

	Operating Fund	Capital Fund	Total 2002	Total 2001
Current				
Cash and cash equivalents	\$ 2,846,710	\$ 107,936	\$ 2,954,646	\$ 1,646,293
Receivables (Note 4)	2,449,964	147,109	2,597,073	3,779,500
Due from Capital Fund	9,088	---	9,088	195,907
Inventories	306,060	---	306,060	323,053
Prepays	55,148	---	55,148	119,775
	<u>5,666,970</u>	<u>255,045</u>	<u>5,922,015</u>	<u>6,064,528</u>
Other receivables (Note 5)	2,979,845	---	2,979,845	3,026,239
Capital assets (Note 6)	---	15,572,095	15,572,095	16,239,721
	<u>\$ 8,646,815</u>	<u>\$ 15,827,140</u>	<u>\$ 24,473,955</u>	<u>\$ 25,330,488</u>

LIABILITIES

Current				
Payables and accruals (Note 7)	\$ 5,127,557	\$ 159,389	\$ 5,286,946	\$ 5,569,699
Due to operating fund	---	9,088	9,088	195,907
Deferred revenue	1,731,582	40,056	1,771,638	1,433,348
Current portion of obligation under capital lease	---	28,564	28,564	26,506
	<u>6,859,139</u>	<u>237,097</u>	<u>7,096,236</u>	<u>7,225,460</u>
Employee benefits (Note 8)	1,787,676	---	1,787,676	1,834,070
Obligation under capital lease (Note 9)	---	49,829	49,829	78,393
	<u>8,646,815</u>	<u>286,926</u>	<u>8,933,741</u>	<u>9,137,923</u>

FUND BALANCES (Page 97)

Restricted (Note 10)	---	78,393	78,393	104,899
Unrestricted - investment in capital assets	---	15,461,821	15,461,821	16,087,666
	<u>---</u>	<u>15,540,214</u>	<u>15,540,214</u>	<u>16,192,565</u>
	<u>\$ 8,646,815</u>	<u>\$ 15,827,140</u>	<u>\$ 24,473,955</u>	<u>\$ 25,330,488</u>

Commitments (Note 12)

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY
(formerly District Health Authority 4)

Statement of Operations - Operating Fund
Year Ended March 31, 2002

	2002	Three Months Ended 2001
Revenues		
Nova Scotia Department of Health	\$ 34,314,548	\$ 8,513,959
Charges to M.S.I.	2,466,524	561,878
Department of Veterans Affairs	354,553	88,067
In-patients	736,424	163,851
Out-patients.	316,477	80,402
Rental income.	261,276	81,722
Community health board initiatives.	60,184	---
Auxiliary	29,782	---
Early identification and intervention program.	61,674	---
Investment income.	44,198	6,460
Food services.	123,784	37,260
Laboratory.	75,396	18,490
Other income	21,210	4,072
	<u>38,866,030</u>	<u>9,556,161</u>
Expenses		
In-patient services.	14,145,484	3,398,636
Ambulatory services.	7,944,232	1,744,867
Diagnostic and therapeutic services.	6,294,631	1,577,904
Support services.	7,725,673	1,966,308
Community services	1,983,872	440,261
Early departure incentives	61,037	187,355
Rental expenses.	158,595	38,205
Education and library	145,018	19,240
Increase in vacation pay accrual.	167,573	125,425
Employee benefits	239,915	57,960
	<u>38,866,030</u>	<u>9,556,161</u>
Excess of revenue over expenses.	<u>\$ ---</u>	<u>\$ ---</u>

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY
 (formerly District Health Authority 4)

Statement of Changes in Fund Balances - Capital Fund
Year Ended March 31, 2002

	2002	Three Months Ended 2001
Restricted		
Balance, beginning of year	\$ 104,899	\$ ---
Fund balance of district facilities as at January 1, 2001 (Note 2)	---	454,199
Transfer to unrestricted	<u>(26,506)</u>	<u>(349,300)</u>
Balance, end of year	<u>\$ 78,393</u>	<u>\$ 104,899</u>
 Unrestricted		
Balance, beginning of year	\$ 16,087,666	\$ ---
Fund balance of district facilities as at January 1, 2001 (Note 2)	---	14,521,294
Transfer from restricted	26,506	349,300
Excess of revenues over expenses	5,363	38,015
Capital asset funding		
Department of Health	199,196	1,360,919
Foundations	688,665	232,808
Auxiliaries	152,477	3,480
Amortization	(1,691,083)	(416,104)
Capital debt charges	<u>(6,969)</u>	<u>(2,046)</u>
Balance, end of year	<u>\$ 15,461,821</u>	<u>\$ 16,087,666</u>

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY
(formerly District Health Authority 4)

Statement of Cash Flows
Year Ended March 31, 2002

	2002	Three Months Ended 2001
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Capital Fund.	\$ 5,363	\$ 38,015
Change in non-cash working capital		
Receivables.	1,228,821	(1,023,672)
Inventories.	16,993	(7,419)
Prepays.	64,627	(14,896)
Payables and accruals	(329,147)	1,716,634
Deferred revenue	338,290	(636,001)
	<u>1,324,947</u>	<u>72,661</u>
Financing and investing		
Assets, liabilities and fund balances of district facilities at January 1, 2001		
Assets	---	(23,128,216)
Liabilities	---	8,152,723
Fund balances.	---	14,975,493
Capital asset funding	1,040,338	1,597,207
Capital debt charges.	(6,969)	(2,046)
Purchase of capital assets	(1,023,457)	(1,614,002)
Repayment of capital lease.	(26,506)	(349,300)
	<u>(16,594)</u>	<u>(368,141)</u>
Net increase (decrease) in cash and cash equivalents	1,308,353	(295,480)
Cash and cash equivalents, beginning of year	<u>1,646,293</u>	<u>1,941,773</u>
Cash and cash equivalents, end of year.	<u>\$ 2,954,646</u>	<u>\$ 1,646,293</u>

See accompanying notes to the financial statements.

COLCHESTER EAST HANTS HEALTH AUTHORITY
(formerly District Health Authority 4)

Notes to the Financial Statements
March 31, 2002

1. Nature of operations

Colchester East Hants Health Authority (formerly District Health Authority 4) operates several health care facilities including Colchester Regional Hospital, Lillian Fraser Memorial Hospital, public health, addictions and related health services.

2. Health Authorities Act

Colchester East Hants Health Authority (formerly District Health Authority 4) was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Colchester East Hants Health Authority (formerly District Health Authority 4) acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and health services referred to above.

3. Summary of significant accounting policies

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

Use of estimates

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

Fund accounting

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

Revenue recognition

Colchester East Hants Health Authority (formerly District Health Authority 4) follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

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

Inventories

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

Capital assets

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

Buildings	2%
Land improvements	5%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

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

Compensation accruals

Colchester East Hants Health Authority (formerly District Health Authority 4) follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee benefit plans

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

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

Cash and cash equivalents

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

4. Receivables

	Operating Fund	Capital Fund	Total 2002	Total 2001
Charges to M.S.I. \$	267,928	\$ ---	\$ 267,928	\$ 151,769
Foundations.	49,556	127,928	177,484	161,502
Harmonized sales tax.	231,646	---	231,646	427,498
Patients	248,132	---	248,132	192,674
Other	408,258	10,318	418,576	265,392
	<u>1,205,520</u>	<u>138,246</u>	<u>1,343,766</u>	<u>1,198,835</u>
Nova Scotia Department of Health				
Construction and equipment.	---	8,863	8,863	248,000
Final settlement and other.	1,244,444	---	1,244,444	2,332,665
	<u>1,244,444</u>	<u>8,863</u>	<u>1,253,307</u>	<u>2,580,665</u>
	<u>\$ 2,449,964</u>	<u>\$ 147,109</u>	<u>\$ 2,597,073</u>	<u>\$ 3,779,500</u>

The resolution of final settlement estimates are dependent upon approval of the Department of Health. An adjustment, if any, on the resolution of these amounts will be accounted for as an adjustment to fund balances in the period in which they occur.

5. Other receivables

	Operating Fund	Total 2002	Total
Nova Scotia Department of Health			
Vacation pay.	1,192,169	1,192,169	1,192,169
Employees benefits.	1,787,676	1,787,676	1,834,070
	<u>\$ 2,979,845</u>	<u>\$ 2,979,845</u>	<u>\$ 3,026,239</u>

6. Capital Assets

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Land	\$ 155,349	\$ ---	\$ 155,349	\$ 155,349
Land improvements	497,444	234,799	262,645	154,465
Buildings	16,365,891	5,954,221	10,411,670	10,414,239
Equipment	10,275,710	5,811,129	4,464,581	4,954,663
Equipment under capital lease	894,012	629,996	264,016	367,479
Construction in progress	13,834	---	13,834	193,526
	<u>\$ 28,202,240</u>	<u>\$ 12,630,145</u>	<u>\$ 15,572,095</u>	<u>\$ 16,239,721</u>

7. Payables and accruals

	Operating Fund	Capital Fund	Total 2002	Total 2001
Trade	\$ 3,483,290	\$ 159,389	\$ 3,642,679	\$ 4,093,005
Vacation pay	1,644,267	---	1,644,267	1,476,694
	<u>\$ 5,127,557</u>	<u>\$ 159,389</u>	<u>\$ 5,286,946</u>	<u>\$ 5,569,699</u>

8. Employee benefits

The authority has the following benefit plans:

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

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

The most recent projected actuarial valuation of the multi-employer pension plan with approximately 18,000 members throughout the province does not show an unfunded liability at December 31, 2000.

The net expense for the authority's benefit plans are as follows:

	Pension Benefit Plan March 31, 2002
Contributions to a multi-employer plan accounted for as a defined contribution plan, included in program expenses	\$ 1,154,224

Information about the authority's retirement benefit plan as at March 31, 2002 is as follows:

	Retirement Benefit Plan March 31, 2002
Fair value of plan assets	\$ 1,787,676
Accrued benefit liability recognized	<u>\$ 1,787,676</u>

The net expense for the health authority's retirement allowance is as follows:

Retirement allowance	<u>\$ 97,186</u>
----------------------------	------------------

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2002.

Discount rate	7.05%
Rate of compensation increase	3.65-6.15%
Termination rates	1.2-20%

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

9. Obligation under capital lease

2002 **2001**

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

Future minimum lease payments are as follows:

2002.....	\$	---	\$	33,475
2003.....		33,475		33,475
2004.....		33,475		33,475
2005.....		19,526		19,526
		86,476		119,951
Less: amount representing interest on capital lease at 7.25%		8,083		15,052
		78,393		104,899
Less: current portion		28,564		26,506
	\$	49,829	\$	78,393

As security, the authority has pledged specific equipment.

10. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for the repayment of the capital lease obligation. This reserve is restricted and will be used solely for the repayment of the obligation referred to in Note 9. The balance of the reserve was \$78,393 as of March 31, 2002.

11. Credit facilities

The health authority has a financial agreement with a financial institution which provides an available operating line of credit totalling \$1,000,000, all of which is unused at March 31, 2002.

12. Commitments

Colchester East Hants Health Authority (formerly District Health Authority 4) is committed to the following operating and occupancy lease payments in each of the next four fiscal years ended March 31:

2003	\$	104,817
2004	\$	29,104
2005	\$	29,104
2006	\$	12,127

13. Related entities

The health authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2002 are available from the individual financial statements of the related entities.

14. Comparative figures

Certain of the 2001 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2002.

RAPPORT DES VÉRIFICATEURS

Au président et aux membres
du Conseil scolaire acadien provincial

Nous avons vérifié les bilans du Conseil scolaire acadien provincial en date du 31 mars 2002 et les états des résultats et d'équité. Ces états financiers sont la responsabilité de l'administration du Conseil scolaire. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

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

À notre avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière de la société au 31 mars 2002 ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour les exercices terminés à ces dates selon les principes comptables généralement reconnus pour les conseils scolaires de la Nouvelle-Écosse.

Saxton Comeau

Yarmouth, Nouvelle-Écosse
le 20 août, 2002

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Bilan consolidé

Au 31 mars 2002 et 2001

	2002	2001 (redressé)
Actif		
Actif à court terme:		
Sommes à recevoir:		
Province de la Nouvelle-Écosse (note 4)	3 457 345 \$	4 067 027 \$
Gouvernement du Canada	2 260 984	2 008 302
Autres	272 254	1 049 152
Frais payés d'avance	12 128	41 763
	<u>6 002 711</u>	<u>5 381 244</u>
Encaisse et sommes à recevoir restreintes	1 529	88 306
Immobilisations, au coût:		
Terrains, édifices et améliorations (note 2)	23 152 615	22 219 469
Équipement et fournitures	3 857 518	3 855 740
Autobus scolaires et autres véhicules	1 956 098	1 995 710
	<u>28 966 231</u>	<u>28 070 919</u>
	<u>34 970 471 \$</u>	<u>35 325 469 \$</u>

Passif

Passif à court terme:		
Chèques émis dépassant les fonds en dépôt	3 023 936 \$	2 589 523 \$
Fournisseurs et sommes à payer (note 4)	3 733 922	2 565 095
Revenus reportés	183 846	197 892
	<u>6 941 704</u>	<u>7 137 510</u>

Équité

Réserves	1 529	88 306
Surplus (déficit)	(938 993)	28 734
Équité en immobilisations	28 966 231	28 070 919
	<u>28 028 767</u>	<u>28 187 959</u>
	<u>34 970 471 \$</u>	<u>35 325 469 \$</u>

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

_____ président

_____ membre du Conseil

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Bilan - fonds d'opération

Au 31 mars 2002 et 2001

	2002	2001 (redressé)
Actif		
Actif à court terme:		
Sommes à recevoir:		
Province de la Nouvelle-Écosse (note 4)	3 457 345 \$	4 067 027 \$
Gouvernement du Canada	2 260 984	2 008 302
Autres	272 254	1 049 152
Frais payés d'avance	12 128	41 763
	<u>6 002 711 \$</u>	<u>7 166 244 \$</u>
Passif		
Passif à court terme:		
Chèques émis dépassant les fonds en dépôt	3 023 936 \$	2 502 706 \$
Fournisseurs et sommes à payer:		
Fournisseurs et autres (note 4)	3 733 922	4 350 095
Payable au fonds des réserves	-	86 817
Revenus reportés	183 846	197 892
	<u>6 941 704</u>	<u>7 137 510</u>
Equité		
Surplus (déficit)	(938 993)	28 734
	<u>(938 993)</u>	<u>28 734</u>
	<u>6 002 711 \$</u>	<u>7 166 244 \$</u>

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

_____ président

_____ membre du Conseil

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

État des résultats - fonds d'opération

Exercice clos le 31 mars 2002 et 2001

	2002		2001
	Budget	Actuel	Actuel (redressé)
Revenus:			
Province de la Nouvelle-Écosse	25 999 992 \$	26 610 976 \$	25 577 918 \$
Gouvernement du Canada	938 790	1 003 180	939 509
Allocations des conseils scolaires	113 741	137 397	605 018
Opérations du conseil scolaire	20 000	4 458	15 375
Autres revenus	1 028 734	1 329 554	788 830
Transfert du surplus	-	28 734	-
	28 101 257	29 114 299	27 926 650
Dépenses:			
Gouvernance du conseil	403 235	377 944	341 436
Administration du conseil scolaire	1 581 647	1 533 728	1 801 859
Administration scolaire et instruction	18 027 115	18 288 828	18 054 069
Service de maintien	3 016 755	3 114 885	2 941 682
Transport d'élèves	2 642 443	2 654 505	2 527 130
Éducation spéciale	2 301 417	2 259 380	1 903 039
Programmes fédéraux	-	30 231	38 706
Capital d'exploitation	128 645	961 759	789 995
	20 101 257	29 221 260	28 397 916
Excédent dépenses sur les revenus avant le transfert de la réserve et les éléments inhabituels	-	(106 961)	(471 266)
Transfert de la réserve pour opérations	-	86 817	500 000
Excédent des revenus sur les dépenses (dépenses sur les revenus) avant les éléments inhabituels	-	(20 144)	28 734
Éléments inhabituels, radiation des sommes à recevoir et revenus (note 5)	-	(918 849)	-
Excédent des revenus sur les dépenses (dépenses sur les revenus)	-	(938 993) \$	28 734 \$

État de la continuité du surplus

Exercice clos le 31 mars 2002 et 2001

	2002	2001
Surplus au début de l'exercice	28 734 \$	- \$
Transfert aux opérations courantes	28 734	-
	-	-
Excédent des revenus sur les dépenses (dépenses sur les revenus)	(938 993)	28 734
Surplus (deficit), à la fin de l'exercice	(938 993) \$	28 734 \$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Bilan - fonds de capital

Au 31 mars 2002 et 2001

	2002	2001
Actif		
Immobilisations, au coût:		
Terrains, édifices et améliorations (note 2)	23 152 615 \$	22 219 469 \$
Équipement et fournitures	3 857 518	3 855 740
Autobus scolaires et autres véhicules	1 956 098	1 995 710
	<hr/>	<hr/>
	28 966 231 \$	28 070 919 \$

Équité

Équité en immobilisations	28 966 231 \$	28 070 919 \$
	<hr/>	<hr/>
	28 966 231 \$	28 070 919 \$

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

_____ président

_____ membre du Conseil

État de la continuité de l'équité en immobilisations

Exercice clos le 31 mars 2002 et 2001

	2002	2001
Équité, au début de l'exercice	28 070 919 \$	27 194 597 \$
Achats d'immobilisations:		
Terrains, édifices et améliorations	933 146	589 467
Équipement et fournitures	1 778	55 327
	<hr/>	<hr/>
	934 924	644 794
Autobus scolaires et autres véhicules	193 517	128 008
Ajustement aux autobus scolaires	-	153 027
Mise hors service d'immobilisations:		
Autobus scolaires	(233 129)	(49 507)
	<hr/>	<hr/>
Équité, à la fin de l'exercice	28 966 231 \$	28 070 919 \$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Bilan - fonds des réserves

Au 31 mars 2002 et 2001

	2002	2001
Actif		
Encaisse et investissements	1 529 \$	1 489 \$
Recevable du fonds d'opération	-	86 817
	1 529 \$	88 306 \$

Équité

Réserve pour allocations de retraite	- \$	86 817 \$
Réserve pour fonds de bourse	1 529	1 489
	1 529 \$	88 306 \$

Voir les notes explicatives qui accompagnent ces états financiers.

Ratifié au nom du Conseil scolaire:

_____ président

_____ membre du Conseil

État de la continuité du fonds des réserves

Exercice clos le 31 mars 2002 et 2001

	2002		2001	
	Réserve pour allocations de retraite	Réserve pour fonds de bourse	Total	Total
Équité, au début de l'exercice	86 817 \$	1 489 \$	88 306 \$	588 235 \$
Transfert aux opérations	(86 817)		(86 817)	(500 000)
Intérêts et versements	-	40	40	71
Équité, à la fin de l'exercice	- \$	1 529 \$	1 529 \$	88 306 \$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Détails supplémentaires - revenus

Exercice clos le 31 mars 2002 et 2001

	2002		2001	
	Budget	Actuel	Actuel (redressé)	
Province de la Nouvelle-Écosse:				
Formule générale	17 576 700	\$ 17 658 603	\$ 17 153 000	\$
Transport	497 500	497 498	518 800	
Gestion	116 300	116 300	103 300	
Administration provinciale	321 800	321 800	306 700	
Programme	4 400 400	4 400 403	3 871 500	
Maintien	486 700	486 698	477 100	
Capital - maintien	108 100	108 096	106 000	
Éducation spéciale	1 185 300	1 192 643	1 087 512	
Manuels scolaires	202 400	202 400	196 300	
Capital - transport	-	-	197 400	
Capital d'urgence	-	689 282	213 377	
Projets spéciaux	75 000	70 084	76 581	
Autres	1 029 792	867 169	1 270 348	
	25 999 992	\$ 26 610 976	\$ 25 577 918	\$
Gouvernement du Canada:				
Paiement formulaire	148 790	\$ 159 505	\$ 148 758	\$
Projets spéciaux	190 000	175 111	191 454	
Autres	600 000	668 564	599 297	
	938 790	\$ 1 003 180	939 509	\$
Allocations des conseils scolaires:				
Transferts	113 741	\$ 137 397	\$ 605 018	\$
	113 741	\$ 137 397	\$ 605 018	\$
Opérations du conseil scolaire:				
Intérêts bancaires	20 000	\$ 4 458	\$ 15 375	\$
	20 000	\$ 4 458	\$ 15 375	\$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Détails supplémentaires - dépenses

Exercice clos le 31 mars 2002 et 2001

	2002		2001	
	Budget	Actuel	Actuel (redressé)	
Gouvernance du conseil:				
Honoraires des membres	164 435	\$ 164 966	\$ 165 023	\$
Avantages sociaux	11 000	9 699	-	
Fournitures et matériaux	6 000	1 874	-	
Déplacements et conférences	85 700	70 340	81 575	
Primes d'assurances	35 600	35 600	32 364	
Services professionnels	35 000	35 424	-	
Publicité et promotion	20 000	17 706	-	
Téléphone	5 500	1 886	5 427	
Cotisation/frais	30 000	30 198	-	
Élections scolaires	-	201	57 047	
Autres	10 000	10 050	-	
	403 235	\$ 377 944	\$ 341 436	\$
Administration du conseil scolaire:				
Salaires, administration	412 315	\$ 459 291	\$ 417 225	\$
Salaires, personnel du bureau	310 346	321 831	300 564	
Salaires, autres	223 025	162 588	215 420	
Avantages sociaux	94 461	94 293	98 908	
Allocations de retraite/ primes de départ	-	-	135 042	
Fournitures et matériaux	104 000	112 342	119 605	
Téléphone	54 500	50 054	55 363	
Déplacements et conférences	124 500	125 602	127 507	
Services professionnels	35 000	14 634	69 521	
Cotisation/frais	10 000	1 875	21 749	
Services administratifs	75 000	67 399	80 472	
Publicité et promotion	30 000	29 146	49 955	
Bureaux et loyer	72 000	64 028	66 324	
Autres	36 500	30 645	44 204	
	1 581 647	\$ 1 533 728	\$ 1 801 859	\$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Détails supplémentaires – dépenses, page 2

Exercice clos le 31 mars 2002 et 2001

	2002		2001	
	Budget	Actuel	Actuel (redressé)	
Administration scolaire et instruction:				
Salaires, administration	1 209 000	\$ 1 116 625	\$ 1 196 953	\$
Salaires, instruction	12 168 000	12 574 200	12 056 883	
Salaires, suppléance	350 000	399 986	349 301	
Salaires, bibliothèque	115 000	115 792	113 639	
Salaires, orientation	266 500	261 676	215 428	
Salaires, personnel de bureau	410 000	411 092	408 880	
Salaires, autres	575 439	724 502	702 648	
Avantages sociaux	1 057 792	1 074 367	994 304	
Allocations de retraite/ primes de départ	60 000	80 330	43 084	
Fournitures et matériaux	544 160	660 000	527 589	
Manuels scolaires	202 400	202 400	196 300	
Entraînement sur place	100 000	40 914	122 132	
Déplacements, circuit et ressources	6 000	7 496	5 180	
Déplacements et conférences, autres	110 000	70 906	109 784	
Téléphone et services d'informatique	425 000	299 242	425 100	
Transfert pour services – SRSB	140 000	71 398	417 941	
Autres	287 824	177 902	168 923	
	18 027 115	\$ 18 288 828	\$ 18 054 069	\$
Service de maintien:				
Salaires, maintien	116 514	\$ 103 603	\$ 91 265	\$
Salaires, concierges	866 574	892 092	807 171	
Avantages sociaux	170 057	122 637	120 289	
Fournitures et matériaux, maintien	75 000	61 190	74 219	
Fournitures et matériaux, concierges	130 000	158 410	132 044	
Fournitures et matériaux, autres	10 000	635	11 361	
Loyer	5 000	200	4 600	
Déplacements et conférences	15 000	23 371	22 697	
Primes d'assurances	58 610	58 609	53 281	
Services publics, électricité	500 000	573 764	489 258	
Services publics, chauffage	475 000	376 470	444 967	
Services publics, eau/système d'égoûts	55 000	73 623	53 500	
Services publics, téléphone	15 000	15 805	15 313	
Dépenses d'exploitation, véhicules	20 000	11 913	16 253	
Services à contrat, maintien	400 000	545 943	499 695	
Services à contrat, concierges	100 000	93 566	100 781	
Autres dépenses	5 000	3 054	4 988	
	3 016 755	\$ 3 114 885	\$ 2 941 682	\$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Détails supplémentaires – dépenses, page 3

Exercice clos les 31 mars 2002 et 2001

	2002		2001	
	Budget	Actuel	Actuel (redressé)	
Transport des élèves:				
Salaires	746 670	\$ 778 348	\$ 736 233	\$
Avantages sociaux	144 773	123 782	94 674	
Véhicules, essence/huile	140 000	128 017	139 553	
Véhicules, réparations	90 000	115 512	96 439	
Véhicules, frais de permis	15 000	14 057	14 076	
Véhicules, primes d'assurances	11 000	13 336	10 046	
Véhicules, pneus	20 000	26 348	23 213	
Fournitures et matériaux	10 000	7 781	4 219	
Téléphone	10 000	13 636	10 700	
Maintenance/services publics, garages	22 000	13 071	20 787	
Entretien, arrêts d'autobus	4 500	751	5 334	
Déplacements et conférences, personnel	1 000	1 286	1 819	
Transport par contrat	1 425 000	1 415 895	1 368 534	
Entraînement sur place	2 500	2 553	1 412	
Autres	-	132	91	
	2 642 443	\$ 2 654 505	\$ 2 527 130	\$
Éducation spéciale:				
Salaires, administration	279 171	\$ 208 451	\$ 37 475	\$
Salaires, instruction	1 060 000	1 099 145	969 857	
Salaires, autres	680 000	696 771	664 627	
Avantages sociaux	165 246	130 761	119 092	
Fournitures et matériaux	25 000	66 955	22 759	
Déplacements et conférences	90 000	56 723	89 085	
Autres	2 000	574	144	
	2 301 417	\$ 2 259 380	\$ 1 903 039	\$
Programmes fédéraux:				
Autres	-	\$ 30 231	\$ 38 706	\$
	-	\$ 30 231	\$ 38 706	\$
Capital d'exploitation:				
Réparations mineures et infrastructures	108 100	\$ 263 395	\$ 378 268	\$
Capital d'urgence	-	689 282	213 377	
Meubles et équipement	20 545	9 082	950	
Transport, autobus	-	-	197 400	
	128 645	\$ 961 759	\$ 789 995	\$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Notes relatives aux états financiers

Exercice clos le 31 mars 2002 et 2001

1. Conventions comptables:

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

Présentation des états financiers

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

Entrée des dépenses

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

Équipement et autobus scolaires

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

2. Terrains, édifices et améliorations:

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

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

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

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

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Notes relatives aux états financiers, page 2

Exercice clos le 31 mars 2002 et 2001

3. Plan de pension:

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

4. Révision rétroactive des rapports financiers 2001:

Les rapports financiers 2001 du Conseil ont été révisés de façon rétroactive pour y inclure la responsabilité d'allocation de retraite (pension de retraite), comme établi par le biais d'une évaluation externe.

En conséquence, les montants recevables par la province de la Nouvelle-Écosse ont subi une augmentation de 1 785 000\$, dont une augmentation équivalente sur la responsabilité d'allocation de retraite. Le rapport d'opérations 2001 a également été réévalué pour y inclure le fond provincial et les dépenses de retraite évalués chacun à 153 000\$. Au 31 mars 2002, la responsabilité d'allocation de retraite ainsi que les charges recevables par la province étaient évaluées à 1 924 000\$.

5. Éléments inhabituels:

Le Conseil a anticipé que le fond recevable de la province de la Nouvelle-Écosse se montrait à 918 849\$. Ces fonds sont une addition de montants recevables à compter du 31 mars 2001 qui sont évalués à 353 639\$ et à des montants annuels courants de 565 210\$.

La subvention 2001 refusés par la province se référait à des projets capitaux et des interruptions évaluées respectivement à 307 269\$ et à 46 370\$. Les montants refusés en 2002 se réfèrent principalement à une subvention additionnelle basée sur des calculs en métrage carré effectués dans les écoles du Conseil pour un total de 492 178\$, ainsi qu'à des projets capitaux refusés d'un total de 73 032\$. La province de la Nouvelle-Écosse s'est engagée à verser en subvention un montant de 918 849\$ dans l'année fiscale se terminant le 31 mars 2003.

6. Chiffres comparatifs:

Certains chiffres dans la colonne comparative 2001 ont été reclassifiés afin d'accommoder la présentation pour l'année courante.

AUDITORS' REPORT

To the Board of Directors of
Cumberland Health Authority
(formerly District Health Authority 5)

We have audited the statement of financial position of the Cumberland Health Authority (formerly District Health Authority 5) as at March 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cumberland Health Authority (formerly District Health Authority 5) as at March 31, 2002, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Truro, Nova Scotia
June 11, 2002

**CUMBERLAND HEALTH AUTHORITY
(formerly District Health Authority 5)**

**Statement of Financial Position
March 31, 2002**

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	2002 Total	2001 Total
Current					
Cash and cash equivalents	\$ 89,955	\$ 17,734	\$ 55,551	\$ 163,240	\$ 956,881
Receivables					
(Note 4)	2,389,945	6,053,839	---	8,443,784	5,122,264
Due from capital fund	2,237,288	---	---	2,237,288	23,673
Inventories	196,723	---	---	196,723	229,709
Prepays	144,613	---	---	144,613	180,967
	<u>5,058,524</u>	<u>6,071,573</u>	<u>55,551</u>	<u>11,185,648</u>	<u>6,513,494</u>
Other receivables					
(Note 5)	2,650,060	---	---	2,650,060	2,336,570
Capital assets					
(Note 6)	---	51,563,767	---	51,563,767	27,208,808
	<u>\$ 7,708,584</u>	<u>\$ 57,635,340</u>	<u>\$ 55,551</u>	<u>\$ 65,399,475</u>	<u>\$ 36,058,872</u>

LIABILITIES

Current					
Bank overdraft	\$ 738,077	\$ ---	\$ ---	\$ 738,077	\$ ---
Payables and accruals					
(Note 7)	3,924,902	3,788,729	---	7,713,631	6,095,975
Due to operating fund	---	2,237,288	---	2,237,288	23,673
Deferred revenue . . .	1,250,859	129,604	---	1,380,463	1,312,485
Current portion of obligation under capital lease	---	3,584	---	3,584	3,326
	<u>5,913,838</u>	<u>6,159,205</u>	<u>---</u>	<u>12,073,043</u>	<u>7,435,459</u>
Employee benefits					
(Note 8)	1,794,746	---	---	1,794,746	1,467,256
Obligation under capital lease (Note 9)	---	6,253	---	6,253	9,837
	<u>7,708,584</u>	<u>6,165,458</u>	<u>---</u>	<u>13,874,042</u>	<u>8,912,552</u>

FUND BALANCES (Page 118)

Restricted (Note 10) . .	---	9,837	55,551	65,388	66,980
Unrestricted - investment in capital assets	---	51,460,045	---	51,460,045	27,079,340
	<u>---</u>	<u>51,469,882</u>	<u>55,551</u>	<u>51,525,433</u>	<u>27,146,320</u>
	<u>\$ 7,708,584</u>	<u>\$ 57,635,340</u>	<u>\$ 55,551</u>	<u>\$ 65,399,475</u>	<u>\$ 36,058,872</u>

Commitments (Note 12)
See accompanying notes to the financial statements.

CUMBERLAND HEALTH AUTHORITY
(formerly District Health Authority 5)

Statement of Operations - Operating fund
Year Ended March 31, 2002

	2002	Three Months Ended 2001
Revenues		
Nova Scotia Department of Health	\$ 26,820,972	\$ 6,605,711
Charges to M.S.I.	1,177,532	217,496
In-patients	388,640	71,077
Out-patients.	866,261	196,907
Long term care.	849,968	200,537
Food services.	128,526	38,895
Investment income.	2,674	7,087
Mental Health joint projects	196,800	---
Community health board initiatives fund	22,675	---
Other income	80,141	16,666
	<u>30,534,189</u>	<u>7,354,376</u>
Expenses		
In-patient services.	9,949,815	2,475,776
Ambulatory services.	5,436,063	1,194,655
Diagnostic and therapeutic services.	4,887,779	1,198,925
Support services.	8,281,581	1,951,266
Community health	1,568,520	355,449
Early departure and retirement incentives	---	28,475
Increase in vacation pay accrual.	195,922	103,462
Employee benefits.	214,509	46,368
	<u>30,534,189</u>	<u>7,354,376</u>
Excess of revenue over expenses.	<u>\$ ---</u>	<u>\$ ---</u>

Statement of Changes in Fund Balances
Year Ended March 31, 2002

	Capital Fund	Endowment Fund	2002	Three Months Ended 2001
Restricted				
Balance, beginning of year	\$ 13,163	\$ 53,817	\$ 66,980	\$ ---
Fund balance of district facilities				
January 1, 2001 (Note 2)	---	---	---	67,106
Transfer to unrestricted	(3,326)	---	(3,326)	(793)
Excess of revenues over expenses.	---	1,734	1,734	667
Balance, end of year.	<u>\$ 9,837</u>	<u>\$ 55,551</u>	<u>\$ 65,388</u>	<u>\$ 66,980</u>
Unrestricted				
Balance, at beginning of year.	\$ 27,079,340	\$ ---	\$ 27,079,340	\$ ---
Fund balance of district facilities				
January 1, 2001 (Note 2)	---	---	---	24,214,651
Transfer from restricted	3,326	---	3,326	793
Capital asset funding				
Department of Health	21,433,406	---	21,433,406	2,436,037
Foundations.	4,002,883	---	4,002,883	683,445
Auxiliaries.	30,385	---	30,385	18,882
Other.	24,604	---	24,604	12,934
Amortization.	(1,113,025)	---	(1,113,025)	(277,621)
Capital debt charges.	(874)	---	(874)	(9,781)
Balance, end of year	<u>\$ 51,460,045</u>	<u>\$ ---</u>	<u>\$ 51,460,045</u>	<u>\$ 27,079,340</u>

See accompanying notes to the financial statements.

CUMBERLAND HEALTH AUTHORITY
(formerly District Health Authority 5)

Statement of Cash Flows
Year Ended March 31, 2002

	2002	Three months Ended 2001
Increase (decrease) in cash and cash equivalents, net of bank overdrafts		
Operations		
Excess of revenues over expenses - Endowment Fund.	1,734 \$	667
Change in non-cash working capital		
Receivables.	(3,635,010)	(634,416)
Inventories.	32,986	8,357
Prepaid expenses.	36,354	(23,273)
Payables and accruals	1,945,146	440,910
Deferred revenue	67,977	(351,640)
	<u>(1,550,813)</u>	<u>(559,395)</u>
Financing and investing		
Assets, liabilities and fund balances of district facilities at January 1, 2001		
Assets	---	(33,035,791)
Liabilities	---	8,754,034
Fund balances.	---	24,281,757
Capital asset funding	25,491,278	3,151,298
Interfund transfer - capital asset funding	3,326	793
Purchase of capital assets	(25,467,983)	(2,964,990)
Repayment of long term debt.	(3,326)	(793)
Capital debt charges.	(874)	(9,781)
	22,421	176,527
Decrease in restricted funds	(3,326)	(793)
	<u>19,095</u>	<u>175,734</u>
Net decrease in cash and cash equivalents, net of bank overdrafts	(1,531,718)	(383,661)
Cash and cash equivalents, net of bank overdrafts, beginning of year	<u>956,881</u>	<u>1,340,542</u>
Cash and cash equivalents, net of bank overdrafts, end of year.	<u>(574,837)\$</u>	<u>956,881</u>

See accompanying notes to the financial statements.

**CUMBERLAND HEALTH AUTHORITY
(formerly District Health Authority 5)**

**Notes to the Financial Statements
March 31, 2002**

1. Nature of operations

Cumberland Health Authority (formerly District Health Authority 5) operates several health care facilities including South Cumberland Community Care Centre, North Cumberland Memorial Hospital, Highland View Regional Hospital, All Saints Springhill Hospital, Bayview Memorial Hospital and related health services.

2. Health Authorities Act

Cumberland Health Authority (formerly District Health Authority 5) was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Cumberland Health Authority (formerly District Health Authority 5) acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and health services referred to above.

3. Summary of significant accounting policies

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

Use of estimates

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

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the authority's capital assets. Endowment contributions are reported in the Endowment fund.

Revenue recognition

Cumberland Health Authority (formerly District Health Authority 5) follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

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

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Inventories

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

Capital assets

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

Buildings	2%
Land improvements	5%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

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

Compensation accruals

Cumberland Health Authority (formerly District Health Authority 5) follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee benefit plans

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

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

Cash and cash equivalents

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

4. Receivables

	Operating Fund	Capital Fund	2002 Total	2001 Total
Charges to M.S.I. \$	92,531	\$ ---	\$ 92,531	\$ 71,022
Foundation	---	1,445,554	1,445,554	146,109
Harmonized sales tax.	159,701	977,965	1,137,666	628,887
Patients	447,465	---	447,465	430,150
Other	<u>225,623</u>	<u>---</u>	<u>225,623</u>	<u>330,571</u>
	<u>925,320</u>	<u>2,423,519</u>	<u>3,348,839</u>	<u>1,606,739</u>
Nova Scotia Department of Health				
Construction and equipment.	---	3,630,320	3,630,320	2,060,485
Final settlement and other.	<u>1,464,625</u>	<u>---</u>	<u>1,464,625</u>	<u>1,455,040</u>
	<u>1,464,625</u>	<u>3,630,320</u>	<u>5,094,945</u>	<u>3,515,525</u>
	<u>\$ 2,389,945</u>	<u>\$ 6,053,839</u>	<u>\$ 8,443,784</u>	<u>\$ 5,122,264</u>

The resolution of final settlement estimates are dependent upon approval of the Department of Health. An adjustment, if any, on the resolution of these amounts will be accounted for as an adjustment to fund balances in the period in which they occur.

5. Other receivables

	Operating Fund	2002 Total	2001 Total
Nova Scotia Department of Health			
Vacation pay. \$	819,314	\$ 819,314	\$ 819,314
Employees benefits.	1,794,746	1,794,746	1,467,256
Other.	<u>36,000</u>	<u>36,000</u>	<u>50,000</u>
	<u>\$ 2,650,060</u>	<u>\$ 2,650,060</u>	<u>\$ 2,336,570</u>

6. Capital assets		Accumulated		2002	2001
	Cost	Amortization		Net Book Value	Net Book Value
Land	\$ 35,945	\$ ---	\$ 35,945	\$ 35,945	\$ 35,945
Land improvements	173,689	49,831	123,858	123,858	132,542
Buildings	19,009,080	5,300,506	13,708,574	13,708,574	13,984,239
Equipment	4,899,137	2,308,759	2,590,378	2,590,378	2,858,149
Equipment under capital lease. . . .	83,522	69,174	14,348	14,348	28,098
Construction in progress.	35,090,664	---	35,090,664	35,090,664	10,169,835
	<u>\$ 59,292,037</u>	<u>\$ 7,728,270</u>	<u>\$ 51,563,767</u>	<u>\$ 51,563,767</u>	<u>\$ 27,208,808</u>

7. Payables and accruals

	Operating Fund	Capital Fund	2002 Total	2001 Total
Trade	\$ 2,617,042	\$ 3,788,729	\$ 6,405,771	\$ 4,380,939
Foundation	---	---	---	603,098
Vacation pay.	1,307,860	---	1,307,860	1,111,938
	<u>\$ 3,924,902</u>	<u>\$ 3,788,729</u>	<u>\$ 7,713,631</u>	<u>\$ 6,095,975</u>

8. Employee benefits

The authority has the following benefit plans:

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

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

The most recent actuarial valuation of multi-employer pension plan with approximately 18,000 members throughout the province does not show an unfunded liability at December 31, 2000.

The net expense for the authority's benefit plans are as follows:

Pension
Benefit Plan
March 31, 2002

Contributions to a multi-employer plan accounted for as a defined contribution plan, included in program expenses. \$ 861,316

Information about the authority's retirement benefit plan as at March 31, 2002 is as follows:

Retirement
Benefit Plan
March 31, 2002

Fair value of plan assets. \$ 1,794,746
Accrued benefit liability. \$ (1,794,746)

A discount rate of 7.05% was used in the actuarial assumptions adopted measuring the authority's accrued retirement obligation. During the period, retiring allowances paid amount to \$56,788 (2001-\$8,699).

9. Obligation under capital lease **2002** **2001**

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

Future minimum lease payments are as follows:

2002.....	\$ ---	\$ 4,200
2003.....	4,200	4,200
2004.....	4,200	4,200
2005.....	2,450	2,450
	10,850	15,050
Less: amount representing interest on capital lease at 7.25%	1,013	1,887
	9,837	13,163
Less: current portion	3,584	3,326
	\$ 6,253	\$ 9,837

As security, the authority has pledged specific equipment.

10. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for the repayment of the capital lease obligation. This reserve is restricted and will be used solely for the repayment of the obligation referred to in Note 9. The balance of the reserve was \$9,837 (2001 - \$13,163) as of March 31, 2002.

11. Credit facilities

The authority has a financing arrangement with a financial institution, which provides an available operating line of credit totalling \$1,000,000, all of which is unused at March 31, 2002.

12. Commitments

a) Cumberland Health Authority (formerly District Health Authority 5) is committed to the following operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2003	\$	206,810
2004	\$	180,910
2005	\$	180,910
2006	\$	180,910
2007	\$	180,910

b) Cumberland Health Authority (formerly District Health Authority 5) has entered into agreements to spend \$16,344,168 on additions to property and equipment.

13. Related entities

The health authority has responsibility for the operation of certain hospitals and health care centres as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care centres. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations will accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2002 are available from the individual financial statements of the related entities.

ENVIRONMENTAL TRUST FUND

These financial statements are unaudited.

ENVIRONMENTAL TRUST FUND

**Balance Sheet
as at March 31, 2002**

ASSETS

	2002		2001
Cash	\$ 1,229	\$	1,008
Investments (Schedule 1)	4,977		5,037
	<u>\$ 6,206</u>	\$	<u>6,045</u>

FUND EQUITY

Fund equity	<u>\$ 6,206</u>	\$	<u>6,045</u>
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**Statement of Income and Fund Equity
for the year ended March 31, 2002**

	2002		2001
Revenues			
Interest	\$ 209	\$	308
Expenses			
Bank charges	<u>47</u>		<u>12</u>
Net Income	161		296
Fund equity, beginning of year	<u>6,045</u>		<u>5,749</u>
Fund equity, end of year	<u>\$ 6,206</u>	\$	<u>6,045</u>

ENVIRONMENTAL TRUST FUND

**Notes to Financial Statements
March 31, 2002**

1. Authority

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

2. Accounting Policies

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

Schedule 1

ENVIRONMENTAL TRUST FUND

**Schedule of Investments
March 31, 2001**

Investment	Interest Rate	Maturity Date	Cost
TD Bank Banker's Acceptance	2.04%	April 15, 2002	\$ 4,977

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

AUDITORS' REPORT

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

We have audited the statement of financial position of Guysborough Antigonish Strait Health Authority as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and the changes in its cash flows for the three months then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
May 31, 2002

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

**Statement of Financial Position
March 31, 2002, with comparative figures for 2001**

ASSETS

	Operating Fund	Capital Fund	Restricted Fund	2002 Total	2001 Total
Current assets:					
Cash and marketable securities	\$ 1,371,506	\$ 820,504	\$ 197,838	\$ 2,389,848	\$ 3,005,428
Accounts receivable (note 2)	5,559,627	---	---	5,559,627	4,315,269
Inventories (note 3)	461,821	---	---	461,821	442,910
Prepaid expenses	<u>221,360</u>	<u>---</u>	<u>---</u>	<u>221,360</u>	<u>124,879</u>
	7,614,314	820,504	197,838	8,632,656	7,888,486
Capital assets (note 4)	---	29,260,780	---	29,260,780	30,166,042
Other receivable :					
Retirement allowance (note 7)	<u>4,193,608</u>	<u>---</u>	<u>---</u>	<u>4,193,608</u>	<u>2,715,577</u>
	<u>\$ 11,807,922</u>	<u>\$ 30,081,284</u>	<u>\$ 197,838</u>	<u>\$ 42,087,044</u>	<u>\$ 40,770,105</u>

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

Current liabilities:					
Accounts payable and accrued liabilities (note 5)	\$ 6,136,558	\$ 325,352	\$ ---	\$ 6,461,910	\$ 5,190,036
Deferred revenue	<u>1,477,756</u>	<u>---</u>	<u>---</u>	<u>1,477,756</u>	<u>1,442,151</u>
	7,614,314	325,352	---	7,939,666	6,632,187
Other liability:					
Retirement allowance (note 7)	4,193,608	---	---	4,193,608	2,715,577
Deferred contributions related to capital assets (note 6)		29,174,080	---	29,174,080	30,647,860
Fund balances:					
Investment in capital assets	---	581,852	---	581,852	581,852
Internally restricted	<u>---</u>	<u>---</u>	<u>197,838</u>	<u>197,838</u>	<u>192,629</u>
	---	581,852	197,838	779,690	774,481
	<u>\$ 11,807,922</u>	<u>\$ 30,081,284</u>	<u>\$ 197,838</u>	<u>\$ 42,087,044</u>	<u>\$ 40,770,105</u>

See accompanying notes to financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Statement of Operations
Year ended March 31, 2002, with comparative figures
for the three months ended March 31, 2001

	Operating Fund	Capital Fund	Restricted Fund	2002 Total	2001 Total
Revenue:					
Department of Health and Community					
Services	\$ 33,628,341	\$ ---	\$ ---	\$ 33,628,341	\$ 8,399,088
Department of Health:					
Contract settlements . .	2,234,543	---	---	2,234,543	167,157
Retirement allowance funding	441,609	---	---	441,609	77,079
Patient income	2,037,776	---	---	2,037,776	414,570
Dietary recoveries	464,377	---	---	464,377	116,791
Foundations and auxiliaries	42,965	---	---	42,965	---
Rentals	67,844	---	---	67,844	17,799
Miscellaneous	86,608	---	---	86,608	3,418
Investment income	55,855	---	5,209	61,064	23,794
Amortization of deferred contributions (note 8)	---	2,082,710	---	2,082,710	591,200
Laundry recoveries	201,910	---	---	201,910	30,721
	<u>39,261,828</u>	<u>2,082,710</u>	<u>5,209</u>	<u>41,349,747</u>	<u>9,841,617</u>
Expenditures:					
Nursing services	16,080,400	---	---	16,080,400	3,554,780
Support services	8,015,991	---	---	8,015,991	1,939,843
Diagnostic and therapeutic	5,842,958	---	---	5,842,958	1,466,360
Administrative services .	2,918,385	---	---	2,918,385	644,281
Medical services	198,750	---	---	198,750	54,307
Non-portable programs .	5,090,422	---	---	5,090,422	1,331,148
Level III emergency services	50,690	---	---	50,690	13,534
Retirement allowance . .	441,609	---	---	441,609	77,079
Contract settlement - NSNU, CAW and CUPE	622,623	---	---	622,623	167,157
Amortization of capital assets	---	2,082,710	---	2,082,710	591,200
	<u>39,261,828</u>	<u>2,082,710</u>	<u>---</u>	<u>41,344,538</u>	<u>9,839,689</u>
Excess of revenue over expenditures, for the period	<u>---</u>	<u>---</u>	<u>5,209</u>	<u>5,209</u>	<u>1,928</u>

See accompanying notes to the financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

**Statement of Changes in Net Assets
Year ended March 31, 2002, with comparative figures
for the three months ended March 31, 2001**

	Investment in capital assets	Internally restricted	2002 Total	2001 Total
Balance, beginning of period	\$ 581,852	\$ 192,629	\$ 774,481	\$ 772,553
Excess of revenue over expenditures.	---	5,209	5,209	1,928
Balance, end of period.	<u>581,852</u>	<u>\$ 197,838</u>	<u>\$ 779,690</u>	<u>\$ 774,481</u>

**Statement of Cash Flows
Year ended March 31, 2002, with comparative figures
for the three months ended March 31, 2001**

	2002	2001
Cash provided by (used for):		
Operations:		
Excess of revenue over expenditure	\$ 5,209	\$ 1,928
Items not involving cash:		
Amortization of capital assets.	2,082,710	591,200
Amortization of deferred contributions related to capital assets	(2,082,710)	(591,200)
Changes in non-cash operating working capital:		
Increase in accounts receivable.	(1,244,358)	(865,057)
Increase in inventories.	(18,911)	(575)
Decrease (increase) in prepaid expenses.	(96,481)	69,931
Increase in accounts payable and accrued liabilities	1,271,874	200,102
Increase in deferred revenues	35,605	1,363,105
	<u>(47,062)</u>	<u>769,434</u>
Financing and investing activities:		
Additions to capital assets.	(1,177,448)	(139,187)
Additions to deferred contributions related to capital assets	608,930	1,143,456
	<u>(568,518)</u>	<u>1,004,269</u>
Increase (decrease) in cash.	<u>(615,580)</u>	<u>1,773,703</u>
Cash, beginning of period	3,005,428	1,231,725
Cash, end of period.	<u>\$ 2,389,848</u>	<u>\$ 3,005,428</u>

See accompanying notes to the financial statements.

GUYSBOROUGH ANTIGONISH STRAIT HEALTH AUTHORITY

Notes to Financial Statements

Year ended March 31, 2002

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

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

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

1. Significant accounting policies:

a) Revenue Recognition

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

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

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

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

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

b) Marketable securities:

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

c) Inventories:

Inventories are valued at cost.

d) Restricted:

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

e) Capital assets:

Capital assets are stated at cost.

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

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

2. Accounts receivable:

	2002	2001
Patient services.....	\$ 489,523	\$ 444,535
Department of Health:		
Final settlement (March 31, 2002).....	515,499	---
Final settlement prior.....	---	958,736
Vacation liability.....	1,331,500	1,331,500
Nursing strategy.....	102,298	---
Special maintenance.....	186,780	---
Hospital Information System project.....	306,512	---
Contract settlement.....	1,652,698	604,824
Other (Public Health and Addiction Services).....	101,125	138,036
Retirement allowance payouts.....	96,993	---
TSP Program.....	---	318,458
Nova Scotia Medical Insurance Services (M.S.I.).....	71,104	---
Hospital Foundations (note 10).....	11,000	16,057
Harmonized sales tax.....	285,010	221,346
Sundry.....	84,233	91,760
Cape Breton District Health Authority.....	---	190,017
Due from capital fund.....	325,352	---
	<u>\$ 5,559,627</u>	<u>\$ 4,315,269</u>

3. Inventories:

	2002	2001
Medical and surgical.....	\$ 117,747	\$ 111,115
Drugs.....	213,446	196,959
Intravenous.....	8,253	6,036
Maintenance.....	14,841	19,927
Food.....	10,500	10,500
General.....	97,034	98,373
	<u>\$ 461,821</u>	<u>\$ 442,910</u>

4. Capital assets:

	2002		2001	
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Land.....	\$ 581,852	\$ ---	\$ 581,852	\$ 581,852
Buildings.....	41,350,026	15,507,837	25,842,189	26,901,651
Equipment.....	17,703,174	14,866,435	2,836,739	2,682,539
	<u>\$ 59,635,052</u>	<u>\$ 30,374,272</u>	<u>\$ 29,260,780</u>	<u>\$ 30,166,042</u>

5. Accounts payable and accrued liabilities:

	2002	2001
Accounts payable and accrued liabilities	\$ 2,804,929	\$ 2,288,307
Accrued payroll:		
Salaries	1,035,719	719,382
Vacation pay	1,519,642	1,531,934
Contract settlement	622,623	604,824
Due to hospital foundations (note 10)	---	1,017
Equipment payable	10,722	44,572
Cape Breton District Health Authority	142,923	---
Due to operating fund	325,352	---
	<u>\$ 6,461,910</u>	<u>\$ 5,190,036</u>

6. Deferred contributions for capital assets:

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

	2002	2001
Balance, beginning of period	\$ 30,647,860	\$ 30,095,602
Additional contributions received	608,930	1,143,458
Amounts amortized to revenue	<u>(2,082,710)</u>	<u>(591,200)</u>
Balance, end of period	<u>\$ 29,174,080</u>	<u>\$ 30,647,860</u>

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

	2002	2001
Unamortized capital contributions used to purchase assets	\$ 28,678,928	\$ 29,584,190
Unspent contributions	<u>495,152</u>	<u>1,063,670</u>
	<u>\$ 29,174,080</u>	<u>\$ 30,647,860</u>

7. Retirement allowance:

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

To promote consistency amongst Authorities the Department engaged consulting actuaries to quantify for each Health Authority the retiring allowance liability and expense for years up to March 31, 2002 along with a projection of the expense and liability for the fiscal year ended March 31, 2003.

In compliance with the Department's request District Health Authority, have recorded the following in respect of retiring allowances accrued up to March 31, 2002:

	2002	2001
Opening balance	\$ 2,715,577	\$ 2,638,804
Retiring allowance expense computed with reference to the actuarial projection of expense for the period	441,609	76,773
Actuarial allocation adjustment	1,131,522	---
Retirement allowance payouts (estimated)	(95,100)	---
Funding receivable from the Department for the actual projected liability	<u>\$ 4,193,608</u>	<u>\$ 2,715,577</u>

8. Invested in capital assets:

	2002	2001
a) Investment in capital assets is calculated as follows:		
Capital assets	\$ 29,260,780	\$ 30,166,042
Amounts financed by:		
Deferred contributions - spent	<u>28,678,928</u>	<u>29,584,190</u>
	<u>\$ 581,852</u>	<u>\$ 581,852</u>

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

	2002	2001
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 2,082,710	\$ 591,200
Amortization of capital assets	<u>(2,082,710)</u>	<u>(591,200)</u>
	<u>\$ ---</u>	<u>\$ ---</u>
Net change in investment in capital assets:		
Capital assets acquired	\$ 1,177,448	\$ 139,187
Amounts funded by deferred contributions	<u>(1,177,448)</u>	<u>(139,187)</u>
	<u>\$ ---</u>	<u>\$ ---</u>

9. Accounts with the Department of Health:

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

	2002	2001
Accounts receivable:		
Retirement allowance	\$ 4,193,608	\$ 2,715,577
Final settlements	515,499	958,736
Vacation liability	1,331,500	1,331,500
Nursing strategy	102,298	---
Special maintenance	186,780	---
Hospital Information System project	306,512	---
Contract settlement	1,652,698	604,824
Other (Public Health and Addiction Services)	101,125	138,036
Retirement allowance payouts	96,993	---
TSP Program	---	318,458
	<u>\$ 8,487,013</u>	<u>\$ 6,067,131</u>

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

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

10. Related parties:

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

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

	2002	2001
Due from Hospital Foundations:		
St. Martha's Regional Hospital Foundation	\$ 11,000	\$ ---
Guysbourough Memorial Hospital Foundation	---	1,131
St. Mary's Memorial Hospital Society	---	14,926
	<u>\$ 11,000</u>	<u>\$ 16,057</u>
Due to Hospital Foundation:		
Strait Richmond Hospital Charitable Foundation.	\$ ---	\$ 1,017

During the year ended March 31, 2002 the following amounts were received from the Foundations to purchase equipment:

	2002	2001
St. Martha's Regional Hospital Foundation.	\$ 119,656	\$ 42,643
St. Martha's Regional Hospital Auxiliary	59,946	---
Strait Richmond Hospital Foundation	84,796	---
Guysbourough Memorial Hospital Foundation	7,589	27,689
Guysborough Memorial Hospital Auxiliary.	7,589	---
	<u>\$ 279,576</u>	<u>\$ 70,332</u>

11. Contingencies:

a) Law Suit

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

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

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

b) Funds required to settle labour dispute:

The financial statements contain an accrual for the expected cost of contract settlement with the Nova Scotia Government Employees Union, the Canadian Automobile Workers Union and the Canadian Union of Public Employees in respect of retroactive amounts owing from April 1, 2001 to March 31, 2002. The estimate was based on assumptions as provided by the Department of Health based on expected settlements, see below. The actual cost of settlement may differ from that accrued in the financial statements once the contracts have been officially settled and ratified. Any differences will be recognized in the period of settlement. It is the Department of Health's position that any costs associated with the settlement will be financed by the Department and therefore there is no effect on net income.

Assumptions (for all unions):

	Rates	Lump Sum
Nursing (RN, BN)	7%, 5%, 5%	None
Nursing (LPN)	2%, 3.5%, 2%	\$1,500
Healthcare workers:		
Technical	2%, 3.5%, 2%	\$1,500
Clerical & support	2%, 2%, 2%	None

Non-wage items are estimated to be 1.25% of base salary. Benefits are estimated at 16% of gross amount.

12. Comparative figures:

Certain March 31, 2001 figures have been reclassified to confirm to the presentation adopted for the current year.

AUDITORS' REPORT

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

We have audited the balance sheets of Halifax-Dartmouth Bridge Commission as at December 31, 2001 and 2000 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

LEVY CASEY CARTER MACLEAN
Chartered Accountants

Halifax, Nova Scotia
February 8, 2002

HALIFAX - DARTMOUTH BRIDGE COMMISSION

**Balance Sheet
December 31, 2001**

	2001	2000	(in thousands)
ASSETS			
Current			
Cash (note 1 (e))	\$ 4,014	\$ 3,851	
Receivables			
Trade	7	4	
Accrued interest	8	29	
Recoverable HST (note 2)	170	116	
Prepaid expenses	149	140	
	4,348	4,140	
Deferred financing costs and discounts, net of accumulated amortization of \$3,439 (2000 - \$2,597) (note 1 (d))	4,983	5,825	
Deferred transponder charges, net of accumulated amortization of \$77 (2000 - \$11) (note 9)	581	646	
Capital assets (note 3)	77,990	76,605	
Restricted assets (note 4)			
Investment - OMA Fund	1,425	1,368	
Investment - Debt Service Fund	2,975	3,061	
Investment - Capital Fund	6,394	3,092	
Investment - Sinking Fund	4,231	2,048	
	\$ 102,927	\$ 96,785	
LIABILITIES			
Current			
Payables and accruals	\$ 464	\$ 362	
Capital project holdbacks payable	367	407	
Accrued interest payable	456	456	
Refundable customer transponder amounts (note 9)	1,007	744	
Deferred revenue (note 1(b) and 5)	2,512	2,361	
	4,806	4,330	
Long-term debt (note 6)	123,000	123,000	
DEFICIT			
Reserve for restricted assets (note 4)	15,025	9,569	
Deficit	(39,904)	(40,114)	
	(24,879)	(30,545)	
	\$ 102,927	\$ 96,785	

HALIFAX - DARTMOUTH BRIDGE COMMISSION

**Statement of Income and Deficit
year ended December 31, 2001**

	2001	2000
	(in thousands)	
Revenue		
Toll revenue (note 1(b))	\$ 22,102	\$ 22,500
Other rate charges	135	114
Investment and sundry income		
OMA , Debt Service, Capital and Sinking Funds	648	338
Other	259	184
	<u>23,144</u>	<u>23,136</u>
Expenses		
Operating expenses	1,202	1,185
Maintenance expenses	2,229	2,344
Administrative expenses	1,918	1,742
Amortization of capital assets	4,169	5,104
Amortization of deferred transponder charges	65	11
Interest on long-term debt and amortization of deferred financing costs (note 7)	7,895	8,164
	<u>17,478</u>	<u>18,550</u>
Net income.	5,666	4,586
Deficit, beginning of year	<u>(40,114)</u>	<u>(39,436)</u>
	(34,448)	(34,850)
Appropriation to restricted asset reserve.	<u>(5,456)</u>	<u>(5,264)</u>
Deficit, end of year	<u>\$ (39,904)</u>	<u>\$ (40,114)</u>

HALIFAX - DARTMOUTH BRIDGE COMMISSION

**Statement of Cash Flows
year ended December 31, 2001**

	2001	2000	(in thousands)
Operating Activities			
Net income	\$ 5,666	\$ 4,586	
Amortization of capital assets	4,169	5,104	
Amortization of deferred transponder charges	65	11	
Amortization of debt discount and refinancing costs	842	842	
Loss (gain) on disposal of capital assets	7	(14)	
	10,749	10,529	
 Net change in non-cash operating balances (note 8)	 431	 (654)	
	11,180	9,875	
 Investing Activities			
Proceeds from disposal of capital assets	27	20	
Investment in capital fund investments	(3,302)	(3,092)	
Investment in sinking fund investments	(2,183)	(2,048)	
Increase in OMA fund investments	(57)	(39)	
Decrease (increase) in Debt Service Fund investments	86	(86)	
Purchase of capital assets	(5,588)	(1,177)	
	(11,017)	(6,422)	
 Increase in cash during year	 163	 3,453	
 Cash, beginning of year	 3,851	 398	
 Cash, end of year	 \$ 4,014	 \$ 3,851	

HALIFAX - DARTMOUTH BRIDGE COMMISSION

Notes to Financial Statements December 31, 2001

1. Significant Accounting Policies

a) Basis of financial statement presentation

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

b) Revenue recognition

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

c) Amortization of capital assets

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

d) Amortization of financing costs

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

e) Cash and cash equivalents

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

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

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

3. Capital Assets

	<u>Rate</u>	<u>2001</u>		<u>2000</u>	
		<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
				(in thousands)	
Land		\$ 5,735	\$ ---	\$ 5,735	\$ 5,735
Buildings	40 yrs s.l.	2,007	1,301	706	707
Bridge and bridge components					
A.L. Macdonald					
Bridge	20 to 85 yrs s.l.	66,818	13,336	53,482	56,069
A.M. MacKay					
Bridge	15 to 80 yrs s.l.	23,598	8,789	14,809	10,886
Electronic toll transponders	10 yrs s.l.	668	57	611	323
Computer equipment	30% d.b.	498	315	183	112
Toll and other equipment	20% d.b.	6,099	3,853	2,246	2,589
Mobile equipment	30 % d.b.	844	626	218	184
		<u>\$ 106,267</u>	<u>\$ 28,277</u>	<u>\$ 77,990</u>	<u>\$ 76,605</u>

4. Restricted assets

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

The operating, maintenance, and administrative (OMA) fund must be maintained at an amount at least equal to 25% of the annual budgeted OMA expenses for the year. This fund can only be used to pay OMA expenses, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2001, the OMA fund had a market value of \$1,425 and was invested in cash and Government of Canada Treasury Bills maturing in June 2002 with a yield of 1.95%.

The debt service fund must be maintained at a amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts. At December 31, 2001, the debt service fund had a market value of \$2,975 and was invested in cash and Government of Canada Treasury Bills maturing in June 2002 with a yield of 1.95%.

The Commission must make quarterly contributions of \$500 to the sinking fund, commencing the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds. At December 31, 2001, the sinking fund had a market value of \$4,327 and was invested in various federal and provincial bonds maturing in 2007 with yields of 5.22% to 6.68%.

The Commission must make quarterly contributions of \$750 to the capital fund, commencing the first quarter of the year 2000. This fund can only be used to pay amounts owing in respect of the principal or interest on the Toll Revenue Bonds, or for the maintenance of, or improvements to, the bridges. At December 31, 2001, the capital fund had a market value of \$6,497 and was invested in various federal, provincial and corporate bonds maturing in 2007 and 2012 with yields of 6.08% to 6.68%.

5. Deferred Revenue

	2001	2000
	(in thousands)	
Unredeemed Tokens	\$ 1,708	\$ 1,705
Electronic Toll Collection (ETC) Accounts.....	<u>804</u>	<u>656</u>
	<u>\$ 2,512</u>	<u>\$ 2,361</u>

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

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

6. Long-term debt

	2001	2000
	(in thousands)	
5.95% Toll Revenue Bonds Series 1, maturing December 4, 2007, with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4).	\$ 100,000	\$ 100,000
90 day B.A. rate + 3/10 of 1% line of credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of \$30,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OMA expenses, principal, or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into OMA Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.	<u>23,000</u>	<u>23,000</u>
	<u>\$ 123,000</u>	<u>\$ 123,000</u>

The estimated fair market value of the \$100,000 fixed rate long-term debt, based on the quoted market price for the same issue at December 31, 2001, is \$102,700.

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

2002	\$	5,000
2003	\$	5,000
2004	\$	5,000
2005	\$	5,000
2006	\$	5,000

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

	2001	2000
	(in thousands)	
Interest on long-term debt		
Toll Revenue Bonds.....	\$ 5,950	\$ 5,950
Line of Credit.....	1,103	1,372
Amortization of deferred financing costs and discounts.....	<u>842</u>	<u>842</u>
	<u>\$ 7,895</u>	<u>\$ 8,164</u>

8. Net change in non-cash operating balances

	2001	2000
	(in thousands)	
Increase (decrease) in cash from changes in:		
Receivables.....	\$ (36)	\$ 783
Transponder inventory.....	---	159
Prepaid expenses.....	(9)	5
Payables and accruals.....	62	(1,757)
Customer transponder amounts.....	263	87
Deferred revenue.....	<u>151</u>	<u>69</u>
	<u>\$ 431</u>	<u>\$ (654)</u>

9. Transponders

In 2000, the Commission changed its business policy on the issuance of electronic toll transponders, whereby instead of recognizing the issuance of a transponder to a customer as a sale, it accepted a refundable deposit for all issuances of transponders to customers. The Commission has, therefore, recorded a liability for all payments received on transponders issued to customers to date. The cost of all transponders issued to customers prior to the change in policy has been recorded as a deferred charge. The cost of all transponders purchased for issue to customers after the change in policy has been recorded as capital assets (see Note 3). In both cases, the transponders are being amortized on a straight-line basis to 2010.

10. Pension plan

The Commission sponsors a defined contribution pension plan for all their permanent employees. No future contributions are required in respect of past service at December 31, 2001. The Commission recognized an expense of \$61 for pension contributions during the year (\$54 for 2000).

11. Retirement Benefits

Generally accepted accounting principles require entities to accrue all employee future benefits. The Commission's policy is that all employees who retire at age 60 or later, or who become disabled at any age, will be paid a retirement benefit equal to one months salary for their first ten years of service, plus one months salary for each additional full five years of service. The benefit is based on the salary in effect at the time of retirement. The Commission has recorded a liability of \$149 (2000 - \$131) in retirement benefits as at December 31, 2001. The amount of \$18 was charged to administrative and maintenance expenses for the year (2000 - \$131) in this regard.

12. Incorporation

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

13. Additional Credit Facility

The commission has a \$5,000 operating loan facility with a chartered bank, which bears interest at prime rate minus .5% per year. The operating facility is subject to annual review and is unsecured. As at December 31, 2001, no advances were outstanding.

AUDITORS' REPORT

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

We have audited the consolidated balance sheet of the Halifax Regional School Board as at March 31, 2002, and the consolidated statement of operations for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002 and the results of its operations for the year then ended in accordance with accounting principles generally accepted for school boards in Nova Scotia.

GRANT THORNTON LLP
Chartered Accountants

Dartmouth, Nova Scotia
June 10, 2002

HALIFAX REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31**

ASSETS

	2002	(Restated) 2001
Current		
Cash	\$ 2,342,357	\$ ---
Receivables	5,425,371	5,318,650
Prepays	633,816	65,960
	<u>8,401,544</u>	<u>5,384,610</u>
Service awards receivable (Note 3)	<u>47,496,000</u>	<u>45,582,000</u>
Capital assets (Note 2[b])		
Improvements to school properties	18,951,150	20,649,923
Interest in school buildings	89,442,758	89,442,758
Furniture, equipment, vehicles and renovations	3,218,770	5,059,784
	<u>111,612,678</u>	<u>115,152,465</u>
	<u>\$ 167,510,222</u>	<u>\$ 166,119,075</u>

LIABILITIES

Current		
Bank Indebtedness (Note 7)	\$ ---	\$ 1,250,168
Payables and accruals	5,752,375	2,769,418
Deferred revenue	1,385,747	1,389,969
	<u>7,138,122</u>	<u>5,409,555</u>
Long term		
Service award liability (Note 3)	47,496,000	45,582,000
Due to Trust Funds	48	1,793
	<u>54,634,170</u>	<u>50,993,348</u>

EQUITY

Surplus (deficit)		
General Fund (Page 149)	---	(607,701)
Supplementary Fund (Page 150)	114,204	(121,009)
Investment in capital assets (Page 151)	111,612,678	115,152,465
Reserve funds (Page 151)	1,149,170	701,972
	<u>112,876,052</u>	<u>115,125,727</u>
	<u>\$ 167,510,222</u>	<u>\$ 166,119,075</u>

Commitments (Note 5)
Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

**Consolidated Statement of Operations
Year ended March 31, 2002**

	2002		(Restated) 2001
	Budget	Actual	Actual
Revenue			
Province of Nova Scotia	\$ 208,569,000	\$ 215,370,487	\$ 204,458,551
Halifax Regional Municipality			
Mandatory	59,601,000	59,601,200	59,658,345
Supplementary	20,142,000	20,141,900	19,297,100
Government of Canada	1,956,000	2,071,221	1,670,727
Board operations	3,734,000	3,388,572	4,094,346
Transfer from Reserve Funds	702,000	701,972	500,000
	<u>294,704,000</u>	<u>301,275,352</u>	<u>289,679,069</u>
Expenditure			
School services	241,181,000	244,036,168	239,666,523
Regional board management	1,603,000	1,730,577	1,488,952
Business services	47,664,000	49,307,662	44,057,193
Corporate services	4,256,000	4,208,861	3,708,139
Transfer to Reserve Funds	---	1,149,170	701,972
	<u>294,704,000</u>	<u>300,432,438</u>	<u>289,622,779</u>
Excess of revenue over expenditure	---	842,914	56,290
Prior year's deficit	---	(728,710)	(785,000)
Excess (deficiency) of expenditure over revenue	<u>---</u>	<u>\$ 114,204</u>	<u>\$ (728,710)</u>

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

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

ASSETS

	2002	(Restated) 2001
Current		
Cash	\$ 2,342,357	\$ ---
Receivables		
Government of Canada	524,758	291,898
Province of Nova Scotia	2,416,512	2,795,006
Commodity taxes	1,648,620	734,931
Other	835,481	1,496,815
Prepays	<u>633,816</u>	<u>65,960</u>
	8,401,544	5,384,610
Service awards receivable (Note 3)	<u>47,496,000</u>	<u>45,582,000</u>
	<u>\$ 55,897,544</u>	<u>\$ 50,966,610</u>

LIABILITIES

Current		
Bank indebtedness (Note 7)	\$ ---	\$ 1,250,168
Payables and accruals	5,752,375	2,769,418
Deferred revenue	<u>1,385,747</u>	<u>1,389,969</u>
	7,138,122	5,409,555
Long term		
Due to Trust Funds	48	1,793
Due to Reserve Funds	1,149,170	701,972
Service award liability (Note 3)	<u>47,496,000</u>	<u>45,582,000</u>
	<u>48,645,218</u>	<u>46,285,765</u>
	<u>55,783,340</u>	<u>51,695,320</u>

EQUITY

Surplus (deficit)		
General Fund (Page 149)	\$ ---	(607,701)
Supplementary Fund (Page 150)	<u>114,204</u>	<u>(121,009)</u>
	114,204	(728,710)
	<u>\$ 55,897,544</u>	<u>\$ 50,966,610</u>

Commitments (Note 5)
Contingencies (Note 6)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

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

		2002		(Restated) 2001
	Page	Budget	Actual	Actual
Revenue				
Province of Nova Scotia	156	\$ 208,569,000	\$ 215,370,487	\$ 204,458,551
Halifax Regional Municipality . . .	156	59,601,000	59,601,200	59,658,345
Government of Canada	156	1,956,000	2,071,221	1,670,727
Board Operations	156	3,734,000	3,388,572	4,094,346
Transfer from Reserve Fund.		---	---	500,000
Transfer from Supplementary Fund.		---	---	635,000
		273,860,000	280,431,480	271,016,969
Expenditure				
School services	156-157	220,814,000	223,904,509	220,058,667
Regional board management	158	1,603,000	1,730,577	1,488,952
Business services.	158-159	47,187,000	48,830,662	45,143,730
Corporate services	159	4,256,000	4,208,861	4,148,321
Transfer to Reserve Fund.		---	1,149,170	---
		273,860,000	279,823,779	270,839,670
Excess (deficiency) of revenue over expenditure		---	607,701	177,299
Prior year's deficit.		---	(607,701)	(785,000)
Excess (deficiency) of revenue over expenditure		\$ ---	\$ ---	\$ (607,701)

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

	2002	2001
Balance, beginning of year.	\$ (607,701)	\$ (785,000)
Excess of expenditure over revenue	---	(607,701)
Transfer of prior year's deficit to statement of operations	607,701	785,000
Balance, end of year	\$ ---	\$ (607,701)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

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

		2002		2001
	Page	Budget	Actual	Actual
Revenue				
Halifax Regional Municipality . . .	160 - 162	\$ 20,142,000	\$ 20,141,900	\$ 19,297,100
Transfer from Reserve Fund		702,000	701,972	---
		20,844,000	20,843,872	19,297,100
Expenditure				
School services	160 - 162	20,247,000	20,131,659	17,636,137
Student transportation.	160 - 162	75,000	75,000	105,000
Administration allocation.	160 - 162	402,000	402,000	340,000
Transfer to General Fund.	160 - 162	---	---	635,000
Transfer to Reserve Fund.	160 - 162	---	---	701,972
		20,724,000	20,608,659	19,418,109
Excess (deficiency) of revenue over expenditure		120,000	235,213	(121,009)
Prior year's deficit.		(120,000)	(121,009)	---
Excess (deficiency) of revenue over expenditure		\$ ---	\$ 114,204	\$ (121,009)

**Capital Fund
Balance Sheet
March 31**

ASSETS

	2002	2001
Improvements to school properties (Note 2[b]).	\$ 18,951,150	\$ 20,649,923
Interest in school buildings (Note 2[b]).	89,442,758	89,442,758
Furniture and equipment	3,218,770	5,059,784
	\$ 111,612,678	\$ 115,152,465

EQUITY

Investment in capital assets (Page 151)	\$ 111,612,678	\$ 115,152,465
Commitments (Note 5)		
Contingencies (Note 6)		

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

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

	2002	2001
Balance, beginning of year	\$ 115,152,465	\$ 122,412,214
Capital purchases out of revenue		
Equipment and furnishings	39,514	---
Improvements	268,875	361,826
	<u>308,389</u>	<u>361,826</u>
	<u>115,460,854</u>	<u>122,774,040</u>
Capital assets written off		
Equipment and furnishings	1,880,528	5,966,310
Improvements	1,967,648	---
Energy Management System	---	1,655,265
	<u>3,848,176</u>	<u>7,621,575</u>
	<u>\$ 111,612,678</u>	<u>\$ 115,152,465</u>

**Reserve Funds
Balance Sheet
March 31**

	2002	2001
ASSETS		
Due from General Fund	\$ 1,149,170	\$ ---
Due from Supplementary Fund	---	701,972
	<u>\$ 1,149,170</u>	<u>\$ 701,972</u>
EQUITY		
Reserve Funds (Page152).	<u>\$ 1,149,170</u>	<u>\$ 701,972</u>

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

**Reserve Funds (Note 9)
Statement of Continuity of Reserves
Year ended March 31**

				2002	2001
	General Fund	Program Resources	Supplementary Fund	Total	Total
Balance, beginning of year \$	---	---	701,972	\$ 701,972	\$ 500,000
Transfers from (to) General Fund	631,966	517,204	---	1,149,170	(500,000)
Transfer (to) from Supplementary Fund	---	---	(701,972)	(701,972)	701,972
Balance, end of year \$	<u>631,966</u>	<u>517,204</u>	<u>---</u>	<u>\$ 1,149,170</u>	<u>\$ 701,972</u>

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

**Notes to the Consolidated Financial Statements
March 31, 2002**

1. Nature of operations

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

2. Significant accounting policies

(a) Basis of accounting and consolidation

The consolidated balance sheet is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general, supplementary, capital, and reserve funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements. The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis except for salaries, which are recorded as an expense when paid.

(b) Capital fund assets

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

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

Assets were written off in accordance with the criteria prescribed by the Department of Education. The Board does not record depreciation on its assets.

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

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

(c) Trust funds

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

(d) Use of estimates

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

3. Service awards

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

During the year ended March 31, 2002, the Board paid \$2,910,139 (2001 - \$1,514,060) in service awards to retiring employees.

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

The transfer of the service award responsibility to the Province of Nova Scotia is a change in accounting policy and the 2001 financial statements have been restated to reflect this change. Other revenue received from the Province of Nova Scotia has been increased by \$3,522,000 and the benefits expense by the same amount. The March 31, 2001 balance sheet has been restated to include the service awards receivable of \$45,582,000 and the corresponding service award liability.

4. Pension plans

(a) Teachers

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

(b) Other

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

5. Commitments

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

	Buildings	Equipment	Total
2003	\$ 198,250	\$ 126,417	\$ 324,667
2004	50,874	98,908	149,782
2005	50,874	---	50,874
2006	50,874	---	50,874
2007	50,874	---	50,874
2008	50,874	---	50,874
	<u>\$ 452,620</u>	<u>\$ 225,325</u>	<u>\$ 677,945</u>

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

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

In addition, the Board is committed to spend an additional amount of approximately \$295,000 for other transportation services in 2003.

- (c) The Board is committed to pay management fees of approximately \$89,000 for the five months ended August 31, 2002 to Perimis Inc. for services related to O'Connell Drive School.

6. Contingencies

The Board incurred expenditures relating to environmental matters in its properties during the year ended March 31, 2002. It is likely that such expenditures will continue in future years and will be funded as incurred. The future liability relating to environmental matters in its properties is not determinable at this time.

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

7. Bank indebtedness

The board has an operating line of credit of \$3,000,000 with interest at prime. As at March 31, 2002, this line of credit had not been utilized.

8. Transfers to General Fund

As approved by the Department of Education, in the 1999 fiscal year the Board transferred \$773,640 (1998 - \$900,000) to other revenue of the General Fund. These transfers are repayable to the Reserve Fund but the time frame of the repayment is yet to be finalized and has not been reflected in these financial statements.

9. Reserve Funds

- (a) Program Resources Reserve

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

- (b) General Fund Reserve

The General Fund Reserve is an allocation of the unrestricted General Fund surplus from 2001 - 2002 that has been established by the Board and earmarked by Board motion for several projects in the 2002 - 2003 fiscal year.

10. Related party transactions

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

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

11. Comparative figures

Certain of the comparative figures for 2001 have been reclassified to conform with the financial statement presentation adopted for 2002.

HALIFAX REGIONAL SCHOOL BOARD

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

	<u>2002</u>		<u>(Restated)</u> <u>2001</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Province of Nova Scotia			
Formula funding	\$ 204,933,000	\$ 204,746,100	\$ 197,418,292
Provincial initiatives.	1,986,000	1,839,428	1,465,831
Emergency capital	---	2,068,911	252,391
French special projects.	177,000	148,308	136,285
Other.	1,473,000	6,567,740	5,185,752
	\$ 208,569,000	\$ 215,370,487	\$ 204,458,551
Halifax Regional Municipality			
Mandatory	\$ 59,601,000	\$ 59,601,200	\$ 59,658,345
Government of Canada			
Adult ESL	\$ 932,000	\$ 807,212	\$ 826,848
Minority official language	208,000	244,874	199,707
French special projects	445,000	371,032	340,498
Other.	371,000	648,103	303,674
	\$ 1,956,000	\$ 2,071,221	\$ 1,670,727
Board Operations			
Investment income.	\$ 540,000	\$ 462,546	\$ 459,818
Community education fees.	96,000	133,557	205,268
Summer School Fees.	135,000	141,015	137,316
Facilities rental.	400,000	303,113	420,658
EXCEL	1,868,000	1,726,406	1,607,755
International Students	640,000	435,598	388,029
Other.	55,000	186,337	875,502
	\$ 3,734,000	\$ 3,388,572	\$ 4,094,346

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

	<u>2002</u>		<u>(Restated)</u> <u>2001</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
School Services			
Teachers' salaries			
Classroom	\$ 133,153,000	\$ 133,248,126	\$ 141,621,869
Special Ed	15,419,000	12,551,371	9,858,059
Teacher librarians.	834,000	621,762	932,121
Guidance	3,168,000	3,119,341	2,178,210
Administrators	13,942,000	14,696,189	10,517,081
DOE increment settlement.	---	1,508,574	---
	166,516,000	165,745,363	165,107,340
Substitutes	5,500,000	7,337,484	5,836,359

HALIFAX REGIONAL SCHOOL BOARD

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

	2002		(Restated) 2001
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
School Services (continued)			
Non-teachers' salaries			
Educational program assistants	10,634,000	10,832,078	11,040,870
Library technicians.	199,000	212,420	549,792
School and administrative secretaries.	4,539,000	4,594,096	4,643,728
Student support workers.	---	---	82,921
Lunch and buss monitors.	825,000	861,544	655,784
Tutors and security	286,000	228,198	206,121
	<u>16,483,000</u>	<u>16,728,336</u>	<u>17,179,216</u>
Benefits.	<u>16,175,000</u>	<u>18,796,266</u>	<u>17,711,896</u>
Special education supplies and materials.	<u>87,000</u>	<u>79,847</u>	<u>172,677</u>
Tuition agreements	<u>150,000</u>	<u>156,416</u>	<u>101,988</u>
Textbooks and classroom supplies			
School based and centrally managed materials.	4,185,000	3,867,832	3,852,527
Textbook credit allocation	2,833,000	2,708,023	2,715,011
	<u>7,018,000</u>	<u>6,575,855</u>	<u>6,567,538</u>
Regional and area teams			
Teachers salaries	2,479,000	2,468,403	2,107,823
Non-teachers salaries.	111,000	113,855	106,051
Benefits	266,000	218,491	184,025
Supplies.	272,000	289,441	658,878
Information economy initiative - technicians . .	463,000	475,259	418,777
Information economy initiative - non-salary. . .	176,000	377,872	807,294
	<u>3,767,000</u>	<u>3,943,321</u>	<u>4,282,848</u>
Professional Development			
PD leadership	343,000	440,757	---
PD days.	1,140,000	989,176	518,500
Supplies and materials.	328,000	254,477	288,982
	<u>1,811,000</u>	<u>1,684,410</u>	<u>807,482</u>
Community education projects	<u>1,190,000</u>	<u>1,338,854</u>	<u>1,187,197</u>
Other			
Telephones, data and fax lines	953,000	899,247	577,592
Travel	427,000	362,995	236,193
	<u>1,380,000</u>	<u>1,262,242</u>	<u>813,785</u>
Equipment and technology	<u>737,000</u>	<u>256,115</u>	<u>290,341</u>
	<u>\$ 220,814,000</u>	<u>\$ 223,904,509</u>	<u>\$ 220,058,667</u>

HALIFAX REGIONAL SCHOOL BOARD

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

	2002		2001	
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	
Regional Board Management				
Board Members				
Honoraria	\$ 112,000	\$ 112,050	\$ 104,761	
NSSBA dues	146,000	146,182	79,784	
Travel and conferences	53,000	54,210	36,000	
Other	30,000	31,093	28,577	
	<u>341,000</u>	<u>343,535</u>	<u>249,122</u>	
Board Administration				
Salaries	710,000	707,658	740,555	
Benefits	93,000	82,758	79,410	
Supplies and materials	201,000	196,518	162,058	
Professional services	238,000	382,772	240,119	
Travel	20,000	17,336	17,688	
	<u>1,262,000</u>	<u>1,387,042</u>	<u>1,239,830</u>	
	<u>\$ 1,603,000</u>	<u>\$ 1,730,577</u>	<u>\$ 1,488,952</u>	
Business Services				
Board Administration				
Salaries	\$ 2,117,000	\$ 2,108,634	\$ 1,849,654	
Benefits	376,000	352,751	282,503	
Supplies and materials	80,000	85,004	67,026	
Liability insurance	223,000	228,018	203,260	
Professional fees	40,000	41,499	25,463	
Interest and service charges	331,000	244,159	318,969	
Other	100,000	101,402	66,863	
	<u>3,267,000</u>	<u>3,161,467</u>	<u>2,813,738</u>	
Facilities and Grounds				
Salaries: Maintenance	1,830,000	1,327,038	1,757,988	
Custodial	11,006,000	9,096,277	10,854,558	
Benefits	2,984,000	2,355,476	2,767,560	
Supplies and materials				
Maintenance	3,077,000	3,633,855	2,189,952	
Custodial	650,000	1,000,129	681,596	
Facilities rental	225,000	160,432	184,592	
Travel and mileage	50,000	37,403	37,254	
Insurance	370,000	380,392	344,640	
Utilities: Electricity				
Heating fuel	3,240,000	2,473,674	3,476,063	
Water/sewer	550,000	769,888	585,316	
Telephone/fax/data	125,000	112,226	117,108	
Vehicles	275,000	373,654	222,574	
Contracted services				
Maintenance	300,000	516,289	266,807	
Snow removal	410,000	645,737	323,810	
Garbage	450,000	591,211	486,317	
Grass cutting	170,000	167,139	166,008	
P3 school maintenance	235,000	212,671	237,286	
Cleaning services	---	1,660,254	28,273	
Other	---	386,589	57,874	
	<u>29,447,000</u>	<u>29,669,079</u>	<u>28,379,013</u>	

HALIFAX REGIONAL SCHOOL BOARD

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

	2002		2001
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Business Services (continued)			
Student transportation	11,200,000	11,024,200	11,112,398
Capital Repairs and Renovations.	1,794,000	3,735,095	1,647,044
EXCEL program			
Salaries	1,271,000	1,179,143	1,009,268
Benefits	124,000	88,393	78,948
Supplies and materials	94,000	149,967	166,347
Other	111,000	31,297	20,148
	1,600,000	1,448,800	1,274,711
Facilities rentals			
Salaries	239,000	169,264	228,306
Benefits	18,000	20,338	28,520
Supplies and materials	24,000	4,419	---
	281,000	194,021	256,826
Administration recovery from Supplementary Fund	(402,000)	(402,000)	(340,000)
	\$ 47,187,000	\$ 48,830,662	\$ 45,143,730
Corporate Services			
Board Administration			
Salaries.	\$ 1,176,000	\$ 1,204,392	\$ 1,226,777
Benefits	204,000	197,986	371,662
Supplies and materials.	300,000	260,321	268,302
Professional services.	80,000	6,042	41,818
Telephones	105,000	55,168	180,186
Other	217,000	340,628	10,605
	2,082,000	2,064,537	2,099,350
Staff Development			
Sabbaticals.	800,000	606,154	795,883
Professional development	800,000	1,011,680	812,906
	1,600,000	1,617,834	1,608,789
International students program	386,000	348,571	234,026
Summer school.	130,000	102,120	113,876
Community projects.	58,000	75,799	92,280
	\$ 4,256,000	\$ 4,208,861	\$ 4,148,321

HALIFAX REGIONAL SCHOOL BOARD

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

	2002		2001
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Halifax Regional Municipality	\$ 11,880,000	\$ 11,879,941	\$ 11,880,100
Expenditure			
School services			
Teachers' salaries			
Classroom	4,941,000	4,708,133	4,651,763
Special Ed	2,001,000	1,982,298	1,576,461
Guidance	18,000	40,650	15,722
Teacher administrators	738,000	810,189	634,708
Substitutes	245,000	230,009	324,446
Non-teachers' salaries			
Educational program assistants	910,000	828,085	790,010
Library technicians	744,000	742,940	720,796
School secretaries	127,000	177,932	82,090
Student support workers	60,000	59,871	111,677
Benefits	919,000	1,075,315	938,633
Textbooks and classroom supplies	781,000	739,552	1,481,681
	11,484,000	11,394,974	11,327,987
Student transportation	---	---	30,000
Administration allocation	238,000	238,000	238,000
Transfer to General Fund	---	---	443,000
	11,722,000	11,632,974	12,038,987
Excess (deficiency) of revenue over expenditure	158,000	246,967	(158,887)
Prior year's deficit	(158,000)	(158,887)	---
Excess (deficiency) of revenue over expenditure	\$ ---	\$ 88,080	\$ (158,887)

HALIFAX REGIONAL SCHOOL BOARD

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

	2002		2001
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Halifax Regional Municipality	\$ 5,062,000	\$ 5,061,975	\$ 5,062,000
Expenditure			
School services			
Teachers' salaries			
Classroom	2,315,000	2,180,719	2,164,728
Special Ed	675,000	722,124	518,633
Guidance	36,000	34,987	23,341
Administrators	145,000	132,376	55,310
Substitutes	95,000	93,641	124,581
Non-teachers' salaries			
Educational program assistants	333,000	320,435	267,923
Library technicians.	416,000	415,582	402,300
School secretaries.	85,000	104,481	108,935
Student support workers	30,000	29,935	18,308
Benefits.	386,000	475,829	404,922
Textbooks and classroom supplies	407,000	378,530	566,141
	4,923,000	4,888,639	4,655,122
Student transportation.	75,000	75,000	75,000
Administration allocation.	102,000	102,000	102,000
Transfer to General Fund.	---	---	192,000
	5,100,000	5,065,639	5,024,122
Excess (deficiency) of revenue over expenditure	(38,000)	(3,664)	37,878
Prior year's deficit.	38,000	37,878	---
Excess of revenue over expenditure	\$ ---	\$ 34,214	\$ 37,878

HALIFAX REGIONAL SCHOOL BOARD

Supplementary Fund - Halifax County/Bedford
 Detail of Revenue and Expenditure
 Year Ended March 31, 2002

	<u>2002</u>		<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Halifax Regional Municipality	\$ 3,200,000	\$ 3,199,984	\$ 2,355,000
Transfer from Reserve	702,000	701,972	---
	<u>3,902,000</u>	<u>3,901,956</u>	<u>2,355,000</u>
Expenditure			
School services			
Teachers' salaries			
Classroom	557,000	725,647	510,918
Special Ed	833,000	845,832	110,737
Teacher librarians	62,000	91,586	39,347
Administrators	---	10,625	---
Substitutes	24,000	73,810	16,000
Non-teachers' salaries			
Educational program assistants	605,000	397,205	379,558
Library technicians	487,000	462,120	285,992
School secretaries	61,000	66,664	40,604
Student support workers	61,000	46,095	36,615
Benefits	390,000	401,524	233,257
Textbooks and classroom supplies	760,000	726,938	---
	<u>3,840,000</u>	<u>3,848,046</u>	<u>1,653,028</u>
Administration allocation	62,000	62,000	---
Transfer to Reserve Fund	---	---	701,972
	<u>3,902,000</u>	<u>3,910,046</u>	<u>2,355,000</u>
Excess (deficiency) of revenue over expenditure	\$ <u>---</u>	\$ <u>(8,090)</u>	\$ <u>---</u>

HALIFAX REGIONAL SCHOOL BOARD

Schedule of Trust Funds
March 31, 2002

	<u>George Perrin</u>	<u>Christopher Maxwell</u>	<u>Abbie J. Lane</u>	<u>Doane Hatfield</u>	<u>Annie M. Piercey</u>	<u>James R. Pineo</u>	<u>Almar H. Shatford</u>	<u>Mengie Shulman</u>	<u>Harold T. Barrett</u>
Cash.	\$ 1,288	\$ 52	\$ 2,361	\$ 99	\$ 898	\$ 7,130	\$ 2,513	\$ 4,038	\$ 2,386
Restricted cash.	10,000	500	8,500	500	5,000	---	16,317	---	10,000
Due to									
General Fund.	(500)	(35)	(439)	(80)	(650)	(1,500)	(2,360)	(375)	(1,970)
Due from									
General Fund.	---	---	---	---	---	---	---	---	---
Investments.	---	---	---	---	---	100,000	---	---	---
	<u>\$ 10,788</u>	<u>\$ 517</u>	<u>\$ 10,422</u>	<u>\$ 519</u>	<u>\$ 5,248</u>	<u>\$ 105,630</u>	<u>\$ 16,470</u>	<u>\$ 3,663</u>	<u>\$ 10,416</u>
Equity	<u>\$ 10,788</u>	<u>\$ 517</u>	<u>\$ 10,422</u>	<u>\$ 519</u>	<u>\$ 5,248</u>	<u>\$ 105,630</u>	<u>\$ 16,470</u>	<u>\$ 3,663</u>	<u>\$ 10,416</u>
Balance, beginning									
of year	\$ 10,858	\$ 531	\$ 10,322	\$ 577	\$ 5,650	\$ 111,039	\$ 18,115	\$ 3,881	\$ 11,919
Donations.	---	---	---	---	---	---	---	---	---
Interest earned	<u>430</u>	<u>21</u>	<u>539</u>	<u>22</u>	<u>248</u>	<u>9,591</u>	<u>715</u>	<u>157</u>	<u>467</u>
	11,288	552	10,861	599	5,898	120,630	18,830	4,038	12,386
Awards paid	<u>(500)</u>	<u>(35)</u>	<u>(439)</u>	<u>(80)</u>	<u>(650)</u>	<u>(15,000)</u>	<u>(2,360)</u>	<u>(375)</u>	<u>(1,970)</u>
Balance, end									
of year	<u>\$ 10,788</u>	<u>\$ 517</u>	<u>\$ 10,422</u>	<u>\$ 519</u>	<u>\$ 5,248</u>	<u>\$ 105,630</u>	<u>\$ 16,470</u>	<u>\$ 3,663</u>	<u>\$ 10,416</u>

HALIFAX REGIONAL SCHOOL BOARD

**Schedule of Trust Funds (continued)
March 31, 2002**

		Carl & Rita <u>Turner</u>		Nick <u>Oxner</u>		John Travers <u>Cornwell</u>		Edith Cavell <u>Prize</u>		Donald <u>Keith</u>		Madeline LePage <u>Godin</u>		Spryfield <u>Auxiliary</u>		2001/2001 <u>Total</u>		2000/2001 <u>Total</u>	
Cash.	\$	3,711	\$	2,651	\$	11,750	\$	1,052	\$	8,194	\$	2,723	\$	3,513	\$	54,359	\$	60,120	
Restricted cash.		---		---		---		---		---		5,000		---		55,817		55,817	
Due to																			
General Fund.		(500)		---		---		---		(550)		---		(988)		(9,947)		(25,004)	
Due from																			
General Fund.		---		---		---		48		---		---		---		48		1,793	
Investments.		---		---		---		---		---		---		---		100,000		100,000	
	\$	<u>3,211</u>	\$	<u>2,651</u>	\$	<u>11,750</u>	\$	<u>1,100</u>	\$	<u>7,644</u>	\$	<u>7,723</u>	\$	<u>2,525</u>	\$	<u>200,277</u>	\$	<u>192,726</u>	
Equity	\$	<u>3,211</u>	\$	<u>2,651</u>	\$	<u>11,750</u>	\$	<u>1,100</u>	\$	<u>7,644</u>	\$	<u>7,723</u>	\$	<u>2,525</u>	\$	<u>200,277</u>	\$	<u>192,726</u>	
Balance, beginning	\$	3,566	\$	---	\$	---	\$	---	\$	7,881	\$	5,007	\$	3,380	\$	192,726	\$	185,511	
of year		---		2,650		11,711		1,144		---		2,502		---		18,007		5,000	
Donations.		145		1		39		4		313		214		133		13,039		14,708	
Interest earned		3,711		2,651		11,750		1,148		8,194		7,723		3,513		223,772		205,219	
Awards paid		(500)		---		---		(48)		(550)		---		(988)		(23,495)		(12,493)	
Balance, end																			
of year	\$	<u>3,211</u>	\$	<u>2,651</u>	\$	<u>11,750</u>	\$	<u>1,100</u>	\$	<u>7,644</u>	\$	<u>7,723</u>	\$	<u>2,525</u>	\$	<u>200,277</u>	\$	<u>192,726</u>	

AUDITOR'S REPORT

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 2002, and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Canada
June 12, 2002

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

**Statements of Earnings (Loss) and Deficit
Year Ended March 31, 2002**

	2002	2001
Revenue		
Facility revenue.....	\$ 13,515,205	\$ 11,565,742
Interest income.....	510,021	598,041
	<u>14,025,226</u>	<u>12,163,783</u>
Expenses		
Bondholder representative fees.....	191,407	98,015
Trustee fees.....	27,603	28,769
Salaries and benefits.....	174,158	163,211
Office.....	46,686	47,561
General and administrative.....	183,143	139,533
Enforcement.....	60,000	60,000
Independent engineer.....	29,956	33,837
Routine maintenance.....	689,084	776,009
Major maintenance.....	1,174,708	---
Facility operations.....	1,609,072	1,508,095
Transponders.....	36,714	49,801
	<u>4,222,531</u>	<u>2,904,831</u>
Earnings before other items.....	9,802,695	9,258,952
Other Items		
Government assistance amortization (Note 2).....	1,092,804	1,040,766
Amortization and depreciation.....	(2,576,310)	(2,455,511)
Interest on long term debt.....	(8,315,568)	(8,163,047)
	<u>3,621</u>	<u>(318,840)</u>
Net earnings (loss).....	<u>\$ 3,621</u>	<u>\$ (318,840)</u>
Deficit, beginning of year.....	\$ (8,671,313)	\$ (5,609,892)
Net loss.....	3,621	(318,840)
Transfer to reserve for restricted assets (Note 10).....	(2,308,576)	(2,742,581)
	<u>(10,976,268)</u>	<u>(8,671,313)</u>
Deficit, end of year.....	<u>\$ (10,976,268)</u>	<u>\$ (8,671,313)</u>

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

**Balance Sheet
March 31, 2002**

ASSETS

	2002		2001
Project bank accounts	\$ 482,740	\$	479,609
Inventory	21,820		24,533
Prepays (Note 3)	364,608		316,518
Receivables (Note 4)	201,950		145,503
Restricted assets (Note 5)	12,768,884		10,541,555
Facility (Note 6)	115,062,126		117,521,362
Deferred costs (Note 7)	682,754		832,069
	<u>\$ 129,584,882</u>	\$	<u>129,861,149</u>

LIABILITIES

Payables and accruals	\$ 484,965	\$	328,205
Deferred revenue	525,181		497,018
Long term debt (Note 8)	81,407,630		80,779,637
Payable to the Province of Nova Scotia (Note 9)	250,000		250,000
Deferred government assistance (Note 2)	51,063,568		52,156,372
	<u>133,731,344</u>		<u>134,011,232</u>

SHAREHOLDERS' DEFICIENCY

Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia	1		1
Reserve for restricted assets (Note 10)	6,829,805		4,521,229
Deficit	<u>(10,976,268)</u>		<u>(8,671,313)</u>
	<u>(4,146,462)</u>		<u>(4,150,083)</u>
	<u>\$ 129,584,882</u>	\$	<u>129,861,149</u>

Commitments and contractual obligations (Note 12)

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

**Statement of Cash Flows
Year ended March 31, 2002**

	2002	2001
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings (loss) \$	3,621	\$ (318,840)
Government assistance amortization.	(1,092,804)	(1,040,766)
Amortization of deferred financing fees	35,433	35,434
Amortization and depreciation	2,576,310	2,455,511
	<u>1,522,560</u>	<u>1,131,339</u>
Change in non-cash operating working capital (Note 11)	83,099	(110,790)
	<u>1,605,659</u>	<u>1,020,549</u>
Financing		
Increase in long term debt, net.	627,993	2,045,661
Investing		
Increase in restricted assets	(2,227,329)	(2,742,581)
Construction of facility.	(3,192)	(200,159)
	<u>(2,230,521)</u>	<u>(2,942,740)</u>
Net increase in cash and cash equivalents.	3,131	123,470
Cash and cash equivalents, beginning of year.	479,609	356,139
Cash and cash equivalents, end of year. \$	<u>482,740</u>	<u>\$ 479,609</u>

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

Notes to the Financial Statements March 31, 2001

1. Nature of operations

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

2. Summary of significant accounting policies

Pre-operating and operating periods

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

Facility

The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized commencing at the start of the operating period until March 31, 2026 using the sinking fund method with an annual compounding rate of 5%.

Deferred costs - start up

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

Deferred costs - financing fee

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

Deferred government assistance

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

Cash and cash equivalents

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

Use of estimates

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

3. Prepaids

	2002	2001
Operating expenses	\$ 79,365	\$ 31,275
Advance to operator	285,243	285,243
	<u>\$ 364,608</u>	<u>\$ 316,518</u>

4. Receivables

	2002	2001
Harmonized Sales Tax	\$ 53,455	\$ 44,448
Other	148,495	101,055
	<u>\$ 201,950</u>	<u>\$ 145,503</u>

5. Restricted assets

	Cash	Investment	2002 Total	2001 Total
Senior debt service				
reserve account	395	\$ 5,639,917	\$ 5,640,312	\$ 5,640,131
Capital reserve account	263	4,692,877	4,693,140	3,121,148
Major maintenance				
reserve account	40,140	2,395,292	2,435,432	1,780,276
	<u>\$ 40,798</u>	<u>\$ 12,728,086</u>	<u>\$ 12,768,884</u>	<u>\$ 10,541,555</u>

Investments are recorded at cost, have a weighted average term of 6.19 months to maturity and a weighted average interest rate of 2.84%. The market value of the investments approximates the carrying value.

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

- (i) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank accounts of the Corporation.
- (ii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

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

6. Facility

	Cost	Accumulated Depreciation	2002 Net book Total	2001 Net book Total
Facility	\$ 124,622,621	\$ 9,560,495	\$ 115,062,126	\$ 117,521,362

7. Deferred costs

		2002	2001
Start up	\$	75,921	\$ 189,803
Financing fees		606,833	642,266
		<u>\$ 682,754</u>	<u>\$ 832,069</u>

8. Long term debt

		2002	2001
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of \$2,251,191. Interest from the date of issue has been capitalized as part of the principal and continued to be fully capitalized until June 30, 1998. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.	\$	69,890,604	\$ 68,537,574

Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of \$503,395. Interest from the date of issue has been capitalized as part of the principal and continued to be capitalized until June 30, 1998. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders.		11,517,026	12,242,063
	\$	<u>81,407,630</u>	<u>\$ 80,779,637</u>

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

2003	806,236
2004	896,554
2005	996,970
2006	1,108,652
2007	2,498,137

9. Payable to the Province of Nova Scotia

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

10. Reserve for restricted assets

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

	2002	2001
Reserve for restricted assets, beginning of year	\$ <u>4,521,229</u>	\$ <u>1,778,648</u>
Transfers from project account	10,780,000	8,690,000
Interest income	485,205	564,321
Long term debt payments, including interest	(7,652,141)	(6,081,952)
Major maintenance payments, including HST to be recovered . . .	(1,304,488)	---
Rebate to Province	---	(429,788)
	<u>2,308,576</u>	<u>2,742,581</u>
Reserve for restricted assets, end of year	\$ <u><u>6,829,805</u></u>	\$ <u><u>4,521,229</u></u>

11. Supplemental cash flow information

	2002	2001
Change in non-cash operating working capital		
Inventory	\$ 2,713	\$ 2,112
Prepays	(48,090)	(57,164)
Receivables	(56,447)	451,763
Payables and accruals	156,760	(522,771)
Deferred revenue	28,163	15,270
	<u>\$ 83,099</u>	<u>\$ (110,790)</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	\$ <u>482,740</u>	\$ <u>476,609</u>
Interest paid	<u>\$ 6,927,124</u>	<u>\$ 6,081,952</u>

12. Commitments and contractual obligations

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

- **Omnibus Agreement**

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

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

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

- **Operating Agreement**

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

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

- **Major Maintenance Reserve Fund Agreement**

Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is \$50,000. The agreement with the independent engineer is scheduled to be renewed November 15, 2002.

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

2003	700,000
2004	700,000
2005	700,000
2006	700,000
2007	700,000

- **Annual Roadway Maintenance Agreement**

Five year agreement between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services for an annual fee of \$650,000 commencing April 1, 1999 and subsequently adjusted thereafter for inflation. The agreement with the Department of Transportation is scheduled to be renewed by March 31, 2003.

- **Other**

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

2003	27,348
2004	27,348
2005	27,348
2006	18,232

AUDITOR'S REPORT

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

To the Minister of Economic Development

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 2002, and the statements of continuity of fund for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

These financial statements reflect proposed write-offs of assistance outstanding of \$1,277,450 which were yet to be approved by Governor in Council as required under Section 23 of the Provincial Finance Act.

In my opinion, except for the effect of adjustments, if any, which might be determined to be necessary should Governor in Council not approve the amounts for write-off, these financial statements present fairly, in all material respects, the financial position of the fund as at March 31, 2002 and the continuity of fund for the year then ended in accordance with the basis of accounting required by Section 8 of the Industrial Development Act and the accounting policies detailed in Note 2 to the financial statements.

E.R. SALMON, FCA
Auditor General

Halifax, Nova Scotia
May 31, 2002

**PROVINCE OF NOVA SCOTIA
INDUSTRIAL EXPANSION FUND**

**Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
		(in thousands)
Financial assets, at cost		
Loans - Industrial Development Act	\$ 66,630	\$ 55,814
Loans - Venture Corporations Act (Note 4)	809	2,086
Royalty rights	9,623	15,641
Shares (Note 5)	<u>16,044</u>	<u>11,274</u>
	<u>93,106</u>	<u>84,815</u>
Less: Provision for concessionary assistance (Note 6)	34,707	29,162
Allowance for doubtful accounts	<u>17,423</u>	<u>8,453</u>
	<u>52,130</u>	<u>37,615</u>
	<u>40,976</u>	<u>47,200</u>
Due from consolidated fund		
Guarantees (Note 7)	111,942	99,456
Less: Provision for payment under guarantees	<u>5,259</u>	<u>4,616</u>
	106,683	94,840
Assistance authorized but unadvanced (Note 9)	<u>5,573</u>	<u>2,852</u>
	<u>112,256</u>	<u>97,692</u>
	<u>\$ 153,232</u>	<u>\$ 144,892</u>

FUNDING AUTHORIZED AND COMMITTED

Authorized, net of write-offs		
Industrial Development Act	\$ 297,086	\$ 299,024
Venture Corporations Act	4,408	5,685
Contributed surplus (Note 9)	<u>---</u>	<u>1,138</u>
	301,494	305,847
Less: Provision for concessionary assistance and possible losses on assistance (Note 10).	<u>57,389</u>	<u>42,231</u>
Net fund balance	244,105	263,616
Less: Uncommitted balance of fund	<u>90,873</u>	<u>118,724</u>
	<u>\$ 153,232</u>	<u>\$ 144,892</u>

Contingency (Note 11)

See accompanying notes to the financial statements.

**PROVINCE OF NOVA SCOTIA
INDUSTRIAL EXPANSION FUND**

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

	March 31, 2002		2002	2001
			(in thousands)	
Balance, beginning of year	\$	299,024	\$	311,967
Deduct: Accounts written off		<u>1,938</u>		<u>12,943</u>
Balance, end of year	\$	<u><u>297,086</u></u>	\$	<u><u>299,024</u></u>
Comprising:				
Loans receivable, shares, rights and other assets	\$	92,297	\$	81,661
Guarantees in effect and utilized.		96,535		85,056
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized		20,980		17,252
Uncommitted balance		<u>87,274</u>		<u>115,055</u>
	\$	<u><u>297,086</u></u>	\$	<u><u>299,024</u></u>

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

	March 31, 2002		2002	2001
			(in thousands)	
Balance, beginning of year	\$	5,685	\$	5,685
Deduct: Accounts written off		<u>1,277</u>		<u>---</u>
Balance, end of year	\$	<u><u>4,408</u></u>	\$	<u><u>5,685</u></u>
Comprising:				
Loans advanced	\$	809	\$	2,086
Uncommitted balance		<u>3,599</u>		<u>3,599</u>
	\$	<u><u>4,408</u></u>	\$	<u><u>5,685</u></u>

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

	March 31, 2002		2002	2001
			(in thousands)	
Balance, beginning of year	\$	1,138	\$	1,138
Deduct: Disposal of acquired assets.		<u>1,138</u>		<u>---</u>
Balance, end of year	\$	<u><u>---</u></u>	\$	<u><u>1,138</u></u>
Comprising:				
Loans advanced	\$	---	\$	1,068
Uncommitted balance		<u>---</u>		<u>70</u>
	\$	<u><u>---</u></u>	\$	<u><u>1,138</u></u>

See accompanying notes to the financial statements.

**PROVINCE OF NOVA SCOTIA
INDUSTRIAL EXPANSION FUND**

**Notes to the Financial Statements
March 31, 2002**

1. Authority

The Industrial Expansion Fund was established under the Industrial Development Act. The Fund is used for the purposes of establishing, assisting, developing or expanding industries in the Province.

The Business Development Corporation Act provides that the Industrial Expansion Fund may be administered by the Nova Scotia Business Development Corporation. A ministerial letter of assignment was issued authorizing the Corporation to administer the Industrial Expansion Fund as it related to the accounts sent to the Corporation for administration from time to time. The Corporation's activities are administered through a division of the Nova Scotia Department of Economic Development.

Effective November 6, 2001, pursuant to Order in Council 2001-423, administrative responsibility for the Industrial Expansion Fund was assigned to Nova Scotia Business Inc., a Crown Corporation formed under the Nova Scotia Business Incorporated Act.

2. Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles modified by paragraphs (a), (b) and (c) below. Paragraphs (d), (e) and (f) describe significant accounting policies of the Fund.

Administrative expenses and interest revenue

- (a) Administrative expenses of the Fund are included in the accounts of Nova Scotia Business Inc. and are not reflected in the financial statements of the Fund. Expenses relating to the change in the provision for possible losses on assistance and possible payments on guarantees are included in the accounts of the Office of Economic Development. Revenues earned on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the fund. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares are included in the accounts of the Department of Finance and are not reflected in the financial statements.

Statement of cash flows

- (b) A statement of cash flows is not provided since disclosure in the statements of continuity of the fund and the balance sheet are considered adequate.

Current assets

- (c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Provision for concessionary assistance

- (d) The Fund provides for the effect of the decrease in the valuation of certain loans and shares due to assistance being provided with concessionary terms.

Allowance for doubtful accounts

(e) The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis.

Royalty rights

(f) Royalty rights are valued at cost. The value of these rights is assessed annually by estimating the net present value of anticipated cash flows. If the carrying value of the right exceeds the net present value of future cash flows, the right is written down to the net present value.

Use of estimates

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

3. Amounts transferred from the Nova Scotia Business Development Corporation Fund

The financial statements of the Industrial Expansion Fund include assets and liabilities transferred from the Nova Scotia Business Development Corporation fund, pursuant to Order in Council 2001-523 dated November 6, 2001.

A summary of the amounts transferred is as follows:

	(in thousands)
Loans receivable.....	\$ 10,205
Shares.....	<u>5,028</u>
	15,233
Provision for possible losses.....	<u>(9,473)</u>
	<u>5,760</u>
Guarantees in effect.....	3,000
Provision for payment.....	<u>(3,000)</u>

	<u>\$ 5,760</u>

4. Venture Corporation Act

The Venture Corporations Act was assented to June 5, 1980 and came into force January 28, 1981. This Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act. Loan proceeds must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion Fund.

During the year no payments (2001 - \$40,000) were received.

	2002	2001
	(in thousands)	
Loans made to venture corporations	\$ 809	\$ 2,086
Less: Allowance for doubtful accounts	<u>809</u>	<u>1,856</u>
	<u>\$ ---</u>	<u>\$ 230</u>

5. Shares

	2002	2001
	(in thousands)	
Preferred shares	\$ 12,412	\$ 7,384
Common shares	<u>3,632</u>	<u>3,890</u>
	<u>\$ 16,044</u>	<u>\$ 11,274</u>

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

6. Provision for concessionary assistance

The provision for concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Fund.

The terms of concessionary assistance provided by the Fund has included low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance.

The assistance outstanding, provision for concessionary assistance and net book value related to loans and shares are as follows:

	2002			2001	
	Assistance Outstanding	Provision for Concessionary Assistance	Net Book Value	Net Book Value	
				(in thousands)	
Loans	\$ 46,112	\$ 28,144	\$ 17,968	\$	16,464
Shares	<u>8,912</u>	<u>6,563</u>	<u>2,349</u>	<u>\$</u>	<u>1,289</u>
	<u>\$ 55,024</u>	<u>\$ 34,707</u>	<u>\$ 20,317</u>	<u>\$</u>	<u>17,753</u>

7. Guarantees

	2002	2001
	(in thousands)	
Guarantee - in effect and utilized.	\$ 96,535	\$ 85,056
Guarantee - in effect but not utilized.	<u>15,407</u>	<u>14,400</u>
	<u>\$ 111,942</u>	<u>\$ 99,456</u>

During the year, one guarantee of \$2,000,000 was paid out (2001 - Nil).

8. Assistance authorized but unadvanced

	2002	2001
	(in thousands)	
Loans	<u>\$ 5,573</u>	<u>\$ 2,852</u>

9. Contributed Surplus

Contributed surplus represents the balance of funds provided to the Industrial Expansion Fund for the purpose of providing assistance in accordance with the terms of the Canada-Nova Scotia Development Fund Agreement. Loans granted under this agreement require Federal Government approval before they can be written-off or forgiven. The Province has asked for permission to write-off the loans, as of the auditors' report date there has been no response from the Federal Government.

10. Provision for concessionary assistance and possible losses on assistance

The following is a continuity of the provision:

	2002	2001
	(in thousands)	
Balance, beginning of year	\$ 42,231	\$ 48,617
Add accounts transferred from the Nova Scotia Business Development Corporation Fund.	<u>12,473</u>	<u>---</u>
	54,704	48,617
Add current year provision.	5,900	6,557
Less: accounts written-off	<u>3,215</u>	<u>12,943</u>
Balance, end of year	<u>\$ 57,389</u>	<u>\$ 42,231</u>

11. Contingency

The Fund has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. Estimates of the amount of future costs, if any, under these agreements cannot be made with any certainty and are not reflected in the financial statements.

AUDITOR'S REPORT

To the Minister of Health

I have audited the balance sheet of the Insured Prescription Drug Plan Trust Fund as at March 31, 2002, and the statement of revenues and expenses for the year then ended. These financial statements are the responsibility of the Department of Health management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Insured Prescription Drug Plan Trust Fund as at March 31, 2002, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Rob Philpott, CGA
Director, Corporate Internal Audit
Department of Finance

Halifax, Nova Scotia
September 4, 2002

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

**Balance Sheet
as at March 31, 2002**

		ASSETS	
		2002	2001
Current			
Cash	\$	3,668,611	\$ 3,361,635
Receivables			
Seniors		281,586	359,189
Low Income Trust Fund		17,660	17,468
Miscellaneous		---	69,436
Department of Health		1,708,000	1,646,750
Investments (Note 2)		8,493,960	10,978,990
Total Assets	\$	<u>14,169,817</u>	<u>\$ 16,433,468</u>

LIABILITIES

Current			
Payables and accruals	\$	4,732,141	\$ 4,251,412
Prepaid Premiums		1,579,611	9,990,205
Payable to Department of Health (Note 3)		7,858,065	2,191,851
Total Liabilities	\$	<u>14,169,817</u>	<u>\$ 16,433,468</u>

**Statement of Revenues and Expenses
for the year ended March 31, 2002**

		2002	2001
Revenues			
Seniors			
Premiums paid by seniors (Note 2)	\$	9,320,018	\$ 9,056,899
Co-payment to pharmacies		22,439,195	21,478,530
		<u>31,759,213</u>	<u>30,535,429</u>
Department of Health		81,045,209	73,259,771
Investment income		466,136	364,554
		<u>113,270,558</u>	<u>104,159,754</u>
Expenses			
Provider claims (Note 2)		113,270,558	104,159,754
Excess of Expenses over Revenues	\$	<u>---</u>	<u>\$ ---</u>

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

Notes to the Financial Statements March 31, 2002

1. Authority

Seniors' Pharmacare is a voluntary prescription drug insurance plan established, effective April 11, 1995, by Order-In-Council 95-557 and amended by Order-In-Council 2000-471 effective April 11, 2000. Contributions made by seniors and government are placed in the Insured Prescription Drug Plan Trust Fund and are used to pay Seniors' Pharmacare program costs. Principle features of the Pharmacare program are:

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

2. Significant Accounting Policies

Investments

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

Premium Revenues

Premium revenues are recorded on the accrual basis.

Claim Expenses

Claim expenses are recorded on the accrual basis. Claims, submitted by providers, are subject to audit by the program administrators. Any adjustments to claims as a result of these audits are recorded in the year of settlement.

Administration of Program

Maritime Medical Care Inc. administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the year are paid by the Province of Nova Scotia and are not reported in these financial statements.

3. Payable to Department of Health

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

	2002	2001
Payable (Receivable) to Department of Health, beginning of year.	\$ 9,990,205	\$ 2,035,908
Add: Payments from Department of Health.	72,634,615	81,214,068
Less: Net program expenses.	(81,045,209)	(73,259,771)
Payable to Department of Health, end of year.	<u>\$ 1,579,611</u>	<u>\$ 9,990,205</u>

AUDITORS' REPORT

To the Board of The Izaak Walton Killam Health Centre

We have audited the balance sheet of The Izaak Walton Killam Health Centre as at March 31, 2002 and the statements of operations, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Canada
May 24, 2002

THE IZAAK WALTON KILLAM HEALTH CENTRE

**Balance Sheet
March 31**

ASSETS

	2002	2001
Current		
Cash and cash equivalents	\$ 10,731,000	\$ 12,243,000
Receivables (Note 3)	12,709,000	11,763,000
Receivable from the Health Centre Foundations	917,000	284,000
Inventories	1,056,000	926,000
Prepays	668,000	519,000
	<u>26,081,000</u>	<u>25,735,000</u>
Retirement allowance receivable (Note 9)	6,794,000	6,113,000
Property and equipment (Note 4)	105,952,000	104,068,000
	<u>\$ 138,827,000</u>	<u>\$ 135,916,000</u>

LIABILITIES

Current		
Payables and accruals (Note 5)	\$ 15,436,000	\$ 15,558,000
Deferred revenue - DOH advance	4,287,000	4,219,000
	<u>19,723,000</u>	<u>19,777,000</u>
Retirement allowances (Note 9)	6,794,000	6,113,000
Appropriations and reserves (Note 7)	6,358,000	5,958,000
	<u>32,875,000</u>	<u>31,848,000</u>

FUND BALANCES (Page 188)

Capital Fund	<u>105,952,000</u>	<u>104,068,000</u>
	<u>\$ 138,827,000</u>	<u>\$ 135,916,000</u>

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

**Statement of Operations
Year ended March 31**

	2002	2001
Revenue		
Inpatient, outpatient and clinics.	\$ 105,694,000	\$ 96,548,000
Department of Community Services.	2,252,000	2,156,000
Rentals, recoveries and sales.	5,129,000	5,873,000
Mental health.	5,861,000	5,694,000
Grants from Health Centre Foundations.	397,000	339,000
	<u>119,333,000</u>	<u>110,610,000</u>
Expenses		
Children's acute and continuing care.	18,223,000	16,304,000
Children's acute and emergency care.	16,349,000	15,177,000
Maternal and newborn health.	25,511,000	22,808,000
Mental health services.	8,438,000	7,678,000
Women's health.	4,639,000	4,177,000
Maritime health and partnership.	9,000	349,000
Professional and academic.	13,926,000	13,007,000
Operations and support.	28,176,000	27,954,000
Executive offices and administration.	1,086,000	801,000
Non portable.	1,039,000	1,232,000
	<u>117,396,000</u>	<u>109,487,000</u>
Net income from operations.	<u>\$ 1,937,000</u>	<u>\$ 1,123,000</u>

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

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

	2002	2001
Capital Fund		
Balance, beginning of year	\$ 104,068,000	\$ 102,797,000
Funding for capital additions		
Specified donations for equipment	52,000	23,000
Transfers from operations	1,937,000	1,108,000
Transfer from appropriations and reserves	7,093,000	7,006,000
	<u>9,082,000</u>	<u>8,137,000</u>
Capital debt repayment	(239,000)	(198,000)
Depreciation	(6,959,000)	(6,668,000)
	<u>(7,198,000)</u>	<u>(6,866,000)</u>
Balance, end of year	\$ <u>105,952,000</u>	\$ <u>104,068,000</u>
Operating Fund (Deficiency)		
Balance, beginning of year	\$ ---	\$ (15,000)
Net income from operations	1,937,000	1,123,000
Transfer to capital fund	<u>(1,937,000)</u>	<u>(1,108,000)</u>
Balance, end of year	\$ <u>---</u>	\$ <u>---</u>

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

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

	2002	2001
Increase (decrease) in cash and cash equivalents		
Operating		
Net income from operations	\$ 1,937,000	\$ 1,123,000
Loss on sale of investments	---	(114,000)
	1,937,000	1,009,000
Change in non-cash operating working capital (Note 11)	(1,599,000)	(808,000)
	338,000	201,000
Financing		
Capital debt repayment	(239,000)	(198,000)
Specified donations for equipment	52,000	23,000
Transfers from appropriations and reserves	7,093,000	7,006,000
	6,906,000	6,831,000
Investing		
Proceeds on sale of investments, net of purchases	---	2,101,000
Purchase of property and equipment	(8,843,000)	(7,939,000)
Employee advances	87,000	(88,000)
	(8,756,000)	(5,926,000)
Net (decrease) increase in cash and cash equivalents	(1,512,000)	1,106,000
Cash and cash equivalents		
Beginning of year	12,243,000	11,137,000
End of year	\$ 10,731,000	\$ 12,243,000

See accompanying notes to the financial statements.

THE IZAAK WALTON KILLAM HEALTH CENTRE

Notes to the Financial Statements
March 31, 2002

1. **Purpose of Organization**

The IWK Health Centre provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research and health promotion. The IWK Health Centre offers a broad range of health services to women, children, and their families. The IWK Health Centre is committed to helping children and women in the Maritimes be the healthiest in the world.

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

2. **Summary of significant accounting policies**

Use of estimates

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

Cash and cash equivalents

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

Inventories

Inventories are valued at the lower of cost and replacement cost.

Property and equipment

Property and equipment assets are stated at cost. Depreciation is provided on the straight-line basis over the expected useful life of the asset as determined by the Canadian Hospital Accounting Manual:

Buildings and service equipment	2% to 2.5%
Major equipment	
Shareable, various	5% to 20%
Non-shareable, various	5% to 20%

Investments

All investments are recorded at cost except donated investments, which are recorded at values assigned at date of acquisition.

Appropriations and reserves

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

Donations

Specified donations transferred from the Foundations are recorded as direct additions either to appropriations and reserves or funds held in trust, depending on the source or specified purpose thereof.

Employee benefits

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

3. Receivables

	2002	2001
Patients and other accounts receivable, net of allowance for doubtful accounts of \$105,000 (2001 - \$101,000)	\$ 4,793,000	\$ 3,901,000
Nova Scotia Department of Health estimated year end adjustments	<u>7,916,000</u>	<u>7,862,000</u>
	<u>\$ 12,709,000</u>	<u>\$ 11,763,000</u>

The estimated year end adjustments are comprised of:

Accumulated deficit 1998/1999	2,391,000
Accumulated deficit 2001/2002	1,168,000
Transition support program	153,000
Labour adjustment funding	2,512,000
Poison information centre	450,000
Civic land	700,000
Other	<u>542,000</u>
	<u>\$ 7,916,000</u>

Of the total receivable from the Nova Scotia Department of Health, as of April 2002, \$1,000,000 has been received.

4. Property and equipment

	2002		2001	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 3,854,000	\$ ---	\$ 3,854,000	\$ 3,854,000
Building and service equipment	109,826,000	24,431,000	85,395,000	83,414,000
Major equipment	30,508,000	13,960,000	16,548,000	16,635,000
Group home	<u>206,000</u>	<u>51,000</u>	<u>155,000</u>	<u>165,000</u>
	<u>\$ 144,394,000</u>	<u>\$ 38,442,000</u>	<u>\$ 105,952,000</u>	<u>\$ 104,068,000</u>

5. Payables and accruals

	2002	2001
Trade payables	\$ 6,073,000	\$ 7,100,000
Accrued salaries and benefits	6,766,000	6,370,000
Funds held on behalf of others	2,597,000	1,681,000
Nova Scotia Department of Health	---	407,000
	<u>\$ 15,436,000</u>	<u>\$ 15,558,000</u>

6. Credit facility

The Health Centre has approved for a line of credit of \$2,000,000. At year end, no amount amount has been advanced on the line of credit from the Royal Bank (2001 - \$Nil). Any outstanding amount is repayable on demand and bears interest at prime plus 3/4%.

7. Appropriations and reserves

2002 2001

The following is a summary of the amounts in appropriations and reserves:

Capital		
Equipment	\$ 1,484,000	\$ 1,979,000
Capital campaign equipment	---	211,000
General renovations	859,000	937,000
Capital campaign construction	645,000	547,000
Capital campaign undecided	115,000	---
	<u>3,103,000</u>	<u>3,674,000</u>
Board fellowship	265,000	214,000
Windsor fellowship.	90,000	45,000
Neonatal fellowship.	84,000	129,000
Perinatal database/reproductive endocrine	---	44,000
Research funds.	2,816,000	1,844,000
Memorial funds	---	8,000
	<u>\$ 6,358,000</u>	<u>\$ 5,958,000</u>

The following is a summary of the continuity of appropriations and reserves:

Balance, beginning of year.	<u>\$ 5,958,000</u>	<u>\$ 6,819,000</u>
Grants from Health Centre Charitable Foundations	2,600,000	3,155,000
Department of Health funding.	528,000	2,391,000
Research funding	4,370,000	2,177,000
Capital campaign fund	2,575,000	844,000
Other funding	1,323,000	162,000
	<u>11,396,000</u>	<u>8,729,000</u>
Transfer to capital fund	(7,093,000)	(7,006,000)
Disbursements		
Research	(3,398,000)	(2,234,000)
Other	(505,000)	(350,000)
	<u>(10,996,000)</u>	<u>(9,590,000)</u>
Balance, end of year	<u>\$ 6,358,000</u>	<u>\$ 5,958,000</u>

8. Capital debt repayment

As part of the assumption of capital debt by the Nova Scotia Department of Health, the Health Centre is required to make an annual capital debt payment based on its "ability to pay" which is calculated at the annual per capita tax grant and 12 1/2% of the room differential as at March 31, 2001. The Health Centre is required to make this annual payment until the year 2003.

9. Retirement allowances

The Health Centre maintains a non-contributory retirement allowance program offered to employees. The most recent actuarial valuation was conducted as at December 31, 2000. The Province of Nova Scotia has assumed responsibility for funding this liability and a corresponding receivable has been recorded.

Retirement allowances (continued)

Information about the retirement allowance is as follows:

	2002	2001
Accrued benefit obligation		
Balance, beginning year	\$ 6,337,000	\$ 5,579,000
Current service cost	389,000	368,000
Interest cost	397,000	390,000
Benefits paid	(123,000)	---
Balance, end of year	<u>\$ 7,000,000</u>	<u>\$ 6,337,000</u>
Funded status - plan deficit	\$ (7,000,000)	\$ (6,337,000)
Unamortized net actuarial loss	<u>206,000</u>	<u>224,000</u>
Accrued benefit liability recognized	<u>\$ (6,794,000)</u>	<u>\$ (6,113,000)</u>

The Health Centre's net expense for the retirement allowance is as follows:

Retirement allowance	<u>\$ 804,000</u>	<u>\$ 776,000</u>
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The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2002:

Discount rate	7.05%
Rate of compensation increase	3.65 - 6.15%
Termination rates	1.2 - 20%

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

A retirement allowance is paid in respect of employees who die prior to retirement and, therefore, the mortality rates in accordance with the Group Annuity Mortality Table for 1983 were utilized.

10. Pension plan

The Health Centre participates in a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and indicates a funding surplus. The Health Centre's pension expense for the year amounted to \$3,957,000 (2001 - \$3,441,000).

11. Supplement cash flow information

	2002	2001
Change in non-cash operating working capital:		
Receivables	\$ (1,033,000)	\$ (1,095,000)
Receivable from Health Centre Foundations	(633,000)	356,000
Inventories	(130,000)	23,000
Prepays	(149,000)	(38,000)
Payables and accruals	(122,000)	659,000
Deferred revenue	68,000	148,000
Appropriations and reserves, net	<u>400,000</u>	<u>(861,000)</u>
	<u>\$ (1,599,000)</u>	<u>\$ (808,000)</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	<u>\$ 10,731,000</u>	<u>\$ 12,243,000</u>

LAW REFORM COMMISSION OF NOVA SCOTIA

**Balance Sheet
as at March 31, 2002**

ASSETS

Current Assets

Petty Cash		\$	25.00
Bank Operating Account	15,742.84		
T-Bill Account	<u>20,722.60</u>		
Total Cash			36,465.44
HST Receivable			<u>5,108.75</u>
Total Current Assets			<u><u>41,599.19</u></u>

Fixed Assets

Computer Equipment	19,059.16		
Accum Computer Equipment	<u>(19,059.16)</u>		
Net Office Equipment			---
Total Fixed Assets			---
Total Assets		\$	<u><u>41,599.19</u></u>

LIABILITIES

Current Liabilities

Accounts Payable		\$	16,690.65
UIC Payable		---	
CPP Payable		---	
Income Tax Payable		<u>---</u>	
Receiver General Payable			---
Total Current Liabilities			<u>16,690.65</u>
Total Liabilities		\$	<u>16,690.65</u>

EQUITY

Surplus

Surplus Beginning of Year			24,198.99
Surplus Current Year			<u>709.55</u>
Accumulated Surplus			<u>24,908.54</u>
Total Equity			<u>24,908.54</u>
Liabilities and Equity		\$	<u><u>41,599.19</u></u>

LAW REFORM COMMISSION OF NOVA SCOTIA

**Income Statement
as at March 31, 2002**

Revenue

Operating & Project Income

Dept. of Justice	\$	---
NS Law Foundation Contribution.....		250,000.00
Interest Income.....		1,226.65
PYS (DO NOT USE).....		---

Total Contributions		251,226.65
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Total Revenue		251,226.65
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Expense

Administrative Expenses

Wages	150,525.72	
EI Expense	4,270.40	
CPP Expense.....	5,455.98	
Group Insurance Expense	5,629.54	

Total Personnel Related		165,881.64
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Advertising.....		340.20
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Non Legal Consultants Fees		500.00
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Commissioners Fees & Expenses		9,625.21
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Electrical Expense.....		1,036.60
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Meeting Costs		960.87
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Library		1,173.00
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Accounting Fees		150.00
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Membership Fees		2,610.32
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Professional Fees		2,500.00
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Computer Software/Supplies/Repairs		13,150.95
--	--	-----------

Internet		978.28
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Staff Expenses		227.81
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Rent	18,712.56	
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Office Equipment Rental	3,232.46	
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Insurance	585.00	
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Total Premises Related		22,530.02
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Office Supplies	5,695.14	
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Parking	75.70	
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Photocopy/Printing	10,120.69	
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Postage & Courier.....	3,130.80	
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Telephone Expense	2,789.98	
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Travel/Conference/Workshop	1,737.15	
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Total Office Related		23,549.46
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Bank Charges		176.36
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HST Paid on Purchases		5,120.23
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GST Paid on Purchases		6.15
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Total Administration		250,517.10
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Total Expense		250,517.10
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Net Income	\$	709.55
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AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the Statement of Net Assets Available for Benefits and Accrued Pension Benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2002 and the Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statement based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2002 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
May 24, 2002, except as to Note 3 which is as of September 10, 2002

**ACCOUNTS ESTABLISHED UNDER
THE MEMBERS' RETIRING ALLOWANCES ACT**

**Statement of Net Assets Available for Benefits
and Accrued Pension Benefits
as at March 31, 2002**

	2002	2001
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Receivable from the Consolidated Fund	\$ 53,308,200	\$ 45,513,800
Liabilities		
Accounts payable and accruals	26,000	7,000
Net assets Available for Benefits	<u>\$ 53,282,200</u>	<u>\$ 45,506,800</u>
ACCRUED PENSION BENEFITS (Note 3)	<u>\$ 53,282,200</u>	<u>\$ 45,506,800</u>

**Statement of Changes in Net Assets Available for Benefits
for the Year Ended March 31, 2002**

	2002	2001
Increase in Assets		
Interest	\$ 3,805,385	\$ 3,650,126
Contributions		
Members' - matched	290,473	275,768
Government - matched	290,473	275,768
Members' - unmatched	---	16,752
Government - unmatched (Note 3)	859,799	816,275
Total increase in assets	<u>5,246,130</u>	<u>5,034,689</u>
Decrease in Assets		
Allowances (pensions)	2,899,525	2,850,613
Professional services	24,154	7,013
Refunds - contributions	---	45,036
- interest	---	3,088
Total decrease in assets	<u>2,923,679</u>	<u>2,905,750</u>
Increase in Net Assets before Actuarial Adjustment	2,322,451	2,128,939
Actuarial adjustment (Note 3)	5,452,949	(344,139)
Increase in Net Assets after Actuarial Adjustment	7,775,400	1,784,800
Net Assets Available for Benefits at Beginning of Year	<u>45,506,800</u>	<u>43,722,000</u>
Net Assets Available for Benefits at End of Year	<u>\$ 53,282,200</u>	<u>\$ 45,506,800</u>

(See accompanying notes to financial statements)

**ACCOUNTS ESTABLISHED UNDER
THE MEMBERS' RETIRING ALLOWANCES ACT**

**Notes to Financial Statement
for the year ended March 31, 2002**

1. Authority and Description of Plan

Members of the House of Assembly are entitled to receive allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated Fund of the Province a Members' Retiring Allowance Account and a Members' Supplementary Retiring Allowance Account to which members and government contributions and interest are credited, and payments to pensioners and terminating members are charged. If at any time the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the Consolidated Fund.

Members contribute 10% of indemnities, allowances and salaries and the Province contributes an equal amount. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities, allowances and salaries for the last three years, at the rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

There are 52 Members of the Legislative Assembly. At year end, 48 were contributors to the accounts and the remaining four members had reached the 15 year maximum contributory service. There are also 102 allowances in pay at March 31, 2002 to former Members of the Legislative Assembly, surviving spouses and/or dependant children.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the consumer price index or 6%.

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. A statement of cash flow is not provided since disclosure in the statement of changes in net assets available for benefits is considered adequate.

Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually at a rate of 8.5% according to the regulations of the Members' Retiring Allowances Act.

For reporting purposes, the contributions and allowances under the Members' Retiring Allowance Account and the Members' Supplementary Retiring Allowance Account are combined.

3. Actuarial Valuation

Actuarial valuations of benefits under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of pension benefit calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Partners Ltd., performed a valuation as at December 31, 2001 and issued their report in July 2002. The valuation indicated that at December 31, 2001 the accounts had actuarial liabilities of \$52,684,900 (December 31, 1999 - \$43,305,700). The liability account at the same date had balances totalling \$47,270,700 (December 31, 1999 - \$45,387,400) giving rise to an accounting unfunded liability of \$5,414,200 (December 31, 1999 - surplus \$2,081,700). The primary reason for the occurrence of the unfunded liability is an increase in fund liabilities resulting from a change in actuarial assumptions since the last valuation.

Eckler Partners Ltd. estimate of the Members' Retiring Allowance Account liabilities as at March 31, 2002 (extrapolated from December 31, 2001) indicated that the accounts had actuarial liabilities of \$53,282,200. An actuarial adjustment of \$5,452,949 (2001 - \$344,139) was recorded to adjust the liability accounts to reflect this revised estimate of actuarial values.

The actuarial valuation projects liabilities for each member on the basis of service earned to that date and the employee's projected three year average indemnity, expense allowance and executive council salary (where applicable) at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation are as follows:

	Valuation December 31, 2001	Valuation December 31, 1999
Investment earnings		
- pre-retirement rate	7.05%	7.5%
- post-retirement rate	3.93%	4.37%
(Net of assumed pensioner cost-of-living increases per annum)		
Salary escalation	3.0%	3.0%
Cost of living	3.0%	3.0%
Average Retirement Age	i) Age 55 if current Age less than 50 ii) Current age plus 5.5 if 50 is less than or equal to current age less then or equal to 56 iii) Later of current age plus 1.5 or 5 years of service if current age is greater then or equal to 57	i) Age 55 if current Age less than 48 ii) Current age plus 7.5 if 48 is less then or equal to current age less then or equal to 54 iii) Later of current age plus 3.5 or 5 years of service if current age is greater then or equal to 55
Mortality	1994 Group Annuitant Mortality Table projected to 2000	1983 Group Annuitant Mortality Table

During the year, the Province made additional contributions of \$859,799 (2000 - \$816,275). This was based on a prior valuation which indicated that the Province should contribute 39.6% of total payroll (indemnities, allowances and salaries) of contributing members, including the matching of the contribution, in order to cover the annual cost of benefits accrued.

AUDITORS' REPORT

To the Directors of the
Nova Scotia Arts Council

We have audited the statement of financial position of the Nova Scotia Arts Council as at March 31, 2002 and the statement of operations, statement of changes in net assets and statement of cash flow for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2002 and the results of its operations and changes in cash flow for the year then ended, in accordance with Canadian generally accepted accounting principles.

HORNBY TINKHAM MARSHALL
Chartered Accountants

May 9, 2002
Dartmouth, Nova Scotia

NOVA SCOTIA ARTS COUNCIL

**Statement of Financial Position
as at March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash and cash equivalents	\$ 292,151	\$ 369,123
Accounts receivable	14,869	11,547
	<u>307,020</u>	<u>380,670</u>
Endowment investments (market value \$1,013,410 2001 - \$961,300) (Note 8)	813,280	800,357
Prepaid expense	650	---
Capital Assets (Note 3)	18,000	23,789
	<u>\$ 1,138,950</u>	<u>\$ 1,204,816</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	\$ 238,449	\$ 274,589
Deferred contributions (Note 5)	25,933	75,340
	<u>264,382</u>	<u>349,929</u>
NET ASSETS		
Unrestricted net assets	43,288	30,741
Net assets invested in capital assets	18,000	23,789
Net assets restricted for endowment purposes	813,280	800,357
	<u>874,568</u>	<u>854,887</u>
	<u>\$ 1,138,950</u>	<u>\$ 1,204,816</u>

NOVA SCOTIA ARTS COUNCIL

**Statement of Operations
Year ended March 31, 2002**

	2002	2002	2001
	Budget	Actual	Actual
Revenue			
Grants (Note 6)	\$ 1,246,058	\$ 1,266,410	\$ 1,302,047
Transfer from endowment	61,597	---	---
McConnell Foundation (Note 7)	90,500	121,547	86,070
Other (Schedule 1)	21,000	17,893	34,829
	<u>1,419,155</u>	<u>1,405,850</u>	<u>1,422,946</u>
Expenses			
Grants			
Grant programs for individuals (Schedule 2)	394,000	394,000	394,930
ArtsSmarts - Arts inFusion program	90,000	115,707	79,006
New Media Awards	10,000	10,000	---
	<u>494,000</u>	<u>519,707</u>	<u>473,936</u>
Grant programs for organizations (Schedule 3)	496,000	473,763	549,899
Total grants	<u>990,000</u>	<u>993,470</u>	<u>1,023,835</u>
Program delivery			
Salaries - program officers	108,047	115,513	102,479
Employee benefits	17,267	17,737	15,944
Travel - officers (individuals)	3,500	1,711	3,067
Travel - officers (organizations)	3,500	3,051	3,768
ArtsSmarts - Arts inFusion - administration	10,500	5,840	7,063
Assessments - juries (Schedule 4)	30,000	34,558	29,704
MTT Peer assessment	600	1,404	---
Total program delivery	<u>173,414</u>	<u>179,814</u>	<u>162,025</u>
Administrative (Schedule 5)	255,741	225,808	237,086
Total expenses	<u>1,419,155</u>	<u>1,399,092</u>	<u>1,422,946</u>
Excess of revenue over expenses	<u>---</u>	<u>\$ 6,758</u>	<u>---</u>

NOVA SCOTIA ARTS COUNCIL

**Statement of Changes in Net Assets
Year ended March 31, 2002**

	Net Assets Invested in Capital Assets	Net Assets Restricted for Endowment Purposes	Unrestricted Net Assets	Total 2002	Total 2001
Balance, beginning of the year. \$	23,789 \$	800,357 \$	30,741 \$	854,887 \$	751,442
Excess (deficiency) of revenue over expenses	(5,789)	---	12,547	7,758	---
Endowment contributions (Note 8 and 10)	---	12,923	---	12,923	103,445
Balance, end of year. . . \$	<u>18,000 \$</u>	<u>813,280 \$</u>	<u>43,288 \$</u>	<u>875,568 \$</u>	<u>854,887</u>

**Statement of Cash Flow
Year ended March 31, 2002**

	2002	2001
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenses \$	6,758 \$	---
Item not affecting cash		
Amortization.	5,789	7,889
Changes in non-cash operating working capital items (Note 9)	<u>(89,519)</u>	<u>(221,186)</u>
	<u>(76,972)</u>	<u>(213,297)</u>
Financing		
Endowment contributions (Note 10)	<u>12,923</u>	<u>103,445</u>
Investing		
Increase in investments	<u>(12,923)</u>	<u>(103,455)</u>
Decrease in cash.	(76,972)	(213,307)
Cash and cash equivalents, beginning of year.	<u>369,123</u>	<u>582,430</u>
Cash and cash equivalents, end of year. \$	<u>292,151 \$</u>	<u>369,123</u>

NOVA SCOTIA ARTS COUNCIL

Notes to the Financial Statements Year Ended March 31,2002

1. PURPOSE OF THE ORGANIZATION

An Act to establish the Nova Scotia Arts Council was approved on January 11, 1996 by the 56th General Assembly of the Legislature of the Province of Nova Scotia. The purpose of the Organization is to:

- Make the arts integral to the lives of Nova Scotians;
- Foster artistic excellence throughout the Province;
- Encourage creative expression by funding activity in the arts;
- Utilize peer assessment in the determination of artistic merit and the allocation of funding;
- Educate the public regarding the cultural, social and economic importance of the arts;
- Strive for regional, cultural and developmental equity in the distribution of funding; and
- Carry out research on matters related to the arts.

The Organization is also responsible for establishing and maintaining the Nova Scotia Arts Endowment Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

The Nova Scotia Arts Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in equity.

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

(b) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are being amortized on a straight-line basis over a period of five years.

(c) Investments

Investments are recorded at the lower of cost and market value. These investments are managed by a professional money manager and are invested in a balanced portfolio of equity and security backed instruments.

(d) Cash and cash equivalents

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

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2002	Net 2001
Office furniture	\$ 34,594	\$ 23,811	\$ 10,783	\$ 13,479
Computer equipment	38,121	30,904	7,217	10,310
Computer software	886	886	---	---
	<u>\$ 73,601</u>	<u>\$ 55,601</u>	<u>\$ 18,000</u>	<u>\$ 23,789</u>

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2002	2001
Trade payables and accrued liabilities	\$ 29,190	\$ 42,063
ArtsSmarts - Arts inFusion program payable	14,816	6,000
Grants payable	194,443	226,526
	<u>\$ 238,449</u>	<u>\$ 274,589</u>

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted operating funding received in the current period that is related to the subsequent period. This deferred revenue will be reflected in next year's budget:

	2002	2001
Operations (Note 6)	\$ ---	\$ 27,810
McConnell Foundation Arts Smarts Program (Note 7)	25,933	47,530
	<u>\$ 25,933</u>	<u>\$ 75,340</u>

6. GRANT REVENUE

	2002	2001
Grants received from Province of Nova Scotia	\$ 1,238,600	\$ 1,263,600
Deferred grant revenue from prior year	27,810	66,257
	1,266,410	1,329,857
Less contributions deferred until next year:		
Operations	---	(27,810)
Amount recognized as revenue in the year	<u>\$ 1,266,410</u>	<u>\$ 1,302,047</u>

7. McCONNELL FOUNDATION

	2002	2001
Program grants received from McConnell Foundation	\$ 99,950	\$ 5,500
Deferred grant revenue from prior year	47,530	128,100
	147,480	133,600
Less contributions deferred until next year	(25,933)	(47,530)
Amount recognized as revenue in the year	<u>\$ 121,547</u>	<u>\$ 86,070</u>

8. ENDOWMENT FUND

The endowment fund was established in March 1997 with a grant from the Province of Nova Scotia. The Governor in Council has established the Regulations for this fund under the Regulations Act. The Council shall only make withdrawals of capital from the Endowment Fund for the purpose of investing the money and in accordance with the instructions of the investment managers. The fund advisors shall recommend annually to the Council the amount of income of the Endowment Fund, including, without limitation, interest, dividends, and realized capital gains, to be distributed to the Council for expenditures either as set out in the Endowment Fund budget prepared by the Council or with approval of the Minister. The value of the contributed capital of the Endowment Fund after inflation should not diminish over time. Until such time as the endowed funds reach one million dollars, all earnings of the fund will be retained to grow the Endowment Fund.

During the year, Council passed a resolution approving the transfer of a certain amount of the accumulated investment income from the Endowment Fund to support current operations for the year ended March 31, 2002, if necessary. However, no funds were transferred from the Endowment Fund in the year ended March 31, 2002.

	2002	2001
Capital contributions and donations		
Opening balance	\$ 725,800	\$ 644,915
Current year	350	80,885
	<u>726,150</u>	<u>725,800</u>
Investment income less expenses		
Opening balance	74,557	51,997
Current year	12,572	22,560
	<u>87,129</u>	<u>74,557</u>
Total	<u>\$ 813,279</u>	<u>\$ 800,357</u>

9. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2002	2001
Accounts receivable	\$ (3,322)	16,737
Prepaid expense	(650)	---
Accounts payable and accrued liabilities	(36,140)	(118,906)
Deferred contributions	(49,407)	(119,017)
	<u>\$ (89,519)</u>	<u>\$ (221,186)</u>

10. ENDOWMENT CONTRIBUTIONS

	2002	2001
Donations	\$ 350	80,885
Investment income	26,761	35,474
Bank and investment management charges	(14,188)	(12,914)
	<u>\$ 12,923</u>	<u>\$ 103,445</u>

11. ECONOMIC DEPENDENCE

The Nova Scotia Arts Council is funded entirely by a grant from the Province of Nova Scotia. The amount of this grant is determined annually by the Province.

On March 26, 2002 the Nova Scotia government suspended operations of the Nova Scotia Arts Council and appointed an interim Executive Director to carry out the activities of the Arts Council. The interim Executive Director reports to the Minister of Tourism and Culture.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Interest rate risk

The organization's investment portfolio is exposed to financial risk that arises from fluctuations in interest rates and the degree of volatility of these rates. The organization does not use derivative instruments to reduce its exposure to interest risk.

(b) Market risk

The organization's investment portfolio is exposed to the normal risks associated with investments in the financial markets. The investment portfolio is managed by a professional money manager in accordance with the investment policy established by the Endowment Fund Trustees.

(c) Fair value of financial instruments

The fair value of cash and equivalents, receivables, accounts payable and accrued liabilities and deferred contributions corresponds to their carrying value.

Schedule 1

NOVA SCOTIA ARTS COUNCIL

OTHER REVENUE
Year ended March 31, 2002

	2002 Budget	2002 Actual	2001 Actual
Interest	\$ 21,000	\$ 17,893	\$ 34,829
	<u>21,000</u>	<u>17,893</u>	<u>34,829</u>

Schedule 2

GRANTS PROGRAMS FOR INDIVIDUALS
Year ended March 31, 2002

Professional development	\$ 42,000	\$ 42,000	\$ 39,465
Presentation	56,000	56,000	53,166
Creation	296,000	296,000	302,299
	<u>\$ 394,000</u>	<u>\$ 394,000</u>	<u>\$ 394,930</u>

Schedule 3

GRANT PROGRAMS FOR ORGANIZATIONS
Year ended March 31, 2002

Production	\$ 196,000	\$ 184,101	\$ 203,493
Touring (returned grants)	---	(8,485)	23,993
Commissioning	22,000	21,400	19,600
Operating	254,000	254,000	279,000
Professional development	24,000	22,747	23,813
	<u>\$ 496,000</u>	<u>\$ 473,763</u>	<u>\$ 549,899</u>

NOVA SCOTIA ARTS COUNCIL

ASSESSMENTS - JURIES
Year ended March 31, 2002

	2002 Budget	2002 Actual	2001 Actual
Assessment - juries (individuals)			
Per diems. \$	1,728	2,055	1,333
Travel.	3,559	2,874	1,629
Accommodation.	4,368	4,943	3,877
Honorarium.	7,488	8,216	7,696
Meetings.	---	282	2,537
	<u>17,143</u>	<u>18,370</u>	<u>17,072</u>
Assessment - juries (organizations)			
Per diems.	1,296	1,060	1,300
Travel.	3,245	979	1,759
Accommodation.	2,700	2,477	2,320
Honorarium.	5,616	4,108	6,032
Meetings.	---	282	1,221
SUSPAC expenses.	---	7,282	---
	<u>12,857</u>	<u>16,188</u>	<u>12,632</u>
Total assessments - juries. \$	<u>30,000</u>	<u>34,558</u>	<u>29,704</u>

ADMINISTRATIVE EXPENSES
Year ended March 31, 2002

Salaries	\$ 110,500	\$ 110,916	\$ 92,540
Employee benefits	16,575	13,151	9,949
Travel - Executive Director	8,000	6,554	8,507
Travel - relocation	---	---	8,732
Board honoraria.	9,400	2,520	3,630
Board travel	5,000	4,951	6,489
Board meetings	6,600	4,657	3,374
Office rent	32,666	33,089	26,630
Supplies and services (Schedule 6)	50,000	31,311	48,651
Professional fees	13,000	12,551	15,704
Amortization	---	5,789	7,889
Capital purchases	2,000	---	---
Public relations.	---	---	1,377
Miscellaneous	2,000	319	3,614
Total administrative	<u>\$ 255,741</u>	<u>\$ 225,808</u>	<u>\$ 237,086</u>

NOVA SCOTIA ARTS COUNCIL

SUPPLIES AND SERVICES

Year ended March 31, 2002

	2002 Budget	2002 Actual	2001 Actual
Advertising and promotion	---	---	187
Annual report	2,000	---	---
Bank charges	1,000	1,606	1,878
Conference	---	---	76
Courier	1,500	621	628
Equipment rental	2,200	2,986	1,760
Insurance	2,000	1,417	1,882
Job search costs	1,000	---	13,591
Membership dues	200	150	194
Newsletter/web site	4,600	2,159	6,863
Postage	4,500	4,223	2,631
Printing costs	10,300	6,229	3,999
Professional development	---	525	319
Stationary and supplies	12,700	5,164	8,039
Telephone	8,000	6,231	6,604
	<u>\$ 50,000</u>	<u>\$ 31,311</u>	<u>\$ 48,651</u>

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of the Office of Economic Development

I have audited the balance sheet of the Nova Scotia Business Development Corporation as at November 6, 2001 and the statement of continuity of fund for the period then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

These financial statements reflect proposed write-offs of assistance outstanding of \$430,000 which were yet to be approved by Governor in Council as required under Section 23 of the Provincial Finance Act.

In my opinion, except for the effect of adjustments, if any, which might be determined to be necessary should Governor in Council not approve the amounts for write-off, these financial statements present fairly, in all material respects, the financial position of the Corporation as at November 6, 2001, and the continuity of fund for the period then ended in accordance with the basis of accounting required by Section 15 of the Business Development Corporation Act and the accounting policies detailed in Note 2 to the financial statements.

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

Halifax, Nova Scotia
June 7, 2002

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND**

**Balance Sheet
November 6, 2001**

ASSETS

	November 6, 2001	March 31, 2001
	(in thousands)	
Loans and Shares, at cost		
Loans receivable	\$ 152,451	\$ 146,418
Venture investments	5,477	7,014
Community Business Loan Program	2,742	3,152
Shares (Note 3)	<u>12,742</u>	<u>17,437</u>
	<u>173,412</u>	<u>174,021</u>
Less: Provision for concessionary assistance (Note 4)	3,595	14,352
Allowance for doubtful accounts	<u>38,773</u>	<u>28,317</u>
	<u>42,368</u>	<u>42,669</u>
	<u>131,044</u>	<u>131,352</u>
Industrial parks (Note 5)	<u>21,941</u>	<u>22,053</u>
Other assets	978	987
Less: Provision for decline in value	<u>840</u>	<u>864</u>
	<u>138</u>	<u>123</u>
Due from consolidated fund		
Guarantees (Note 6)	6,649	10,318
Less: Provision for payment under guarantees	<u>2,719</u>	<u>5,444</u>
	3,930	4,874
Assistance authorized but unadvanced	<u>31,536</u>	<u>53,021</u>
	<u>35,466</u>	<u>57,895</u>
	<u>\$ 188,589</u>	<u>\$ 211,423</u>

FUNDING AUTHORIZED AND COMMITTED

Authorized, net of write-offs	\$ 273,106	\$ 276,283
Less: Provision for concessionary assistance and possible losses on assistance (Note 7)	<u>45,927</u>	<u>48,977</u>
Net fund balance	<u>227,179</u>	<u>227,306</u>
Less: Uncommitted balance of fund	<u>38,590</u>	<u>15,883</u>
	<u>\$ 188,589</u>	<u>\$ 211,423</u>

Contingencies (Note 9)
Subsequent event (Note 10)

See accompanying notes to the financial statements

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND**

**Statement of Continuity of Fund
November 6, 2001**

	November 6, 2001	March 31, 2001
	(in thousands)	
Balance, beginning of year	\$ 276,283	\$ 285,768
Deduct: Accounts written off	<u>3,177</u>	<u>9,485</u>
Balance, end of year	<u>\$ 273,106</u>	<u>\$ 276,283</u>
 Comprising:		
Loans receivable, shares and other assets	\$ 174,390	\$ 175,008
Industrial parks	21,941	22,053
Guarantees in effect and utilized.	6,244	10,175
Loans and other investments authorized, but unadvanced and guarantees in effect but not utilized.	31,941	53,164
Uncommitted balance	<u>38,590</u>	<u>15,883</u>
	<u>\$ 273,106</u>	<u>\$ 276,283</u>

See accompanying notes to the financial statements

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND**

**Notes to the Financial Statements
November 6, 2001**

1. Authority

The Nova Scotia Business Development Corporation was established pursuant to the Business Development Corporation Act. The Act provided for the creation of the Nova Scotia Business Development Corporation Fund. The object of the Corporation is to encourage business development in the Province by providing financial assistance to business through the Fund, or such other assistance as may be determined by the Governor-in-Council. The Corporation's activities are administered through a division of the Office of Economic Development.

2. Accounting policies

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

Administrative expenses and interest revenue

- (a) Administrative expenses of the Corporation are recorded in the accounts of Nova Scotia Business Inc. and are not reflected in the financial statements. Expenses relating to the change in the provision for possible losses on assistance and possible payments on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements. Revenues earned on guarantees are included in the accounts of the Office of Economic Development and are not reflected in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance and is not reflected in the financial statements.

Statement of cash flows

- (b) A statement of cash flows is not provided since disclosure in the statements of continuity of the Fund and the balance sheet is considered adequate.

Current assets

- (c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Venture investments

- (d) Venture investments represent financial assistance (in the form of loans) to companies in emerging technology sectors and are primarily secured by interests in intellectual property and other assets.

Venture investments are initially recorded at cost. These investments continue to be carried at cost unless there exists persuasive evidence of a decrease in value as indicated by the assessment of the financial condition of the investment based on operational results, forecasts and other developments.

Industrial parks

- (e) Industrial parks are carried at cost of acquisition plus direct costs of improvements, net of proceeds of disposal. Selling prices are established using estimated market value. The park lands are reflected on an aggregate basis at the lower of cost or estimated market value.
- (f) The buildings in the parks are carried at book value. No depreciation is charged on the buildings.
- (g) Operational responsibility for the industrial parks has been assigned to the Department of Transportation and Public Works. Revenues and expenses associated with the operation of the industrial parks are accounted for by the Department of Transportation and Public Works and are not reflected in these financial statements.

Other assets

- (h) Properties acquired through foreclosure are carried at the cost of acquisition and are subject to a provision for write down annually to estimated realizable value.

Provision for concessionary assistance

- (i) The Corporation provides for the effect of the decrease in valuation of certain loans and shares due to assistance being provided with concessionary terms.

Allowance for doubtful accounts

- (j) The Corporation provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis except for loans under the Community Business Loan Program for which a blanket provision is determined based on prior years' loan performance. In addition, a general reserve is provided on any unreserved assistance outstanding.

Use of estimates

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

3. Shares

	November 6, 2001	March 31, 2001
	(in thousands)	
Preferred shares	\$ 9,619	\$ 14,329
Common shares and equity interests.	<u>3,123</u>	<u>3,108</u>
	<u>\$ 12,742</u>	<u>\$ 17,437</u>

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

4. Provision for concessionary assistance

The provision for concessionary assistance is the difference between the net present value at period end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Corporation.

The terms of concessionary assistance through the Corporation include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance. The assistance outstanding, provision for concessionary assistance and net book value related to each of the loans and shares is as follows:

	<u>November 6, 2001</u>			<u>March 31, 2001</u>	
	<u>Assistance Outstanding</u>	<u>Provision for Concessionary Assistance</u>	<u>Net Book Value</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	(in thousands)				
Loans	\$ 1,185	\$ 350	\$ 835	\$	5,270
Shares	<u>7,398</u>	<u>3,245</u>	<u>4,153</u>	<u>5,483</u>	<u>5,483</u>
	<u>\$ 8,583</u>	<u>\$ 3,595</u>	<u>\$ 4,988</u>	<u>\$</u>	<u>10,753</u>

5. Industrial parks

These parks include land in various stages of development from unimproved to fully developed and serviced lots. The parks also include buildings which are mainly used as incubator malls.

No provision has been made to reflect on an individual park-by-park basis the difference between the carrying cost and fair market value. As at November 6, 2001 the cumulative excess of market value as determined by management over cost was approximately \$6,441,860.

No provision has been made to record depreciation on incubator malls or other buildings and property.

6. Guarantees

	<u>November 6, 2001</u>	<u>March 31, 2001</u>
	(in thousands)	
Guarantees - in effect and utilized	\$ 6,244	\$ 10,175
Guarantees - in effect but not utilized	<u>405</u>	<u>143</u>
	<u>\$ 6,649</u>	<u>\$ 10,318</u>

During the period, no guarantees were paid out.

7. Provision for concessionary assistance and possible losses on assistance

The following is a continuity of the provision:

	November 6, 2002	March 31, 2001
	(in thousands)	
Balance, beginning of period	\$ 48,977	\$ 47,159
Deduct: Accounts transferred to Industrial Expansion Fund	<u>12,473</u>	<u>---</u>
	36,504	47,159
Add: Current period provision	12,600	11,303
Deduct: Accounts written off	<u>3,177</u>	<u>9,485</u>
Balance, end of period	<u>\$ 45,927</u>	<u>\$ 48,977</u>

8. Amounts transferred to the Industrial Expansion Fund

Order in Council 2001-523 dated November 6, 2001 authorized the transfer of certain accounts of the Nova Scotia Business Development Corporation Fund to the Industrial Expansion Fund.

A summary of the amounts transferred is as follows:

	(in thousands)
Loans receivable.	\$ 10,205
Shares.	<u>5,028</u>
	15,233
Provision for possible losses.	<u>(9,473)</u>
	<u>5,760</u>
Guarantees in effect.	3,000
Provision for payment	<u>(3,000)</u>
	<u>---</u>
	<u>\$ 5,760</u>

9. Contingencies

(a) Environmental remediation

The Corporation has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. An estimate of the amount of future costs under these agreements cannot be reasonably determined and is not reflected in the financial statements.

(b) Litigation

The Corporation is defending two legal actions relating to:

- i) a dispute in regard to an agreement of purchase and sale. The amount claimed is \$600,000.

Counsel is unable to form an opinion at this early date in regard to the merit of this claim and consequently no provision for any possible loss has been recorded in these financial statements.

ii) the termination of a contract. No specific amount has been claimed.

The Province has agreed to fund any potential loss arising from this claim. As of November 6, 2002, \$200,000 has been accrued in the accounts of the Office of Economic Development.

10. Subsequent event

Order-in-Council 2001-523 authorized, effective November 6, 2001, the transfer of the outstanding Fund balance and related assets of the Nova Scotia Business Development Corporation Fund to the Nova Scotia Business Fund, a fund of Nova Scotia Business Inc.

AUDITORS' REPORT

To the Board of Governors of the
Nova Scotia Community College

We have audited the statement of financial position of the Nova Scotia Community College as at March 31, 2002 and the statements of revenue and expenditures, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at March 31, 2002 and the results of its operations and the cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 14, 2002

NOVA SCOTIA COMMUNITY COLLEGE

**Statement of Financial Position
as at March 31, 2002**

ASSETS

	2002	2001
Current assets		
Cash	\$ 8,659,867	\$ 3,883,707
Accounts receivable (Note 3)	6,703,325	10,857,499
Inventory	663,027	506,286
Prepays	<u>763,571</u>	<u>576,051</u>
	16,789,790	15,823,543
Capital assets (Notes 2 and 4)	6,721,880	7,498,847
Endowment assets (Note 5)	745,773	698,062
Pensionable advance (Note 13)	<u>793,935</u>	<u>191,570</u>
	\$ <u>25,051,378</u>	\$ <u>24,212,022</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	\$ 12,120,252	\$ 12,153,996
Deferred revenue (Note 6)	<u>2,359,139</u>	<u>1,677,540</u>
	14,479,391	13,831,536
Deferred revenue related to capital assets (Note 7)	<u>1,643,876</u>	<u>1,589,516</u>
	<u>16,123,267</u>	<u>15,421,052</u>

NET ASSETS

Invested in capital assets (Note 8)	5,078,004	5,909,331
Restricted for endowment purposes (Note 5)	745,773	698,062
Restricted for college development (Note 12)	<u>3,104,334</u>	<u>2,183,577</u>
	<u>8,928,111</u>	<u>8,790,970</u>
	\$ <u>25,051,378</u>	\$ <u>24,212,022</u>

Commitments (Note 14)

NOVA SCOTIA COMMUNITY COLLEGE

**Statement of Revenue and Expenditures
Year Ended March 31, 2002**

	2002	2001
Revenue		
Province of Nova Scotia (Note 9)	\$ 60,779,000	\$ 55,536,229
Government of Canada	8,439,955	8,323,107
Tuition and fees	13,643,657	11,682,186
Customized training	10,635,033	10,495,983
Amortization of deferred revenue related to capital assets.	945,640	1,379,945
Other (Note 10)	12,398,664	12,745,491
	<u>106,841,949</u>	<u>100,162,941</u>
Expenditures		
Salaries and benefits	70,402,312	62,566,844
Operating supplies and services	19,824,816	20,567,211
Equipment, rentals, other	6,572,385	7,953,436
Utilities and maintenance.	7,083,169	6,379,456
Amortization	2,869,837	2,569,740
	<u>106,752,519</u>	<u>100,036,687</u>
Excess of revenue over expenditures	<u>\$ 89,430</u>	<u>\$ 126,254</u>

NOVA SCOTIA COMMUNITY COLLEGE

**Statement of Cash Flows
Year Ended March 31, 2002**

	2002	2001
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenditures	89,430 \$	126,254
Items not affecting cash		
Amortization of deferred revenue related to capital assets	(945,640)	(1,379,945)
Amortization	2,869,837	2,569,740
Loss on disposal of capital assets	6,980	8,556
	2,020,607	1,324,605
Changes in non-cash working capital items (Note 11)	4,457,768	1,353,248
	6,478,375	2,677,853
Investing		
Purchase of capital assets	(2,099,850)	(6,319,726)
Financing		
Pensionable Advance	(602,365)	(191,570)
Deferred revenue related to capital assets	1,000,000	795,771
	397,635	604,201
Net cash inflow (outflow)	4,776,160	(3,037,672)
Cash position, beginning of year	3,883,707	6,921,379
Cash position, end of year	\$ 8,659,867	\$ 3,883,707

NOVA SCOTIA COMMUNITY COLLEGE

**Statement of Changes in Net Assets
Year Ended March 31, 2002**

	Invested in Capital Assets	Unrestricted	Restricted for Endowment Purposes (Note 5)	Restricted for College Development (Note 12)	2002 Total	2001 Total
	_____	_____	_____	_____	_____	_____
Balance, beginning of year	\$ 5,909,331	\$ ---	\$ 698,062	\$ 2,183,577	\$ 8,790,970	\$ 8,524,934
Excess (deficiency) of revenue over expenditures.	(1,924,197)	2,013,627	---	---	89,430	126,254
Investment in capital assets.	1,092,870	(2,013,627)	---	920,757	---	---
Endowment contributions and interest.	---	---	277,512	---	277,512	459,905
Endowment disbursements.	---	---	(229,801)	---	(229,801)	(320,123)
Balance, end of year	<u>\$ 5,078,004</u>	<u>\$ ---</u>	<u>\$ 745,773</u>	<u>\$ 3,104,334</u>	<u>\$ 8,928,111</u>	<u>\$ 8,790,970</u>

NOVA SCOTIA COMMUNITY COLLEGE

**Notes to the Financial Statements
year ended March 31, 2002**

1. OVERVIEW OF OPERATIONS

The Nova Scotia Community College was established as a post-secondary public education corporation under the authority of the Community College Act of Nova Scotia effective April 1, 1996.

The College, with thirteen campuses across the Province, is responsible for enhancing the economic and social well being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

b) Revenue Recognition

The College follows the deferral method of accounting for revenue. Tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold. Funding for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and amounts held by financial institutions with maturities of less than 90 days.

d) Capital Assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis over the following estimated useful life:

Computer equipment	3 years
Furniture and equipment	5 years
Leasehold improvements	2 to 5 years
Management Information System (MIS)	5 years

Land and buildings that are owned by the Province are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year. Improvements made to these buildings with leases in place are capitalized and amortized over their useful life or the term of the lease, whichever is less.

e) Contributed Services

The Province provides the College with buildings at thirteen campuses (in excess of two million square feet) and is responsible for the maintenance of the physical plant and building infrastructure, the benefit of which is not reflected in these financial statements.

f) Inventory

Inventory consist of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

3. ACCOUNTS RECEIVABLE

	2002	2001
Organizations	\$ 3,482,361	\$ 7,841,808
Student fees	2,527,493	1,577,477
Government funding	1,000,450	1,000,000
Harmonized Sales Tax	540,971	897,215
Allowance for doubtful accounts	<u>(847,950)</u>	<u>(459,001)</u>
	<u>\$ 6,703,325</u>	<u>\$ 10,857,499</u>

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2002	Net Book Value 2001
Computer equipment	\$ 5,704,000	\$ 5,448,250	\$ 255,750	\$ 396,357
Furniture and equipment ...	5,771,418	3,800,532	1,970,886	2,093,696
Leasehold improvements...	233,661	145,444	88,217	47,956
MIS	<u>6,197,789</u>	<u>1,790,762</u>	<u>4,407,027</u>	<u>4,960,838</u>
	<u>\$ 17,906,868</u>	<u>\$ 11,184,988</u>	<u>\$ 6,721,880</u>	<u>\$ 7,498,847</u>

5. ENDOWMENT ASSETS

The balance, which is externally restricted for endowment purposes, represents donations and related interest restricted for scholarships, awards and other specified purposes.

6. DEFERRED REVENUE

Deferred revenue represents the unearned portion of amounts received for specific purposes and is summarized as follows:

	2002	2001
Apprenticeship	\$ 642,343	\$ 56,743
Process Control	---	600,000
Customized training	1,190,830	736,174
Other	525,966	284,623
	<u>\$ 2,359,139</u>	<u>\$ 1,677,540</u>

7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Deferred revenue related to capital assets represents the unamortized portion of funding received from the Province of Nova Scotia for capital asset additions. The changes in the deferred balance are as follows:

	2002	2001
Beginning balance	\$ 1,589,516	\$ 2,173,690
Contributions received	1,000,000	795,771
Amortization of deferred revenue related to capital assets	<u>(945,640)</u>	<u>(1,379,945)</u>
Ending balance	<u>\$ 1,643,876</u>	<u>\$ 1,589,516</u>

8. NET ASSETS INVESTED IN CAPITAL ASSETS

	2002	2001
Capital assets, net of amortization	\$ 6,721,880	\$ 7,498,847
Deferred revenue related to capital assets	<u>(1,643,876)</u>	<u>(1,589,516)</u>
	<u>\$ 5,078,004</u>	<u>\$ 5,909,331</u>

9. REVENUE-PROVINCE OF NOVA SCOTIA

	2002	2001
Funding received	\$ 61,779,000	\$ 56,332,000
Portion related to capital assets	<u>(1,000,000)</u>	<u>(795,771)</u>
	<u>\$ 60,779,000</u>	<u>\$ 55,536,229</u>

10. OTHER REVENUE

Other revenue is summarized as follows:

	2002	2001
Bookstore revenue	\$ 3,482,247	\$ 3,445,004
Food sales.	1,493,909	1,368,389
Apprenticeship/Shop.	1,944,361	2,149,012
Interest	307,097	774,176
Recoveries.	2,156,564	1,900,207
Applied research.	68,146	662,844
Lodging, rent and miscellaneous	2,946,340	2,445,859
	<u>\$ 12,398,664</u>	<u>\$ 12,745,491</u>

11. CHANGES IN NON-CASH WORKING CAPITAL

	2002	2001
Decrease (increase) in accounts receivable	\$ 4,154,174	\$ (2,926,165)
(Increase) decrease in inventory.	(156,741)	102,058
(Increase) in prepaids	(187,520)	(337,423)
(Decrease) increase in accounts payable.	(33,744)	4,364,801
Increase in deferred revenue	681,599	149,977
	<u>\$ 4,457,768</u>	<u>\$ 1,353,248</u>

12. RESTRICTED FOR COLLEGE DEVELOPMENT

These funds have been internally restricted by the Board to ensure that the funds are used solely for college development projects.

13. PENSIONABLE ADVANCE

When the College took over the Payroll function from the Province, it had to book a receivable, which represented a pay advance to staff. This was to account for the move from "paid to date" to "paid in arrears." This receivable was formally held by the Province.

14. COMMITMENTS

The College is committed to the following lease and maintenance agreement payments over the next five years:

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 461,053	\$ 200,335	\$ 116,759	\$ 80,744	\$ 13,249

15. PENSION PLAN

The Nova Scotia Community College contributes to two pension plans administered by the Province of Nova Scotia. The Province of Nova Scotia assumes the actuarial risk.

The College matches employees' contributions calculated as follows for the Nova Scotia Public Service Superannuation Plan: 5.4% on the part of their salary that is equal to or less than the "year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan (CPP) and 7% on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of \$2,831,510 in 2002.

The College matches employees' contributions calculated as follows for the Nova Scotia Teachers' Union Pension Plan: 8.3% on the part of their salary that is equal to or less than the YMPE under the CPP and 9.9% on the part of their salary that is excess of YMPE. Under this plan, the College has recognized contributions of \$5,288,023 in 2002.

16. COMPARATIVE FIGURES

Certain 2001 figures have been reclassified to confirm to the 2002 financial statement presentation.

AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

To the Chair and Members of the Nova Scotia Crop
& Livestock Insurance Commission

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2002, and the statements of income and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2002 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
May 24, 2002

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**

**Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Current		
Cash	\$ 103,952	\$ 126,276
Short-term investments (note 3)	5,583,399	5,569,522
Receivables, trade	51,734	55,443
Accrued interest receivable	<u>51,293</u>	<u>195,708</u>
	5,790,378	5,946,949
Capital assets (note 4)	<u>33,921</u>	<u>45,704</u>
	<u>\$ 5,824,299</u>	<u>\$ 5,992,653</u>

LIABILITIES

Current		
Unearned premiums	\$ 31,415	\$ 30,908
Deposits for insurance	16,734	562
Provision for payment of unsettled indemnities (note 5)	<u>30,000</u>	<u>219,373</u>
	<u>78,149</u>	<u>250,843</u>
Deferred contributions related to capital assets (note 6)		
	<u>33,922</u>	<u>45,704</u>
	<u>112,071</u>	<u>296,547</u>

FUND BALANCES

Fund balances

Crop insurance	4,764,779	4,811,349
Livestock insurance	<u>947,449</u>	<u>884,757</u>
	5,712,228	5,696,106
	<u>\$ 5,824,299</u>	<u>\$ 5,992,653</u>

Commitments (note 10)

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**

**Statement of Income and Fund Balances
year ended March 31, 2002**

	Crop Insurance	Livestock Insurance	Other	Totals	
				2002	2001
Revenues					
Insurance premiums (Schedule A)	\$ 666,540	\$ 27,737	\$ ---	\$ 694,277	\$ 689,010
Interest income	206,563	39,345	---	245,908	341,088
Amortization of deferred contributions	---	---	11,783	11,783	12,694
	<u>873,103</u>	<u>67,082</u>	<u>11,783</u>	<u>951,968</u>	<u>1,042,792</u>
Indemnity claims (Schedule A)	919,673	4,390	---	924,063	491,715
Administrative expenses (note 7) (Schedule B)	598,865	6,109	6,109	611,083	599,861
Amortization of capital assets	---	---	11,783	11,783	12,694
	<u>1,518,538</u>	<u>10,499</u>	<u>17,892</u>	<u>1,546,929</u>	<u>1,104,270</u>
Income (loss) before Government contributions	(645,435)	56,583	(6,109)	(594,961)	(61,478)
Government contributions (note 8)	598,865	6,109	6,109	611,083	599,861
Net Income	<u>(46,570)</u>	<u>62,692</u>	<u>---</u>	<u>16,122</u>	<u>538,383</u>
Fund Balance					
Beginning of year	4,811,349	884,757	---	5,696,106	5,157,723
End of year	<u>\$ 4,764,779</u>	<u>\$ 947,449</u>	<u>\$ ---</u>	<u>\$ 5,712,228</u>	<u>\$ 5,696,106</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**

**Statement of Cash Flows
Year Ended March 31, 2002**

	2002	2001
Operating Activities		
Net income.	\$ 16,122	\$ 538,383
Net Change in non-cash working capital balances related to operations (note 9)	<u>(24,569)</u>	<u>(132,320)</u>
	<u>(8,447)</u>	<u>406,063</u>
Investing Activities		
Purchase of short-term investments	<u>(13,877)</u>	<u>(337,449)</u>
Increase (decrease) in cash during year	(22,324)	68,614
Cash, beginning of year	<u>126,276</u>	<u>57,662</u>
Cash, end of year	\$ <u><u>103,952</u></u>	\$ <u><u>126,276</u></u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**

**Notes to Financial Statements
March 31, 2002**

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following accounting policy.

Capital Assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

3. Short-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2002 these funds had a market value of \$5,582,330 (2001 - \$5,632,446) and were invested in various corporate and provincial bonds maturing in 2002 and 2003 with yields from 2.2% to 5.1%.

4. Capital Assets

	2002	2001
Equipment and furniture.	\$ 92,426	\$ 92,426
Accumulated amortization	<u>(58,505)</u>	<u>(46,722)</u>
	<u>\$ 33,921</u>	<u>\$ 45,704</u>

5. Provision for payment of unsettled indemnities

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture and Fisheries on behalf of the Commission.

	2002	2001
Balance, beginning of year	\$ 45,705	\$ 56,726
Add: Capital assets acquired	---	1,672
Less: Amounts amortized to revenue	<u>(11,783)</u>	<u>(12,694)</u>
Balance, end of year	<u>\$ 33,922</u>	<u>\$ 45,704</u>

7. Related Party Transactions

Administrative expenses include \$30,000 (2001 - \$30,000) for rent and \$44,240 (2001 - \$44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Fisheries.

8. Government Contributions

Under the crop insurance programs, producers pay 50% of the insurance premiums and the Federal and Provincial governments each pay 25%. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 2002 fiscal year, the Federal government contributed 49% (2001 - 49%) of the total administrative expenses. The Provincial government funded the remainder.

9. Net change in non-cash working capital balances related to operations

	2002	2001
Increase (decrease) in cash from changes in:		
Receivables	\$ 3,709	\$ (22,518)
Accrued interest receivable	144,415	(47,794)
Increase in deposits for insurance	16,173	(14,212)
Unsettled indemnities	(189,374)	(48,204)
Unearned premiums	<u>508</u>	<u>408</u>
	<u>\$ (24,569)</u>	<u>\$ (132,320)</u>

10. Insurance Coverage

The total insurance coverage as of March 31, 2002 was \$40,588,927 (2001 - \$37,624,038), comprising crop insurance of \$14,747,927 (2001 - \$14,228,038) and livestock insurance of \$25,841,000 (2001 - \$23,396,000).

The Province is party to an agreement with the Government of Canada, whereby, the Province makes advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund are recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately \$709,000. Management hold the opinion that the payment of these premiums was the responsibility of the Province. Discussions will be held in the next fiscal year to determine if the Commission should repay all, or a portion, of these re-insurance premiums to the Province. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

There is no Re-Insurance Fund for livestock.

11. Public Service Superannuation Fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability. The pension expense incurred in the current year was \$20,824.

12. Economic dependance

The Commission is economically dependant upon the ongoing and future funding of the Nova Scotia and Federal governments.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**

**Premium Revenue and Indemnity Claims
for the year ended March 31, 2002**

	Premium Revenue					Indemnity Claims	
	Farmer	Federal	Provincial	2002	2001	2002	2001
Crop Insurance							
Spring grain	\$ 22,994	\$ 11,497	\$ 11,497	\$ 45,988	\$ 44,879	\$ 60,071	58,339
Winter grain	13,204	6,602	6,602	26,408	19,676	14,623	9,248
Tree fruit	107,303	53,651	53,651	214,605	212,745	99,201	39,197
Corn	20,645	10,323	10,323	41,291	41,953	10,410	21,829
Peas & Beans	35,914	17,957	17,957	71,828	84,385	77,087	11,723
Blueberries	58,222	29,112	29,112	116,446	101,232	257,996	27,693
Strawberries and raspberries	5,386	2,693	2,693	10,772	7,603	9,615	13,846
Forage	3,895	3,358	2,417	9,670	10,356	6,391	2,518
Soybeans	4,957	2,478	2,478	9,913	5,813	6,785	2,400
Potatoes	25,155	12,577	12,577	50,309	69,552	160,874	---
Vegetables	34,654	17,328	17,328	69,310	74,286	216,620	99,223
	<u>332,329</u>	<u>167,576</u>	<u>166,635</u>	<u>666,540</u>	<u>672,480</u>	<u>919,673</u>	<u>286,016</u>
Livestock Insurance							
Dairy	27,737	---	---	27,737	16,530	4,390	205,699
Total	<u>\$ 360,066</u>	<u>\$ 167,576</u>	<u>\$ 166,635</u>	<u>\$ 694,277</u>	<u>\$ 689,010</u>	<u>\$ 924,063</u>	<u>\$ 491,715</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**

**Administrative Expenses
for the year ended March 31, 2002**

	Insurance			Totals	
	Crop	Livestock	Other	2002	2001
Personnel	\$ 434,958	\$ 4,438	\$ 4,438	\$ 443,834	\$ 404,860
Transportation and communication	49,037	500	500	50,037	43,168
Information	9,934	101	101	10,136	9,815
Professional and special services	7,713	79	79	7,871	29,786
Office accommodation and equipment rental	34,494	352	352	35,198	30,915
Repair and maintenance of equipment	511	5	5	521	692
Utilities, materials and supplies	18,863	192	192	19,247	12,600
Other expenditures	43,355	442	442	44,239	68,025
	<u>\$ 598,865</u>	<u>\$ 6,109</u>	<u>\$ 6,109</u>	<u>\$ 611,083</u>	<u>\$ 599,861</u>

AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

To the Chair and Members of the Nova Scotia Farm Loan Board

I have audited the statement of financial position of the Nova Scotia Farm Loan Board as at March 31, 2002 and the statements of revenues and expenses, and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 2, 2002

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD**

**Statement of Financial Position
as at March 31, 2002**

ASSETS	2002	2001 (Restated-Note 7)
		(in thousands)
Accounts receivable	\$ 5,509	\$ 5,648
Due from Department of Finance	1,687	1,515
Loans receivable (Note 3)	160,137	160,737
Real estate (Note 4)	5,138	4,193
	<u>\$ 172,471</u>	<u>\$ 172,093</u>

LIABILITIES AND RETAINED EARNINGS

Insurance reserve (Note 5)	\$ 2,350	\$ 2,350
Advances from Department of Finance (Note 2)	169,231	169,095
Retained earnings (Note 6)	890	648
	<u>\$ 172,471</u>	<u>\$ 172,093</u>
Commitments (Note 8)		

**Statement of Revenues and Expenditures
For the Year Ended March 31, 2002**

Revenues	2002	2001 (in thousands)
Interest revenue	\$ 13,213	\$ 12,486
Fee revenue	467	201
Insurance revenue	169	573
Other revenue	---	9
	<u>13,849</u>	<u>13,269</u>
Expenses		
Interest expense (Note 2)	10,677	9,961
Operating expenses (Note 9)	992	929
Bad debt expense	972	663
	<u>12,641</u>	<u>11,553</u>
Income before Government contributions	1,208	1,716
Government Contributions (Note 9)	992	929
Net Income	<u>\$ 2,200</u>	<u>\$ 2,645</u>

**Statement of Retained Earnings
For the Year Ended March 31, 2002**

	2002	2001 (Restated-Note 7)
		(in thousands)
Retained earnings, as previously reported	\$ 648	\$ 652
Restatement of prior years' retained earnings (Note 7)	---	(347)
As restated	648	305
Income before Government contributions	1,208	1,716
Distribution to Department of Finance (Note 6)	(966)	(1,373)
Retained earnings, end of year	<u>\$ 890</u>	<u>\$ 648</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FARM LOAN BOARD**

**Notes to Financial Statements
March 31, 2002**

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are significant accounting policies of the Board.

a) Interest Expense

Loans provided by the Board are funded through quarterly advances from the Department of Finance. Advances are based on the Board's estimated requirement for the forthcoming quarter. Interest expense is calculated in accordance with the terms of a Memorandum of Understanding between the Board and the Department of Finance, based on the Department's cost of borrowing the Funds advanced.

b) Allowance for Doubtful Accounts

The Board provides for possible losses on loans receivable and real estate on an item by item basis. In addition, a general reserve is provided on loans receivable.

c) Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts such as loan valuation allowances are based on assumptions or estimates. Accuracy of these numbers depends on the completeness and quality of information available when the recorded amount is derived. There could be significant variances between the estimates recorded and the actual results achieved.

3. Loans Receivable

	2002	2001
	(in thousands)	
Farm loans	\$ 163,177	\$ 163,816
Timber loans	1,798	1,759
	164,975	165,575
Less: Allowance for doubtful accounts	4,838	4,838
	\$ 160,137	\$ 160,737

4. Real Estate - at lower of cost and net realizable value

	2002	2001
	(in thousands)	
Real estate being leased or held	\$ 5,283	\$ 3,655
Land bank	2,033	2,252
Land consolidation		
Agricultural Rural Development Agreement (ARDA)	84	85
Less: Federal Government share of cost of		
ARDA properties	(43)	(43)
Held for Department of Agriculture and Fisheries	450	363
	7,807	6,312
Less: Allowance for doubtful recoveries	2,669	2,119
	\$ 5,138	\$ 4,193

5. Insurance Reserve

	2002	2001
		(in thousands)
Balance, beginning of year	\$ 2,350	\$ 2,673
Add: Premiums collected	373	363
Interest earned	79	86
	<u>452</u>	<u>449</u>
Deduct: Insurance costs before administration fees	203	119
Administration fees	80	80
Transfer to revenue	169	573
	<u>452</u>	<u>772</u>
Balance, end of year	<u>\$ 2,350</u>	<u>\$ 2,350</u>

The Board requires borrowers to participate in a group life insurance program administered by the Board. The carrier of the insurance will pay claims up to 100% and above 125% of premiums received from borrowers during the year. The insurance reserve will be used to fund the portion of claims that fall between these two limits. In addition, the Board may use the reserve to maintain or reduce future premiums charged to borrowers under the policy, pay for professional services related to the program, and contribute funds towards the acquisition of a computer system for Board operations.

In the year ended March 31, 2001, the Board commenced the practice of estimating the total amount of insurance reserve needed to fulfil the purpose of the reserve. Any funds in excess of this amount will be transferred to the general revenues of the Board. For the year ended March 31, 2002 a balance of \$2,350,000 was established for the reserve and \$169,000 (2001 - \$573,000) was transferred to revenue.

Of the total reserve, \$797,000 (2001 - \$867,000) is held by the Department of Finance, and is included on the statement of financial position in the amount due from the Department of Finance. The remaining \$1,553,000 (2001 - \$1,483,000) is held by the carrier of the insurance plan, and is included in the accounts receivable of the Board. Interest is paid by the insurance plan carrier on an annual basis for certain funds and on a daily basis for other funds, and the interest rates used are set at the beginning of each policy year. The funds held by the Department of Finance bear no interest.

6. Retained Earnings

A Memorandum of Understanding dated March 16, 1999 between the Nova Scotia Farm Loan Board and the Department of Finance enables the Board to retain 20% of income before government contributions for future use. The agreement took affect as of April 1, 1998. Previously, all net income of the Board was transferred to the Department of Finance. Net income retained is included on the statement of financial position in the amount due from the Department of Finance, and cannot be expended without the consent of the Department.

7. Restatement of Retained Earnings

The Board changed the basis of calculating additions to retained earnings from 20% of net income to 20% of income before government contributions. The change was made to conform with the Department of Finance's interpretation of the Memorandum of Understanding between the two parties outlining this process (see note 6). The change has been applied retroactively and the financial statements for the year ended March 31, 2001 have been restated. The impact of the change on the March 31, 2001 balance sheet is to decrease due from Department of Finance and retained earnings by \$533,000. The impact on the statement of retained earnings for the year ended March 31, 2001 is to record income before government contributions of \$1,716,000 and decrease distribution to Department of Finance by \$743,000. Retained earnings at the beginning of the year are decreased by \$347,000, and are decreased by \$533,000 at the end of the year.

Certain other 2001 figures have been reclassified to conform with the presentation adopted for the 2002 financial statements.

8. Commitments

As at March 31, 2002, the Board had authorized loans of \$1,664,000 (2001 - \$4,979,000) which had not been disbursed.

9. Operating Expenses

The operating expenses of the Board are paid by the Department of Agriculture and Fisheries on behalf of the Board.

	2002	2001
		(in thousands)
Salaries and benefits.....\$	835 \$	801
Supplies and services	66	48
Travel	40	41
Training and development	9	17
Professional services	19	13
Other	23	9
	<u>\$ 992</u>	<u>\$ 929</u>

10. Loss Provision Program

The Department of Agriculture and Fisheries administers a program that aids farmers having difficulty meeting financial obligations due to hardship caused by unfavourable weather conditions. The program assists farmers with interest and/or principal payments on loans they have with a recognized public-sector or private-sector lending agency. During the year ended March 31, 2002 the program paid \$6,786,000 (2001 -\$5,108,000) to or on behalf of farmers, \$1,350,000 (2001 - \$959,000) of which was applied against loans held by the Nova Scotia Farm Loan Board.

11. Public Service Superannuation Fund

All full time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

AUDITOR'S REPORT

To the Members of the Board the
Nova Scotia Film Development Corporation:

We have audited the statement of financial position of the Nova Scotia Film Development Corporation as at March 31, 2002 and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and the cash flows for the year then ended in accordance with the accounting policies as outlined in Note 2 to the financial statements.

LEVY CASEY CARTER MACLEAN
CHARTERED ACCOUNTANTS

Halifax, Nova Scotia
May 23, 2002

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**Statement of Financial Position
March 31, 2002**

ASSETS

	General Fund	MTT New Media Fund	Total 2002	Total 2001
Current				
Cash and short term investments	\$ 1,417,673	\$ 389,536	\$ 1,807,209	\$ 1,752,675
Other receivables.	98,682	---	98,682	151,547
Prepaid expenses.	14,098	---	14,098	12,198
	<u>\$ 1,530,453</u>	<u>\$ 389,536</u>	<u>\$ 1,919,989</u>	<u>\$ 1,916,420</u>

LIABILITIES

Current				
Payables and accruals, trade	\$ 16,901	\$ ---	\$ 16,901	\$ 28,694
Deferred revenue.	18,472	---	18,472	15,428
	<u>35,373</u>	<u>---</u>	<u>35,373</u>	<u>44,122</u>

FUND BALANCES

Unrestricted.	2,817	81,914	84,731	331,617
Committed	1,492,263	307,622	1,799,885	1,540,681
	<u>1,495,080</u>	<u>389,536</u>	<u>1,884,616</u>	<u>1,872,298</u>
	<u>\$ 1,530,453</u>	<u>\$ 389,536</u>	<u>\$ 1,919,989</u>	<u>\$ 1,916,420</u>

Contingent Commitments - General \$1,462,263 (2001 - \$1,462,760)
 - MT & T New Media Fund \$307,622 (2001 - \$77,921) (Note 3)

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**Statement of Operations and Changes in Fund Balances
year ended March 31, 2002**

	<u>General Fund</u>	<u>MTT New Media Fund</u>	<u>Total 2002</u>	<u>Total 2001</u>
Revenue				
Contributions from the Department of Economic Development (note 4) \$	2,529,125	\$ ---	\$ 2,529,125	\$ 2,443,375
Recovery of equity investments and development loans (notes 6 & 7)	126,075	---	126,075	226,665
First Works	85,403	---	85,403	43,717
Interest and other income	121,614	13,888	135,502	135,393
	<u>2,862,217</u>	<u>13,888</u>	<u>2,876,105</u>	<u>2,849,150</u>
Expenditures				
Equity investments (note 6)	1,586,399	---	1,586,399	1,588,955
Project development loans (note 7)	173,364	---	173,364	210,999
Special projects	260,370	---	260,370	275,478
Training assistance	279,167	---	279,167	74,335
Film school feasibility	---	---	---	21,398
First Works	47,158	---	47,158	148,687
New Media development loans	---	28,763	28,763	65,266
Advertising and marketing (page 250)	113,268	---	113,268	110,110
Administrative expenses (page 250)	375,298	---	375,298	326,420
	<u>2,835,024</u>	<u>28,763</u>	<u>2,863,787</u>	<u>2,821,648</u>
Excess (deficit) of revenues over expenditures	27,193	(14,875)	12,318	27,502
Fund balance, beginning of year	<u>1,467,887</u>	<u>404,411</u>	<u>1,872,298</u>	<u>1,844,796</u>
Fund balances, end of year	<u>\$ 1,495,080</u>	<u>\$ 389,536</u>	<u>\$ 1,884,616</u>	<u>\$ 1,872,298</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**Notes to Financial Statements
March 31,2002**

1. Authority

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant accounting policies

- a) A statement of cash flows is not provided since disclosure in the statement of operations and changes in fund balances is considered adequate.
- b) The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for the following items:
 - i) Program loans and equity participation are charges to current expenditures as disbursed. Recoveries derived from equity investments and development loans are recorded as revenue when received. It is not feasible to accrue recoveries from equity investments and project development loans since these recoveries remain uncertain until received, as they are based upon the financial results of the recipients' activities.
 - ii) Capital asset acquisitions are recorded as current expenditures.
 - iii) The costs incurred by government departments providing certain services to the Corporation are not reflected in these statements.

3. Surplus and Contingent Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which will not result in program disbursements until subsequent fiscal periods.

As at March 31, 2002, the Corporation is contractually committed to advance funds totalling \$1,492,263 (2001 - \$1,462,760) from the general fund and \$307,622 (2001 - \$77,921) from the MTT New Media Fund as investments and loans in respect of current and future projects.

4. Cost Paid by the Province of Nova Scotia

During the year, services were provided to the Corporation by government departments, the estimated amounts are as follows:

	2002	2001
Legal services	\$ 76,284	\$ 60,000
Rent	30,000	30,000
	<u>\$ 106,284</u>	<u>\$ 90,000</u>

The cost of these services is not reflected in these financial statements.

5. MTT New Media Fund

The Corporation and Maritime Tel & Tel (MTT) entered into an agreement on August 18, 1997 for the purpose of assisting the Corporation's mandate to develop Nova Scotia film, video and multi-media productions. MTT agreed to contribute \$400,000 over three years (1998 - \$75,000; 1999 - \$150,000; 2000 - \$175,000) which contribution will be matched by the Corporation. These funds are to be segregated and disbursed according to guidelines jointly developed by the Corporation and MTT. The activities, assets and liabilities of this fund have therefore been distinguished from those of the general funds of the Corporation in these financial statements.

6. Equity Investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as received.

During the year the Corporation received \$108,335 (2001 - \$124,295). The total of equity investments of the Corporation to March 31, 2002 is \$18,600,749, with recoupment to March 31, 2002 of \$951,081, for a net of \$17,649,668.

7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. All project development loans are charged to current expenditures when disbursed. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 2002 were \$1,262,604 (2001 - \$1,087,873). Development loans of \$17,741 (2001 - \$89,870) were recouped during the year.

8. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Corporation's administrative expenses. The Public Service Superannuation Fund is administered by the Department of Finance.

9. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is related party of the Corporation. The Corporation is dependant on the Department of Economic Development for annual funding. Details of any transactions between these related parties are separately disclosed.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA FILM DEVELOPMENT CORPORATION**

**Schedule of Advertising and Marketing Expenses
and Schedule of Administrative Expenses
year ended March 31, 2002**

	2002	2001
Advertising and Marketing Expenses:		
Advertising	\$ 21,331	\$ 40,940
Annual report	8,012	5,670
Business travel and expenses	23,731	21,927
Familiarization tour	11,687	---
Location scout	8,861	7,291
Photos/location services	8,107	12,801
Production guide, net of receipts of \$53,084 (2001 - \$78,119)	(461)	(10,510)
Salaries and benefits	32,000	31,991
	<u>\$ 113,268</u>	<u>\$ 110,110</u>

Administrative Expenses:

Bank charges	\$ 2,132	\$ 2,033
Board honorarium and expenses	11,166	17,212
Capital equipment	5,346	4,894
Conference/marketing	6,025	6,639
Consultants	600	7,710
Courier services	6,559	5,021
Dues, fees and subscriptions	5,191	4,733
Insurance	1,102	1,250
Office supplies	17,506	17,138
Photocopier/fax rental	4,223	3,869
Postage	3,737	4,991
Professional fees	5,500	4,000
Repairs and maintenance	1,590	1,742
Salaries and benefits	292,886	240,457
Staff training	4,268	2,481
Telephone and fax	7,467	2,250
	<u>\$ 375,298</u>	<u>\$ 326,420</u>

AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

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

I have audited the balance sheet of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2002 and the statements of revenues, expenditures and accumulated surplus, and continuity of fund for the year then ended. These financial statements are the responsibility of the Loan Board's management. My responsibility is to express an opinion on these financial statements based upon my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Fisheries and Aquaculture Loan Board as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
April 26, 2002

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD**

**Balance Sheet
as at March 31, 2002**

ASSETS

	2002	2001
Loans receivable (Note 3)	\$ 59,663,265	\$ 51,493,176
Accrued interest receivable	1,743,262	1,577,119
Due from Consolidated Fund - Department of Finance (Note 4)	<u>78,134,062</u>	<u>86,069,279</u>
	<u>\$ 139,540,589</u>	<u>\$ 139,139,574</u>

LIABILITIES AND FUND BALANCE

Liabilities

Applicants' funds on deposit	\$ 322,909	\$ 38,038
Due to Department of Finance	1,743,262	1,577,119
Fisheries and Aquaculture Development Fund	<u>137,474,418</u>	<u>137,524,417</u>
	<u>\$ 139,540,589</u>	<u>\$ 139,139,574</u>

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD**

**Statement of Revenues, Expenditures and
Accumulated Surplus
for the year ended March 31, 2002**

	2002	2001
Revenues		
Interest income. \$	4,576,365	\$ 3,641,322
Loan fees.	<u>151,273</u>	<u>151,763</u>
	<u>4,727,638</u>	<u>3,793,085</u>
Expenditures		
Interest expense (Note 5).	3,208,461	2,746,352
Salaries and benefits.	461,067	479,850
Board honoraria.	6,400	6,150
Travel.	50,145	53,698
Office supplies.	21,737	28,629
Bad debts.	<u>49,999</u>	<u>102,954</u>
	<u>3,797,809</u>	<u>3,417,633</u>
Surplus before Government contribution.	929,829	375,452
Contribution by Department of Agriculture and Fisheries (Note 6)	<u>589,348</u>	<u>671,281</u>
Surplus.	1,519,177	1,046,733
Distribution to Department of Finance (Note 6)	<u>1,519,177</u>	<u>1,046,733</u>
Accumulated Surplus. \$	<u><u>---</u></u>	<u><u>---</u></u>

**Statement of Continuity of Fund
for the year ended March 31, 2002**

	2002	2001
Balance, beginning of year \$	137,524,417	\$ 137,627,371
Deduct: Bad debt expense.	<u>49,999</u>	<u>102,954</u>
Balance, end of year \$	<u><u>137,474,418</u></u>	<u><u>137,524,417</u></u>
Comprising:		
Loans receivable. \$	59,663,265	\$ 51,493,176
Loans authorized but unadvanced (Note 7).	2,442,151	2,221,467
Aquaculture loan guarantees (Note 4).	2,980,000	3,565,000
Uncommitted Fund balance.	<u>72,389,002</u>	<u>80,244,774</u>
	<u><u>\$ 137,474,418</u></u>	<u><u>\$ 137,524,417</u></u>

**NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD**

**Notes to Financial Statements
March 31, 2002**

1. Authority

The Fisheries and Aquaculture Development Fund is established pursuant to Section 34 of the Fisheries and Coastal Resources Act. The purpose of the Fund is to finance the loans and guarantees of the Nova Scotia Fisheries and Aquaculture Loan Board.

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

2. Financial Reporting and Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which for purposes of the Board's financial statements are represented by accounting recommendations of the Canadian Institute of Chartered Accountants (CICA), supplemented where appropriate by other CICA accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting policies:

Revenues

Revenues are recorded on the accrual basis. The main components of revenue are interest and various fees for loans and guarantees.

Expenses

Expenses are recorded on the accrual basis. Net expenses include recoveries which are directly related to the expenses and are not normally considered to be revenues. Provisions are made for probable losses on certain loans and loan guarantees. These provisions are updated as estimates are revised, at least annually.

Assets

Loans Receivable are recorded at the principal amount less valuation allowances. Any loan write-offs must be approved by the Governor-in-Council. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules.

Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts such as loan valuation allowances are based on assumptions or estimates. Accuracy of these numbers depends on the completeness and quality of information available when the recorded amount is derived. There could be significant variances between the estimates recorded and the actual results achieved.

3. Deferment Programs

On April 15, 1997 government approved an assistance program for borrowers suffering economic hardship as a result of reduced income. The Board may extend, defer or adjust the repayment or terms of any loan or loan guarantee. As of March 31, 2002 loans receivable under the program total \$nil (2001 - \$nil).

4. Due from Consolidated Fund - Department of Finance

	2002	2001
Loans authorized but unadvanced..... \$	2,442,151	\$ 2,221,467
Aquaculture loan guarantees	2,980,000	3,565,000
Applicants' funds on deposit	322,909	38,038
Uncommitted Fund balance.....	<u>72,389,002</u>	<u>80,244,774</u>
	<u>\$ 78,134,062</u>	<u>\$ 86,069,279</u>

Guarantees - On August 30, 1995 the government's Priorities and Planning Committee approved the Nova Scotia Aquaculture Development Strategy. On April 1, 1996 the aquaculture loan and guarantee program was transferred from the former Nova Scotia Economic Renewal Agency to the Board, along with \$1,000,000 of existing loan guarantees. The strategy provided approval for capital advances and guarantees of \$2.0 million per year, until March 31, 2001.

5. Interest Expense

Loans provided by the Board are funded through advances by the Department of Finance. Interest expense is calculated by the Board based on an estimate by the Department of Finance of the rate at which the Province could borrow funds over the next quarter.

6. Contributions and Surplus

Expenses of the Board other than interest expense are paid by the Department of Agriculture and Fisheries on behalf of the Board. The operating surplus or deficit of the Board is retained in the Consolidated Fund of the Province.

7. Commitments

Commitments total \$2,442,151 (2001-\$2,221,467). Commitments are loans which have been approved by the Board but cash advances for the loans have not been made by year end.

8. Public Service Superannuation Fund

All full-time employees of the Board are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Board is not responsible for any unfunded liability.

9. Comparative Figures

Certain comparative figures in the statement of revenues, expenditures and accumulated surplus have been reclassified to conform with the presentation adopted for the current year's financial statements.

AUDITORS' REPORT

To the Minister of Justice and
Nova Scotia Freedom of Information and Protection of Privacy Review Officer

We have audited the balance sheet of the Nova Scotia Freedom of Information and Protection of Privacy Review Office as at March 31, 2002 and the statements of operations and surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2002, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
June 18, 2002

**NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION
OF PRIVACY REVIEW OFFICE**

**Statements of Operations and Surplus
Year Ended March 31**

	2002	2001
Revenue		
Grant from the Province of Nova Scotia	\$ 210,393	\$ 194,853
Interest and other revenue	2,690	2,417
	<u>213,083</u>	<u>197,270</u>
Expenses		
Salaries, wages and benefits	153,522	140,300
Rent (Note 5)	13,790	12,779
Shared support costs	12,000	11,800
Repairs and maintenance	7,199	1,503
Legal, audit and consulting	6,567	10,818
Office supplies and services	5,323	3,882
Travel	4,767	8,241
Telephone	2,580	1,479
Equipment	2,485	3,592
Depreciation	2,436	2,939
Dues and fees	1,155	1,794
Printing and copying	140	995
Hospitality	35	87
	<u>211,999</u>	<u>200,209</u>
Operating surplus (deficit)	\$ <u>1,084</u>	\$ <u>(2,939)</u>
Surplus, beginning of year	\$ ---	\$ ---
Operating surplus (deficit)	<u>1,084</u>	<u>(2,939)</u>
Transfer from (to) investment in capital assets for		
Depreciation	2,436	2,939
Capital asset acquisitions	(3,520)	---
	<u>(1,084)</u>	<u>2,939</u>
Surplus, end of year	\$ <u>---</u>	\$ <u>---</u>

**Balance Sheet
March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash	\$ 26,521	\$ 54,688
Due from related party	2,360	10,622
	<u>28,881</u>	<u>65,310</u>
Capital assets	4,230	3,146
	<u>\$ 33,111</u>	<u>\$ 68,456</u>
LIABILITIES		
Current		
Payables and accruals	\$ 3,551	\$ 14,106
Due to related party	25,330	51,204
	<u>28,881</u>	<u>65,310</u>
SURPLUS		
Investment in capital assets (Note 3)	4,230	3,146
	<u>\$ 33,111</u>	<u>\$ 68,456</u>

Commitment (Note 5)
See accompanying notes to the financial statements.

**NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION
OF PRIVACY REVIEW OFFICE**

**Statement of Capital Assets
Year Ended March 31, 2002**

	Cost			Accumulated Depreciation			2002	2001
	Opening	Additions	Closing	Opening	Expense	Closing	Net Book Value	Net Book Value
Computer equipment.	\$ 8,010	\$ 3,520	\$ 11,530	\$ 7,016	\$ 2,167	\$ 9,183	\$ 2,347	\$ 994
Furniture	2,690	---	2,690	538	269	807	1,883	2,152
	<u>\$ 10,700</u>	<u>\$ 3,520</u>	<u>\$ 14,220</u>	<u>\$ 7,554</u>	<u>\$ 2,436</u>	<u>\$ 9,990</u>	<u>\$ 4,230</u>	<u>\$ 3,146</u>

**Statements of Cash Flows
Year Ended March 31, 2002**

	2002	2001
Increase (decrease) in cash and cash equivalents		
Operating		
Operating surplus (deficit)	\$ 1,084	\$ (2,939)
Depreciation	2,436	2,939
	<u>3,520</u>	<u>---</u>
Change in non-cash operating working capital (Note 6)	(28,167)	36,530
	<u>(24,647)</u>	<u>36,530</u>
Investing		
Purchase of capital assets	(3,520)	---
(Decrease) increase in cash and cash equivalents.	(28,167)	36,530
Cash and cash equivalents		
Beginning of year	54,688	18,158
End of year.	<u>\$ 26,521</u>	<u>\$ 54,688</u>

See accompanying notes to the financial statements.

**NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION
OF PRIVACY REVIEW OFFICE**

**Notes to the Financial Statements
March 31, 2002**

1. Incorporation

The Nova Scotia Freedom of Information and Protection of Privacy Review Office was created pursuant to the Freedom of Information and Protection of Privacy Act, Chapter 5 of the Acts of Nova Scotia, 1993.

2. Summary of significant accounting policies

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

b) Capital assets

Capital assets purchased by the Review Office with a value greater than \$1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Computer equipment	3 years
Furniture	10 years

3. Investment in capital assets

	2002	2001
Balance, beginning of year	\$ 3,146	\$ 6,085
Capital asset acquisitions	3,520	---
Depreciation	<u>(2,436)</u>	<u>(2,939)</u>
Balance, end of year	<u>\$ 4,230</u>	<u>\$ 3,146</u>

4. Pensions

Full time employees of the Review Office are civil servants and as such are entitled to receive pension benefits under the Public Service Superannuation Act. The Plan is funded by equal employee and employer contributions. The employer's contributions are included in the Review Office's operating expenses. The Review Office is not responsible for any unfunded liability.

5. Commitment

The Review Office has entered into an agreement to lease its premises until December 31, 2004. The annual rent of premises consists of a minimum rent plus the Review Office's portion of common cost such as maintenance, power, water and property taxes. Minimum rent payable for premises for each of the next three fiscal years is as follows:

2003	\$ 5,555
2004	5,555
2005	4,166

6. Supplement cash flow information

	2002	2001
Change in non-cash operating working capital		
Accounts receivable.	\$ 8,262	\$ 1,904
Payables and accruals.	(36,429)	33,348
Prepays	---	1,278
	<u>\$ (28,167)</u>	<u>\$ 36,530</u>

7. Related party transactions

The Freedom of Information and Protection of Privacy Review Office is an independent agency of the Province of Nova Scotia. Funding for the Review Office is provided from the Consolidated Fund of the Province through a public service vote. Any retained surplus of the Review Office is refundable to the Province.

Transactions with the Province by financial statement category are as follows:

	2002	2001
Grant from the Province of Nova Scotia.	\$ 210,393	\$ 194,853
Accounts receivable	2,360	10,622
Payables and accruals.	8,171	---
Surplus - investments in capital assets	4,230	3,146

To minimize cost to government while preserving the independence of the Review Office some administrative support is provided by another agency, the Nova Scotia Utility and Review Board (NSUARB). The NSUARB recovers all direct costs paid on behalf of the Review Office and charges a portion of its administrative overhead for the service.

Transactions with the NSUARB by financial statement category are as follows:

	2002	2001
Shared support costs.	\$ 12,000	\$ 11,800
Payables and accruals.	17,159	51,204

8. Comparative figures

Certain of the comparative figures for 2001 have been reclassified to conform to the financial statement presentation adopted for the fiscal year 2002.

AUDITOR'S REPORT

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

I have audited the balance sheet of Nova Scotia Gaming Corporation as at March 31, 2002 and the statement of income and payment to the Province and the statement of retained earnings for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
May 31, 2002

NOVA SCOTIA GAMING CORPORATION

**Balance Sheet
as at March 31, 2002**

ASSETS

	2002		2001
		(in thousands)	
Current			
Cash & short term investments (Note 3)	\$ 15,836	\$	17,123
Cash - Restricted (Note 2)	9,605		6,991
Inventory, at cost	2,448		2,500
Prepays	253		251
	<u>28,142</u>		<u>26,865</u>
Long-term			
Cash - Casino Replacement Reserve (Note 3)	5,721		5,080
Investment in Atlantic Lottery Corporation Inc.	1		1
Investment in Interprovincial Lottery Corporation (Note 6)	1		1
Capital Assets (Note 7)	126,772		114,693
	<u>132,495</u>		<u>119,775</u>
	<u>\$ 160,637</u>	\$	<u>146,640</u>

LIABILITIES

Current			
Accounts Payable	\$ 781	\$	1,298
Deferred Lottery Revenue	745		923
Liabilities for Unclaimed Prizes (Note 2)	9,605		6,991
Capital Obligation - Current Portion (Note 8)	31,491		22,496
Due to Operators (Note 12)	8,970		10,122
Due to Atlantic Gaming Equipment Limited			
Current Portion	7,398		2,296
Due to Nova Scotia Gaming Foundation	76		68
Due to Province of Nova Scotia	13,953		13,706
	<u>73,019</u>		<u>57,900</u>
Long-term			
Due to Atlantic Gaming Equipment Limited	21,448		9,822
Capital Obligation (Note 8)	58,648		72,451
	<u>80,096</u>		<u>82,273</u>
	<u>153,115</u>		<u>140,173</u>

EQUITY

Casino Capital Replacement Reserve (Note 9)	7,522		6,467
	<u>\$ 160,637</u>	\$	<u>146,640</u>

Contingencies and Commitments (Notes 3, 5, 11, and 13)

See accompanying notes to the financial statements.

NOVA SCOTIA GAMING CORPORATION

**Statement of Income and Payment to the Province
For the Year Ended March 31, 2002**

(in thousands)

	2002							2001						
	Lotteries (Sch. I)		Casinos (Sch. II/III)		Responsible Gaming	Other (Sch. IV)	Total	Lotteries (Sch. I)		Casinos (Sch. II/III)		Responsible Gaming	Other (Sch. IV)	Total (Note 14)
	Ticket Lottery	Video Lottery	Halifax	Sydney				Ticket Lottery	Video Lottery	Halifax	Sydney			
Revenues.	\$ 204,421	\$ 161,686	\$ 71,452	\$ 30,565	\$ ---	\$ 817	\$ 468,941	\$ 204,055	\$ 146,497	\$ 69,182	\$ 31,029	\$ ---	\$ 1,016	\$ 451,779
Expenses.	158,375	50,074	71,905	23,459	1,964	3,792	309,569	155,071	43,817	66,509	24,652	1,732	4,455	296,236
Net Income.	46,046	111,612	(453)	7,106	(1,964)	(2,975)	159,372	48,984	102,680	2,673	6,377	(1,732)	(3,439)	155,543
Win tax.	---	---	12,906	5,757	---	---	18,663	---	---	12,631	5,861	---	---	18,492
Payment to Province \$	<u>46,046</u>	<u>111,612</u>	<u>12,453</u>	<u>12,863</u>	<u>(1,964)</u>	<u>(2,975)</u>	<u>178,035</u>	<u>48,984</u>	<u>102,680</u>	<u>15,304</u>	<u>12,238</u>	<u>(1,732)</u>	<u>(3,439)</u>	<u>174,035</u>

**Statement of Retained Earnings
For the Year Ended March 31, 2002**

(in thousands)

	2002	2001
Retained earnings, beginning of year	\$ ---	\$ ---
Net Income	159,372	155,543
Net income paid to Province	(159,372)	(155,543)
Retained earnings, end of year	\$ <u> </u>	\$ <u> </u>

See accompanying notes to the financial statements.

NOVA SCOTIA GAMING CORPORATION

Notes to the Financial Statements
for the year ended March 31, 2002

1. Description of Business

The Corporation was incorporated on February 15, 1995, by Chapter 4 of the Acts of 1994-95, the Gaming Control Act. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

2. Accounting Policies

a) Basis of Presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. A statement of cash flows is not provided, as disclosure in the balance sheet and the income statement is considered adequate.

b) Casino Revenues

In accordance with industry practice, casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots.

c) Ticket Lottery Revenues

In accordance with industry practice, gross ticket lottery sales are recorded before deducting sales discounts and prize expense.

d) Video Lottery Revenue

In accordance with industry practice, video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings.

e) Income Guarantee

In accordance with the Operating Contract between Metropolitan Entertainment Group (Operator), the Corporation and Sheraton International Inc. (Guarantor), an income guarantee was provided to the Corporation which provided that if Total Provincial Revenue was less than \$25 million in each of the four years ended July 31, 1999, then the Operator would pay to the Corporation an amount equal to the difference between Total Provincial Revenue and \$25 million.

If Total Provincial Revenue exceeded \$25 million in any year through to July 31, 2000, any previous guarantee payments paid by the Operator to the Corporation would be recovered to the extent Total Provincial Revenue was in excess of \$25 million in such year. The Corporation records any repayments to the Operator as a reduction of net income of the Corporation.(Note 3)

f) Capital Assets

Capital Assets are stated at cost less accumulated amortization.

Amortization on the Corporation's head office capital assets is provided on the declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%

Amortization of the Halifax and Sydney casino assets is recorded on a straight-line basis according to their estimated useful lives at rates between 2.5% and 20%.

Amortization on the Corporation's capital assets used in the operation of its lottery businesses is recorded on the straight-line basis according to their estimated useful lives at rates between 10% and 33%. Leasehold improvements are amortized over the remaining lease term, including one renewal period.

g) Nova Scotia Gaming Foundation Contribution

VLT retailers in Nova Scotia have agreed, under the terms of their retailer agreements with the Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Nova Scotia Gaming Foundation. The Corporation has agreed to contribute an amount equal to all contributions made by the VLT retailers.

h) Long -term Investments

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

i) Unclaimed Lottery prizes

Unclaimed prizes from regional lottery games are retained in a prize fund for one year from the announced beginning date of the draw. Prizes of national lottery games are funded directly by the Interprovincial Lottery Corporation with the exception of prizes for certain free tickets, which are paid out of general funds as incurred.

j) Use of Estimates

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

3. Casino Nova Scotia

a) Operating Contract

i) Term and Structure

On May 31, 1995, the Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Operator), then a partnership between ITT Sheraton Canada Ltd. (now Park Place Entertainment Scotia Limited) and Purdy's Wharf Development Limited (now East Port Properties Ltd.), to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

ii) Payments to Operator

The Operator is entitled to certain payments from each casino calculated with reference to the following items, which are listed in Section 4.7 of the Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax (\$91.3 million total, \$81.6 million outstanding) and Sydney (\$23.2 million total, \$7.7 million outstanding) with respect to each casino complex, to be amortized straight-line over a ten year term in the Sydney casino and a seven year term in the Halifax casino, with interest calculated monthly at 12% per annum on the total outstanding capital investment;

- an amount equal to 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement reserve;
- an amount equal to 3% of casino revenue before casino win taxes (20%) in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and Operating Expenses as an Incentive Fee;
- an amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above; and,
- an amount equal to 35% of cash available for distribution in Halifax.

iii) Operating Period

Net operating income earned by the Corporation is calculated based upon the operating period defined in the Operating Contract as January 1 - December 31. Any net operating income earned by the Corporation during the period January 1 - March 31, 2002 is subject to adjustment for the results of operations in the period April 1 - December 31, 2002.

b) Cash in Casino Accounts

Under the Operating Contract, the cash is managed by the Operator on behalf of the Corporation. The Corporation has included \$10,003,000 (2001 - \$11,140,000) in cash from the Casino Accounts on the Balance Sheet.

c) Income Guarantee

The income guarantee and clawback periods were on July 31, 2000. Between April 1, 2000 and July 31, 2000, Total Provincial Revenue exceeded the income guarantee pro-rata allocation by \$700,000, which reduced the Corporation's net operating income for the 2000-01 year (Note 2).

In 2001-02, the Corporation received \$849,000 in HST savings related to the income guarantee and clawback periods, which was repaid to the Operator.

d) Casino Option Contract

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase each of the Halifax and the Sydney casino complexes, including capital assets and working capital totalling \$3.1 million for the price of \$1.00. The Corporation also has an option to purchase each of the two casino complexes in year 10 or year 15 of the Contract.

e) Capital Replacement Reserve

A capital replacement reserve, based on 1.5% of annual gross operating revenues of the casinos, is intended to provide for replacement of casino capital assets.

4. Atlantic Lottery Corporation Inc.

a) Profit Distribution

In 1976, the Atlantic Lottery Corporation Inc. was set up by the four Atlantic Provinces to operate lottery and gaming activities in the region.

The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate ticket lotteries and video lotteries in Nova Scotia. Each of the Corporation, Province of Newfoundland, Lotteries Commission of New Brunswick and Prince Edward Island Lotteries Commission own 25 per cent of the Atlantic Lottery Corporation Inc.

b) Agency Agreement

The Corporation entered into an Agency Agreement (the "Agreement") with the Atlantic Lottery Corporation Inc. whereby the Corporation has appointed the Atlantic Lottery Corporation Inc. to operate ticket and video lotteries in Nova Scotia as an agent of the Corporation on the terms and conditions set out in the Agreement. Under the Agreement, the Atlantic Lottery Corporation Inc. cannot make any material change relating to the conduct and management of lotteries in Nova Scotia without the approval of the Corporation. The Agreement has not yet been signed; however, it has been implemented operationally since April 1, 2000. Management does not believe that there will be any significant changes to the financial statements as a result of signing the Agreement.

The Agreement requires that the Corporation's revenues be kept in a separate account and not co-mingled with those of the other provinces. The Corporation's costs are to be deducted from its account. The Agreement clarified that assets acquired or liabilities incurred by the Atlantic Lottery Corporation Inc. exclusively for the operation of the lotteries in Nova Scotia are the Corporation's. As a result, for financial statement reporting purposes, the Corporation has included these assets and liabilities on its balance sheet, with the balance recorded as amounts due to the Atlantic Lottery Corporation Inc. or Atlantic Gaming Equipment Limited (a subsidiary of the Atlantic Lottery Corporation Inc.), as appropriate. The Corporation has not recorded any portion of those assets and liabilities that are shared by all Atlantic Lottery Corporation Inc. shareholders in which the Corporation has an interest, the treatment and valuation of which has not yet been determined. This includes common capital assets and expired prizes in the unclaimed prize fund pre - April 1, 2000. Consideration will be given to recording these assets and liabilities once the Atlantic Lottery Corporation Inc.'s By-Laws are revised, which is expected to occur in 2002-03.

The amounts due to the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited represent a portion of the Atlantic Lottery Corporation Inc.'s line of credit, which bears interest at prime less 1% on borrowings equal to funds on deposit and prime for amounts borrowed in excess of funds on deposit and bank term loans. These loans have various terms and interest rates from 4.56% to 5.64% maturing at various dates through October 2006. The line of credit is secured by a general security agreement over all assets of the Atlantic Lottery Corporation Inc., and those owned by the Corporation. The bank term loans are secured by a general security agreement over present and future assets held by the Atlantic Lottery Corporation Inc. and Atlantic Gaming Equipment Limited and an indenture of subordination from the Corporation up to the value of assets utilized directly for the benefit of Nova Scotia.

The assets and liabilities recorded by the Corporation are recorded for financial statement reporting purposes only and do not necessarily represent the values that the Corporation would take if it were to withdraw from the Atlantic Lottery Corporation Inc.

5. Special Payments and Bonus Commissions

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	2002		2001
	(in thousands)		
The Department of Education and Culture (in support of the Cultural Federation of Nova Scotia)	50	\$	50
The Department of Agriculture and Fisheries (in support of the Exhibition Association of Nova Scotia)	50		50
The Sport and Recreation Commission (in support of Sport Nova Scotia)	100		100
	<u>\$ 200</u>	\$	<u>200</u>

These payments are special funds under the Provincial Finance Act established by the Minister of Finance under Section 14(1) of the Atlantic Lottery Regulations as made under the Gaming Control Act.

Bonus commissions of \$9,000 (2001 - \$13,000) were paid during the year to ten sporting and cultural organizations.

6. Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the Canada Business Corporations Act. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Special Event-Celebration). Nova Scotia holds one of ten shares of this Corporation, and appoints one of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation.

7. Capital Assets

	Accumulated Cost	Amortization	2002 Net Book Value	2001 Net Book Value
(in thousands)				
Automotive.	\$ 986	\$ 357	\$ 629	\$ 464
Computer equipment	3,497	726	2,771	1,948
Furniture and equipment	128	54	74	85
Leaseholds.	610	214	396	438
Halifax casino assets	91,257	8,730	82,527	86,160
Sydney casino assets	23,206	10,317	12,889	13,714
Casino furniture and equipment	3,601	1,800	1,801	1,386
On-line gaming terminals.	11,008	2,349	8,659	8,236
Video lottery terminals.	37,093	20,067	17,026	2,262
	<u>\$ 171,386</u>	<u>\$ 44,614</u>	<u>\$ 126,772</u>	<u>\$ 114,693</u>

In 2001-02, the Corporation acquired capital assets of \$20.9 million (2001 - \$4.9 million) financed through Atlantic Gaming Equipment Limited, \$2.1 million (2001 - \$89.1 million) financed by Metropolitan Entertainment Group, and \$1.1 million (2001 - \$0.4 million) financed by the Casino Capital Replacement Reserve.

8. Capital Obligation

The Corporation has an obligation to repay the operator of the casinos under the Operating Contract for the initial cost of the Halifax and Sydney casinos to the extent that there is adequate cash flow from the casinos to fund these obligations. The Corporation has the option to purchase these casinos. Future minimum obligations based on there being adequate cash flow are as follows:

	<u>Halifax</u>	<u>Sydney</u>	<u>Total</u>
	(in thousands)		
2003.	\$ 36,406	\$ 3,121	\$ 39,527
2004.	18,708	2,843	21,551
2005.	17,143	2,564	19,707
2006.	15,579	793	16,372
2007.	14,014	---	14,014
Subsequent.	1,097	---	1,097
Net minimum obligation.	<u>102,947</u>	<u>9,321</u>	<u>112,268</u>
Less: amount representing interest			
at 12%	<u>20,543</u>	<u>1,586</u>	<u>22,129</u>
Present value of minimum obligation.	82,404	7,735	90,139
Less: amount due within one year.	<u>29,170</u>	<u>2,321</u>	<u>31,491</u>
Balance of obligation.	<u>\$ 53,234</u>	<u>\$ 5,414</u>	<u>\$ 58,648</u>

9. Capital Replacement Reserve Liability

	<u>Halifax</u>	<u>Sydney</u>	<u>Total</u>	<u>Total</u>
			2002	2001
			(in thousands)	
Cash balance, beginning				
of year.	\$ 3,573	\$ 1,507	\$ 5,080	\$ 3,699
Funding.	1,072	459	1,531	1,504
Interest.	139	46	185	314
Capital Asset				
purchases.	<u>(368)</u>	<u>(707)</u>	<u>(1,075)</u>	<u>(437)</u>
Cash balance, end				
of year.	4,416	1,305	5,721	5,080
Add: cumulative capital				
assets purchases.	1,852	1,748	3,600	2,525
Less: accumulated				
amortization.	<u>(1,074)</u>	<u>(725)</u>	<u>(1,799)</u>	<u>(1,138)</u>
Balance, end of year.	<u>\$ 5,194</u>	<u>\$ 2,328</u>	<u>\$ 7,522</u>	<u>\$ 6,467</u>

10. Related Party Transactions

The Province of Nova Scotia, Nova Scotia Harness Racing Incorporated, Atlantic Gaming Equipment Limited and Atlantic Lottery Corporation Inc. are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

11. Harness Racing

The Corporation annually contributes to the Nova Scotia Harness Racing Fund amounts approved by the Minister of Finance. In March 2001, Government approved a contribution of up to \$1 million in 2001-02 to support the harness racing industry in Nova Scotia.

In March 2002, Government approved a \$750,000 contribution in 2002-03 to support the harness racing industry in Nova Scotia.

12. Due to Operators

	2002	2001
	(in thousands)	
Due to Atlantic Lottery Corporation.	\$ 60	\$ 786
Due from Lottery Operations	(6,515)	(6,396)
Due to Lottery Operations	6,341	5,789
Due to Casino Operations.	9,084	9,943
	<u>\$ 8,970</u>	<u>\$ 10,122</u>

13. Other Commitments

The Corporation is required to make annual lease payments of approximately \$107,000 over the next four years.

The Corporation's share of the Atlantic Lottery Corporation Inc.'s minimum annual lease payments for the premises is approximately \$864,000 over the next five year.. It's share of commitments to acquire Video Lottery Terminals in 2002-03 is \$5,680,000.

14. Comparative figures

Some of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year.

15. Pensions

All permanent employees of the Corporation are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Corporation's management expenses. The Corporation is not responsible for any unfunded liability with respect to the superannuation fund.

16. Subsequent Event

Casino Nova Scotia has engaged a consultant to review the HST Regulations applicable to casino operations and determine whether there are potential HST savings. In May 2002, the Corporation received \$427,000 in HST savings related to the period July 1998 to April 2000. All adjustments are recorded in the period received. The interpretation of the HST Regulations for other costs is currently under review.

NOVA SCOTIA GAMING CORPORATION
Atlantic Lottery Corporation Inc.

Ticket Lottery and Video Lottery Operating Results
for the year ended March 31, 2002

	Ticket Lottery	Video Lottery	Total 2002	Total 2001
	(in thousands)			
Ticket Lottery Sales	\$ 204,421	\$ ---	\$ 204,421	\$ 204,055
Ticket Lottery Sales Discounts	297	---	297	62
Prize Expense	106,637	---	106,637	107,528
Net Ticket Lottery Sales	97,487	---	97,487	96,465
Net Video Lottery Sales	---	161,686	161,686	146,497
Total Net Sales	<u>97,487</u>	<u>161,686</u>	<u>259,173</u>	<u>242,962</u>
Retailer Commissions	13,176	34,783	47,959	44,716
Ticket Costs	5,325	338	5,663	5,193
	<u>18,501</u>	<u>35,121</u>	<u>53,622</u>	<u>49,909</u>
Gross Profit	<u>78,986</u>	<u>126,565</u>	<u>205,551</u>	<u>193,053</u>
Operating Expenses				
Advertising & Promotion	3,711	---	3,711	3,644
Communication	294	154	448	330
Depreciation & Amortization	669	713	1,382	1,969
Development & Recruitment	340	131	471	402
Equipment & Maintenance	972	953	1,925	2,305
General & Professional Services	1,546	247	1,793	1,058
Lease Expense	2,534	2,063	4,597	1,110
Movement & Storage	511	76	587	592
Occupancy Cost	811	498	1,309	1,224
Other	184	82	266	224
Research & Development	341	123	464	342
Salaries & Benefits	6,469	3,504	9,973	9,193
Supplies	238	86	324	234
Telecommunication	2,278	190	2,468	2,135
Travel & Vehicle Expenses	800	575	1,375	1,347
Total Operating Expenses	<u>21,698</u>	<u>9,395</u>	<u>31,093</u>	<u>26,109</u>
Operating Profit	57,288	117,170	174,458	166,944
Other Income (expenses)	(48)	1,009	961	1,166
Profit Before Other Distributions	57,240	118,179	175,419	168,110
HST Expense	5,223	6,092	11,315	10,215
Federal Contribution	1,081	475	1,556	1,516
Charity Non-Profit	44	---	44	45
Retailer Bonus	4,846	---	4,846	4,670
Net Profit	<u>\$ 46,046</u>	<u>\$ 111,612</u>	<u>\$ 157,658</u>	<u>\$ 151,664</u>

NOVA SCOTIA GAMING CORPORATION

**Halifax Casino Nova Scotia
Operating Results
for the year ended March 31, 2002**

	2002	2001
		(Note 14)
		(in thousands)
Revenue		
Casino Revenue	\$ 64,531	\$ 63,157
Beverage, Food and Other Revenue.	6,921	6,025
	<u>71,452</u>	<u>69,182</u>
Expenses		
Amortization	5,772	2,958
Capital Replacement Reserve (Note 3)	1,072	1,038
General Administration and Marketing	8,418	6,660
Harmonized Sales Tax	5,561	7,168
Interest	9,664	9,369
Operator Fee (Note 3)	---	387
Other Expenses Including Cost of Beverage and Food	5,980	4,575
Premise Expense	2,737	2,868
Salaries and Benefits	19,795	18,855
Win Tax	12,906	12,631
	<u>71,905</u>	<u>66,509</u>
Net Income.	(453)	2,673
Win Tax.	<u>12,906</u>	<u>12,631</u>
Total Payment to Province	<u>\$ 12,453</u>	<u>\$ 15,304</u>

NOVA SCOTIA GAMING CORPORATION

**Sydney Casino Nova Scotia
Operating Results
for the year ended March 31, 2002**

	2002	2001
		(Note 14)
	(in thousands)	
Revenue		
Casino Revenue	\$ 28,787	\$ 29,305
Beverage, Food and Other Revenue	<u>1,778</u>	<u>1,724</u>
	<u>30,565</u>	<u>31,029</u>
Expenses		
Amortization	826	1,321
Capital Replacement Reserve (Note 3)	459	466
General Administration and Marketing	2,481	2,585
Harmonized Sales Tax	1,779	2,562
Interest	1,079	1,358
Operator Fee (Note 3)	1,989	2,037
Other Expenses Including Cost of Beverage and Food	1,896	1,546
Premise Expense	543	749
Salaries and Benefits	6,650	6,167
Win Tax	<u>5,757</u>	<u>5,861</u>
	<u>23,459</u>	<u>24,652</u>
Net Income	7,106	6,377
Win Tax	<u>5,757</u>	<u>5,861</u>
Total Payment to Province	<u>\$ 12,863</u>	<u>\$ 12,238</u>

NOVA SCOTIA GAMING CORPORATION

**Other Revenues and Expenses
for the year ended March 31, 2002**

	2002		2001
	(in thousands)		
Other Revenues			
Payment from New Brunswick	\$ 500	\$	500
Interest Income	<u>317</u>		<u>516</u>
Total Other Revenues	<u>817</u>		<u>1,016</u>
Other Expenses			
Special Payments and Bonus Commissions (Note 5)	<u>209</u>		<u>213</u>
Nova Scotia Harness Racing Fund Contribution (Note 11)	<u>1,000</u>		<u>1,000</u>
Income Guarantee Repayment (Notes 2 and 3)	<u>---</u>		<u>700</u>
Management Expenses			
Advertising	1		16
Amortization	27		28
Directors fees	44		25
Harmonized Sales Tax	144		273
Membership Dues	7		8
Occupancy Taxes	5		5
Office and Miscellaneous	41		48
Office Equipment	17		24
Periodicals	8		10
Postage and Freight	7		9
Printing and Stationery	13		18
Professional and Other Fees	650		702
Rent	98		57
Salaries and Benefits	1,431		1,233
Telecommunications	21		10
Training	26		44
Travel	<u>43</u>		<u>32</u>
	<u>2,583</u>		<u>2,542</u>
Total Other Expenses	<u>3,792</u>		<u>4,455</u>
	<u>\$ (2,975)</u>	<u>\$</u>	<u>(3,439)</u>

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Health

I have audited the balance sheet of Nova Scotia Gaming Foundation for the year ended March 31, 2002, and the statement of operations and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Gaming Foundation as at March 31, 2002, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
May 15, 2002

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA GAMING FOUNDATION**

**Balance Sheet
as at March 31, 2002**

ASSETS

	2002	2001
Current Assets		
Cash	\$ 4,444,811	\$ 3,922,293
Accrued Interest	6,667	16,038
Due from Nova Scotia Gaming Corporation	76,376	67,571
	<u>\$ 4,527,854</u>	<u>\$ 4,005,902</u>

LIABILITIES

Current Liabilities		
Accounts Payable	\$ 18,319	\$ 36,800
Grants Payable	682,139	425,323
	<u>700,458</u>	<u>462,123</u>
Fund Balance	<u>3,827,396</u>	<u>3,543,779</u>
	<u>\$ 4,527,854</u>	<u>\$ 4,005,902</u>

**Statement of Operations,
for the year ended March 31, 2002**

	2002	478 Days Ended March 31, 2001 (Note 5)
Revenues		
Nova Scotia Gaming Corporation	\$ 404,216	\$ 474,176
VLT Retailers	404,216	474,176
Interest	132,168	226,592
	<u>940,600</u>	<u>1,174,944</u>
Expenses		
Grants	574,740	43,083
Board meetings	18,801	---
Committee meetings	2,253	---
Administrative salaries & benefits	50,885	26,636
Travel	754	90
IT hardware and supplies	4,473	---
Printing and advertising	2,577	8,420
Professional fees	2,500	3,380
Office	---	249
	<u>656,983</u>	<u>81,858</u>
Excess of revenues over expenses	283,617	1,093,086
Fund balance, beginning of year	<u>3,543,779</u>	<u>2,450,693</u>
Fund balance, end of year	<u>\$ 3,827,396</u>	<u>\$ 3,543,779</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA GAMING FOUNDATION**

**Statement of Cash Flows
for the year ended March 31, 2002**

	2002	478 Days Ended March 31, 2001 (Note 5)
Cash Flows from Operating Activities	\$ <u>283,617</u>	\$ <u>1,093,086</u>
Add (deduct) changes in non-cash working capital		
Change in accrued interest	9,371	(14,461)
Change in due from Nova Scotia Gaming Corporation	(8,805)	(1,223)
Change in accounts payable	(18,481)	35,882
Change in grants payable	<u>256,816</u>	<u>(29,790)</u>
	<u>238,901</u>	<u>(9,592)</u>
Increase in cash	522,518	1,083,494
Cash, beginning of year	<u>3,922,293</u>	<u>2,838,799</u>
Cash, end of year	<u>\$ 4,444,811</u>	<u>\$ 3,922,293</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA GAMING FOUNDATION**

**Notes to Financial Statements
for the year Ended March 31, 2002**

1. Description of the Foundation

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the Gaming Control Act and the Provincial Finance Act. The purpose of the Foundation is to receive, maintain and disburse VLT Problem Gaming Fund monies in furtherance of the purposes set out in the Gaming Control Act, including research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailer agreements, to contribute 1% of their VLT commission to the Foundation. The Nova Scotia Gaming Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

2. Transfer of Responsibility

On December 1, 1999, Lieutenant Governor in Council amended the Nova Scotia Gaming Foundation Regulations by Order in Council 1999-592 replacing the Nova Scotia Gaming Corporation with the Minister of Health as the body responsible for the Foundation effective December 8, 1999. The Foundation is managed by a Board of Directors.

3. Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles.

4. Administrative Services

Accounting services were provided by the Department of Health at no cost.

5. Comparative Figures

The financial statements for 2001 included 478 days.

AUDITOR'S REPORT

To the Shareholder of the
Nova Scotia Government Fund Limited

We have audited the balance sheet of the Nova Scotia Government Fund Limited as at December 31, 2001 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2001 and results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

July 26, 2002

NOVA SCOTIA GOVERNMENT FUND LIMITED

**Balance Sheet
as at December 31, 2001**

	2001	2000
ASSETS		
Cash and marketable securities (Note 2)	\$ 14,721,624	\$ 13,640,321
Cash held in Trust (Note 3)	258,774	---
Loan and advances receivable (Note 4)	11,025,000	11,025,000
Interest receivable	162,515	715,530
Deferred financing costs (Note 5)	<u>2,508,046</u>	<u>2,508,046</u>
	<u>\$ 28,675,959</u>	<u>\$ 27,888,897</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 29,972	\$ 13,280
Notes payable (Note 6)	<u>26,000,000</u>	<u>25,750,000</u>
	<u>26,029,972</u>	<u>25,763,280</u>
EQUITY		
Share capital (Note 7)	1	1
Retained earnings	<u>2,645,986</u>	<u>2,125,616</u>
	<u>2,645,987</u>	<u>\$ 2,125,617</u>
	<u>\$ 28,675,959</u>	<u>\$ 27,888,897</u>
Contingency (Note 6)		

**Statement of Earnings and Retained Earnings
Year Ended December 31, 2001**

	2001	2000
Revenue		
Interest	\$ 1,074,838	\$ 1,392,818
Expenses		
Administration fees	234,417	220,768
Professional fees	12,535	8,190
Interest expense	307,491	305,875
Bank and interest charges	<u>25</u>	<u>7</u>
	<u>554,468</u>	<u>534,840</u>
Net earnings	520,370	857,978
Retained earnings, beginning of year	<u>2,125,616</u>	<u>1,267,638</u>
Retained earnings, end of year	<u>\$ 2,645,986</u>	<u>\$ 2,125,616</u>

NOVA SCOTIA GOVERNMENT FUND LIMITED

Statement of Cash Flows
Year Ended December 31, 2001

	2001	2000
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings.....	\$ 520,370	\$ 857,978
Changes in non-cash operating working capital items	569,707	(403,329)
	1,090,077	454,649
Investing		
Loan receivable (Note 4).....	---	---
Financing		
Issue of note (Note 3).....	250,000	---
Net cash inflow.....	1,340,077	454,649
Cash position, beginning of year	13,640,321	13,185,672
Cash position, end of year	\$ 14,980,398	\$ 13,640,321
Cash position represented by:		
Cash in bank	\$ 1,829	\$ 163,412
Province of Nova Scotia promissory notes (unsecured)	14,719,795	13,476,909
Cash held in Trust	258,774	---
	\$ 14,980,398	\$ 13,640,321

NOVA SCOTIA GOVERNMENT FUND LIMITED

**Notes to Financial Statements
Year Ended December 31, 2001**

1. THE FUND

The Fund is an approved government administered venture capital fund pursuant to the Immigration Act of Canada and related regulations. The Fund was incorporated under the Nova Scotia Companies Act on December 31, 1994.

2. ACCOUNTING POLICIES

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

a) Cash and Marketable Securities

Cash consists of cash on hand with a financial institution and marketable securities consist of Province of Nova Scotia promissory notes (unsecured).

(b) Financing Costs

Financing costs are deferred and amortized on a straight-line basis over five years, commencing from the date of the Fund achieving and maintaining at least 70% of its investments in active business operations.

3. CASH HELD IN TRUST

On May 9, 2001, the fund issued a note payable in the amount of \$250,000. At December 31, 2001, the proceeds from the note plus interest earned were held in Trust.

4. LOAN AND ADVANCES RECEIVABLE

In July 1999, the Fund agreed to lend the sum of \$11,025,000 to Alderney Landing Limited and Nova Learning Incorporated to fund construction projects. As at December 31, 2001, the balance has been paid to an escrow agent pending further eligible projects by the borrowers. Funds are currently invested with the Province of Nova Scotia.

5. DEFERRED FINANCING COSTS

Financing costs are deferred and amortized over the five-year life of the related debt. The five-year term commences when the Fund has invested 70% of the note issue amount in active business operations. At December 31, 2001, no amortization has been charged because the conditions have not been met.

6. NOTES PAYABLE

The notes payable are unsecured and bear interest at rates of 2.075% and 1% annually. The notes call for repayment 5 years and 9 months after the date of issue, subject to the Fund's maintaining at least 70% of its investments in active business operations for 5 years.

The Immigration Act of Canada stipulates that the investor's funds must be invested within nine months of receipt, however, the Fund has not met this requirement for the majority of the funds received. In addition, the Fund has only completed one investment to date rather than the minimum of two investments required. A second investment authorized in June 2000 by the Fund in the amount of \$7,175,000 to Education Services and Products (N.S.) Limited is being completed during 2002. The Fund will be a minority shareholder in Education Services and Products (N.S.) Limited. The proposed investment date relating to the required holding period is June 26, 2000, subject to Citizenship Immigration Canada (CIC) approval. No provision for financial ramifications related to these requirements, if any, are included in these financial statements.

The notes payable issued by the Fund call for repayment five years from the investment date, which is stated to be not later than nine months following the date of the note. On this basis, the notes of 18 investors were originally expected to be repaid not later than March 27, 2002. The Fund provided funds of \$250,000 to each holder to these 18 notes by cheques dated March 27, 2002. The Fund is in discussions with CIC with respect to reimbursement options relating to the other notes of the Fund. While funds are available for reimbursement, the Fund has not met the five year investment requirement of CIC that permits the repayment of the notes held by investors.

7. SHARE CAPITAL

Authorized:
40,000 Common shares with no par value

	<u>2001</u>	<u>2000</u>
Issued:		
100 Common shares	\$ <u>1</u>	\$ <u>1</u>

8. RELATED PARTY

The 100 common shares issued are held in trust for the Province of Nova Scotia by the Minister of Finance.

9. FINANCIAL INSTRUMENTS

Financial risk is the risk arising from the fluctuations in interest rates. The Fund has managed its interest rate risk by investing in short-term Province of Nova Scotia promissory notes and capital projects.

Given the short-term nature of the investment, the carrying value approximates fair value.

AUDITOR'S REPORT

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

I have audited the balance sheet of the Nova Scotia Harness Racing Incorporated as at March 31, 2002 and the statement of income for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
May 31, 2002

NOVA SCOTIA HARNESS RACING INCORPORATED

**Balance Sheet
as at March 31, 2002**

ASSETS

	2002	2001
	(in thousands)	
Current		
Bank	\$ ---	\$ 1
	<u>---</u>	<u>1</u>
	<u>---</u>	<u>1</u>

LIABILITIES

Current		
Accounts payable	\$ ---	\$ 1
	<u>---</u>	<u>1</u>
	<u>---</u>	<u>1</u>

**Income Statement
for the year ended March 31, 2002**

	2002	2001
	(in thousands)	
Revenue		
Contribution to the Nova Scotia Harness Racing Fund from Nova Scotia Gaming Corporation.	\$ 1,000	\$ 1,000
	<u>1,000</u>	<u>1,000</u>
Expenses		
Contribution to ALC Harness Racing Corporation grant program.	---	15
Contribution to NS Department of Agriculture & Fisheries.	1,000	985
	<u>1,000</u>	<u>1,000</u>
Excess of revenue over expenses	\$ ---	\$ ---
	<u>---</u>	<u>---</u>

See accompanying notes to the financial statements.

NOVA SCOTIA HARNESS RACING INCORPORATED

Notes to the Financial Statement for the year ended March 31, 2002

1. Description of the Business

Nova Scotia Harness Racing Incorporated was incorporated under the Companies Act on March 1, 1999 and designated as a crown corporation on April 7, 1999, to manage and administer the Nova Scotia Harness Racing Fund, a special fund created by the Nova Scotia Harness Racing Incorporated Regulations.

In March 2001, the Government decided to provide \$1 million in 2001-02 (2000-01 - \$1 million) to support the harness racing industry in Nova Scotia. \$1 million was provided by the Nova Scotia Gaming Corporation to the Nova Scotia Harness Racing Fund and paid by Nova Scotia Harness Racing Incorporated to the Department of Agriculture and Fisheries. The Department of Agriculture and Fisheries managed the monies received from the Fund and determined how they would be distributed to the industry.

2. Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada. A statement of cash flow is not provided as disclosure in the balance sheet and the income statement is considered adequate.

3. Share Capital

The authorized capital of Nova Scotia Harness Racing Incorporated is one common share without nominal or par value, which has been issued to Her Majesty the Queen in Right of the Province of Nova Scotia.

AUDITORS' REPORT

To the Directors of the Nova Scotia Health Research Foundation

We have audited the balance sheet of Nova Scotia Health Research Foundation as at March 31, 2002 and the statements of the Foundation's equity and operating support and expenses for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

LYLE TILLEY DAVIDSON
Chartered Accountants

Halifax, Nova Scotia
May 15, 2002

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

**Balance Sheet
as at March 31, 2002**

ASSETS

	2002	2001
CURRENT ASSETS		
Cash.....	\$ ---	\$ 8,799
Short term investments		
- administration.....	102,168	545,773
- restricted.....	2,790,970	1,678,577
Accounts receivable - administration.....	60,999	9,466
Prepays.....	---	45,458
	<u>2,954,137</u>	<u>2,288,073</u>
CAPITAL ASSETS (note 5).....	<u>33,681</u>	<u>27,777</u>
	<u>\$ 2,987,818</u>	<u>\$ 2,315,850</u>

LIABILITIES

CURRENT LIABILITIES		
Bank indebtedness.....	\$ 73,973	\$ ---
Accounts payable and accrued liabilities		
- administration.....	68,065	104,979
- restricted.....	2,480,378	1,821,876
	<u>2,622,416</u>	<u>1,926,855</u>

FOUNDATION'S EQUITY

Unrestricted (note 4a).....	54,810	532,294
Restricted (note 4b).....	310,592	(143,299)
	<u>365,402</u>	<u>388,995</u>
	<u>\$ 2,987,818</u>	<u>\$ 2,315,850</u>

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

**Statement of Foundations's Equity
for year ending March 31, 2002**

	2002	2001
UNRESTRICTED FUND EQUITY		
UNRESTRICTED FUND - BEGINNING OF YEAR	\$ 532,294	\$ 373,106
Excess of support over expenses (expenses over support)	(12,449)	159,188
Transfer to restricted fund (note 3)	<u>(465,035)</u>	<u>---</u>
UNRESTRICTED FUND - END OF YEAR	<u>\$ 54,810</u>	<u>\$ 532,294</u>

RESTRICTED FUND EQUITY (DEFICIT)

RESTRICTED FUND - BEGINNING OF YEAR	\$ (143,299)	\$ 2,134,910
Support for grants	4,250,000	2,125,000
Canadian Health Services grant (note 8)	---	113,378
Issuance of grants	(4,445,996)	(4,601,902)
Interest on restricted funds (note 6)	184,852	85,315
Transfer from unrestricted fund (note 3)	<u>465,035</u>	<u>---</u>
RESTRICTED FUND - END OF YEAR	<u>\$ 310,592</u>	<u>\$ (143,299)</u>

**Statement of Operating Support and Expenses
for the year ended March 31, 2002**

	2002	2001
OPERATING SUPPORT		
Grant revenue	\$ 750,000	\$ 375,000
Program sponsorships	33,500	---
Interest income	<u>32,621</u>	<u>12,680</u>
	<u>816,121</u>	<u>387,680</u>
OPERATING EXPENSES		
Amortization	7,848	3,687
Capacity building program	328,380	22,500
Communications, public awareness and research findings		
- one-time	30,320	---
- ongoing	62,464	30,834
Consultants	44,968	24,046
Office	37,675	31,491
Meals and networking	3,438	1,602
Peer review of grant applications	34,536	21,750
Professional development	5,022	---
Regional partnership program	630	---
Salaries and benefits	159,449	72,491
Telephone, fax and website maintenance	7,255	2,710
Travel and meetings	18,955	11,123
Workshops	<u>87,630</u>	<u>6,258</u>
	<u>828,570</u>	<u>228,492</u>
EXCESS OF OPERATING SUPPORT OVER EXPENSES (EXPENSES OVER SUPPORT)	<u>\$ (12,449)</u>	<u>\$ 159,188</u>

NOVA SCOTIA HEALTH RESEARCH FOUNDATION

Notes to Financial Statements for the year ended March 31, 2002

1. CONTENT OF FINANCIAL STATEMENTS

The Nova Scotia Health Research Foundation, established by the Health Research Foundation Act of the Province of Nova Scotia (Bill No. 22) was given Royal Assent on December 3, 1998 and became effective on January 1, 2000. As stated in the Act the objects of the Foundation are to assist, collaborate with and fund individuals and organizations conducting health research in the Province including the fields of health policy, health promotion and health care and without limiting the generality of the foregoing, assist health-services research, health-outcome research, health public-policy research and medical research.

The accompanying financial statements include only the assets and operations of the Foundation.

2. ACCOUNTING POLICY

Capital assets

Capital assets are recorded at cost, and are amortized using the declining balance method at the annual rate of 30% for computer equipment and 20% for furniture and fixtures. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal. Leasehold improvements are amortized by the straight-line method over ten years with a full year of amortization recorded in the year of acquisition.

Fund accounting

The Foundation uses the fund accounting methods of presenting its assets, liabilities and results of operations. This method recognizes the limitations and restrictions placed on the use of the resources available to the Foundation by classifying all transactions according to their nature.

Financial instruments

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

Use of estimates

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

3. DISTRIBUTION OF FUNDING

The annual grant made to the Foundation, which is provided from funds appropriated by the Nova Scotia Legislature, shall be distributed in accordance with the objects of the Foundations as follows:

- (a) 40% shall be spent on medical research
- (b) 15% shall be spent on health-outcome research
- (c) 15% shall be spent on health-services research
- (d) 15% shall be spent on health public-policy research
- (e) a maximum of 15% may be spent on the administration of the Foundation and 5% of the total amount spent on administration shall be spent on increasing the public knowledge and awareness of the Foundation.

If less than the total money allocated is spent in any of the categories, the remaining portion shall be reallocated to one of the remaining categories in a manner determined by the Board. During the year the board approved reallocating 85% of the remaining portion of unspent administrative funds to medical research.

4. FUND ACCOUNTING

(a) Unrestricted Fund

The Unrestricted Fund is used to account for the primary operations of the Foundation, including costs related to administration, operations, and promotion of public awareness of the Foundation. Government grants and other income recorded directly by this fund include only those available for unrestricted operating purposes.

(b) Restricted Fund

The Restricted Fund is used to account for funds received that are designated for the issuance of grants for research including medical, health-outcome, health-services, and public policy research. At the time the approved grants are issued, the expenditures are recorded as a reduction of the fund equity.

5. CAPITAL ASSETS

	<u>2002</u>			<u>2001</u>
	<u>Cost</u>	<u>Accumulated mortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment.	\$ 10,797	\$ 4,373	\$ 6,424	\$ 9,177
Furniture and fixtures.	23,427	6,063	17,364	18,600
Leasehold improvements	10,992	1,099	9,893	---
	<u>\$ 45,216</u>	<u>\$ 11,535</u>	<u>\$ 33,681</u>	<u>\$ 27,777</u>

6. INTEREST ON RESTRICTED FUND

During the year the restricted fund received a support grant from the Province of Nova Scotia, authorized and paid health research grants, and earned interest on the funds invested. These amounts have been distributed to each category as follows:

	Opening Fund Balance	Transfer From Unrestricted Fund	Support Grant	Authorized Grants	Interest	Ending Fund Balance
Medical research.	\$ (457,094)	\$ 465,035	\$ 2,000,000	\$ (2,459,297)	\$ 86,989	\$ (364,367)
Health outcome, services, and public policy research.	261,909	---	2,250,000	(1,934,813)	97,863	674,959
Canadian health services.	51,886	---	---	(51,886)	---	---
	<u>\$ (143,299)</u>	<u>\$ 465,035</u>	<u>\$ 4,250,000</u>	<u>\$ (4,445,996)</u>	<u>\$ 184,852</u>	<u>\$ 310,592</u>

7. TAXATION

According to Bill 22, which was given Royal Assent effective January 1, 2000, the Foundation and its property are exempt from taxation imposed by or under the authority of any enactment of the Province of Nova Scotia. The Foundation is a registered charitable foundation under the Income Tax Act and is not subject to income taxes.

8. CANADIAN HEALTH SERVICES GRANT

The Nova Scotia Department of Health transferred \$113,378 to the Foundation during the year ended March 31, 2001. These funds were restricted for the purpose of supporting the Canadian Health Services Research Foundation's Open Grants Competition. During the year \$51,886 (2001 - \$62,657, including interest earned of \$1,165) of grants were disbursed. The restricted balance remaining at March 31, 2002 is zero.

9. STATEMENT OF CASH FLOW

A statement of cash flow was not prepared, as it would not provide any additional meaningful information to the users of the financial statements.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the 2002 financial statement presentation.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Community Services

I have audited the consolidated balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 2002, and the consolidated statements of revenues and expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

Property management services for the Rural and Native Housing Program have been contracted to the Ki'Knu Housing Commission Society by the Nova Scotia Housing Development Corporation. Program revenues and expenditures reported by the Society are included in these consolidated financial statements. The Ki'Knu Housing Commission Society's financial statements are unaudited. Accordingly, I was not able to satisfy myself with respect to the amount of those revenues and expenditures and I was not able to determine if any adjustments might be necessary to recorded revenues of \$5,383,605 (2001 - \$5,503,652) and expenditures of \$3,767,373 (2001 - \$3,483,021).

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself with respect to the revenues and expenditures of the Rural and Native Housing Program administered by the Ki'Knu Housing Commission Society, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Housing Development Corporation as at March 31, 2002, and the results of its operations and changes in the fund balance for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
June 24, 2002

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

**Consolidated Balance Sheet
as at March 31, 2002**

ASSETS		
	2002	2001 (Restated)
Current assets		
Cash, accounts receivable and accrued interest	\$ 5,305,143	\$ 5,932,813
Current portion of mortgages receivable.	2,783,000	2,732,650
	<u>8,088,143</u>	<u>8,665,463</u>
Mortgages receivable (Note 4)	31,660,745	34,187,380
Investment in land and social housing (Notes 5 and 14)	394,109,853	403,721,058
Fund for future social housing expenditures (Note 2).	18,740,874	13,788,194
	<u>\$ 452,599,615</u>	<u>\$ 460,362,095</u>

LIABILITIES		
Current liabilities		
Payables and accruals	\$ 7,178,504	\$ 6,190,607
Current portion of long-term debt.	10,285,035	9,391,102
Deferred federal contributions (Note 2)	18,740,874	13,788,194
	<u>36,204,413</u>	<u>29,369,903</u>
Long-term debt (Note 6).	319,909,225	328,049,529
Reserve for mortgage guarantees, indemnified loans and interest fluctuations (Note 7).	14,623,667	13,560,470
Partner's Equity and Minority Interest (Note 9).	942,603	2,990,601
Housing Development Corporation Fund (Note 3)	80,919,707	86,391,592
	<u>\$ 452,599,615</u>	<u>\$ 460,362,095</u>

**Consolidated Statement of Revenues and Expenditures
for the Year Ended March 31, 2002**

	2002	2001 (Restated)
Revenues		
Rental revenue	\$ 48,424,480	\$ 47,744,426
Interest revenue	2,533,873	2,801,653
Land sales	2,532,098	3,426,878
Recoveries from Canada Mortgage and Housing Corporation (Notes 2 and 13).	56,905,540	56,853,136
Recoveries from provincial government departments and municipalities (Note 2).	15,685,530	15,753,684
	<u>126,081,521</u>	<u>126,579,777</u>
Expenditures		
Administration fee.	2,524,129	2,952,634
Amortization of investment in social housing	9,007,387	8,501,928
Cost of land sales	385,172	5,223,484
Operating (Note 10).	56,180,899	54,669,684
Interest on long-term debt	30,609,753	31,280,291
Transfer to Housing Services (Notes 2 and 13).	25,100,539	25,004,611
Changes in provision for doubtful accounts and land values	2,273,642	(1,052,855)
	<u>126,081,521</u>	<u>126,579,777</u>
Excess of revenues over expenditures.	<u>\$ ---</u>	<u>\$ ---</u>

Commitments and Contingencies (Note 7)
The accompanying notes are an integral part of these statements.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

**Statement of Changes in Fund Balance
for the Year Ended March 31, 2002**

	2002	2001 (Restated)
Funds provided by (used for):		
Operations		
Excess of revenues over expenses	\$ ---	---
Add: Expenses not requiring cash		
Amortization of investment in social housing	9,007,387	8,501,928
Changes in provision for doubtful accounts and land values	2,273,642	(1,052,855)
(Gain) or loss on sale of land	(2,146,926)	1,796,605
Net change in operating assets and liabilities	1,615,567	(582,288)
	<u>10,749,670</u>	<u>8,663,390</u>
Investing activities		
Decrease in mortgages receivable	2,476,285	2,458,527
Increase (decrease) in partner's equity and minority interest	(2,047,998)	2,477,781
Increase (decrease) in net investment social housing	1,540,299	(1,599,306)
	<u>1,968,586</u>	<u>3,337,002</u>
Financing activities		
Repayment of long-term debt	(7,246,371)	(7,730,816)
Decrease in Fund balance during the year	5,471,885	4,269,576
Fund balance, beginning of year	(86,391,592)	(90,661,168)
Fund balance, end of year	\$ (80,919,707)	\$ (86,391,592)

The accompanying notes are an integral part of these statements.

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements March 31, 2002

1. Status of the Corporation

The Nova Scotia Housing Development Corporation is a crown corporation established by the Nova Scotia Housing Development Corporation Act.

Basis of Consolidation

The consolidated financial statements include the accounts of the Nova Scotia Housing Development Corporation and the seven Regional Housing Authorities as well as the Ki'Knu Housing Commission Society which are controlled by the Corporation including all program recoveries and expenditures administered under the social housing agreement.

Regional Housing Authorities are incorporated bodies with no share capital established by ministerial order pursuant to Sec. 31 and 32 of the Housing Development Act, Chapter 7 of 1966. They provide community-based management of housing projects.

Regional Housing Authorities are controlled by the Corporation pursuant to Sec. 25(a) and (b) of the Housing Act Chapter 211 of the Revised Statutes 1989. This Act states the Minister-in-charge of the Corporation has the general management, supervision and authority over any housing authority and may make any order for the proper management or operation of the housing authority.

Significant transactions and account balances between the Corporation and the Regional Housing Authorities have been eliminated in these consolidated financial statements.

2. Significant Accounting Policies

Consolidation Method

The policies used in preparing the Corporation's consolidated financial statements are in accordance with accounting principles generally accepted in Canada.

Mortgages Receivable

Mortgages receivable are carried net of provisions for concessionary assistance and doubtful recoveries as described in Note 4 to the financial statements. A provision for doubtful recoveries is established to the extent that anticipated losses on bad debts exceed reserves. The Housing Development Corporation charges mortgage insurance fees to borrowers to offset the cost of bad debt write offs from the mortgage receivable portfolio.

The provision for concessionary assistance represents the present value of estimated future subsidies provided by the Housing Services Division of the Department of Community Services to low income borrowers to assist them in meeting their monthly mortgage payments to the Corporation.

Investment in Land and Social Housing

Investments in Social Housing represent housing properties which are carried at cost including the cost of site investigation, land, construction, administration, and interest during construction less accumulated amortization. The Corporation has established reserves for the risks associated with land development and fire losses.

The capital cost of social housing properties is amortized, using the sinking fund method, by the amount of the principal repaid on the related long-term debt financing the project.

Investments in land represent properties developed for resale. Land projects are carried at the lower of cost or estimated net realizable value. Land costs include acquisition and servicing costs, capitalized interest charges and administrative costs where applicable.

Profit or loss on the sale of land is recorded as lots are sold except when revenue or costs cannot be reasonably determined. Costs incurred plus estimated costs to complete are accumulated and allocated to individual units on the basis of relative sales values and written off as lots are sold. Certain common costs, such as main roadways, are allocated to that phase of the project with the applicable spending authority.

Recoveries From CMHC - Social Housing

Pursuant to the Social Housing Agreement executed by the Corporation and Canada Mortgage and Housing Corporation (CMHC) which took effect Oct 1, 1997, CMHC is required to pay fixed annual contributions to the Corporation over the remainder of the CMHC commitment period ending June 30, 2034. Contributions from CMHC are used by both the Corporation and the Housing Services Division of the Department of Community Services to meet the interest, amortization, subsidy and administration expenses of programs under the Agreement.

CMHC funding not used during the current fiscal year by the Corporation or the Housing Services Division is eligible for carry forward to future years. Unused CMHC funding is recorded separately in two interest bearing accounts entitled Fund for Future Social Housing Expenditures and Deferred Federal Contributions whose balances at March 31, 2002 were \$18,740,874.

During the year and under the Social Housing Agreement the corporation received funding from CMHC and made distributions and recoveries as outlined in the table below:

	2002	2001
Recoveries from Canada Mortgage and Housing Corporation		
Social Housing Transfer Agreement	56,905,540	56,853,136
Transfer to Department of Community Services Housing Services Division	25,100,539	25,004,611

Recoveries from CMHC are subject to independent audit. Adjustments to recoveries, accounts receivable, deferred federal contributions and the Fund for Future Social Housing Expenditures, arising from the audit process, are recorded in the year the audit is finalized.

Recoveries From Provincial Government Departments and Municipalities

Costs incurred by the Corporation for the amortization of provincial social housing assets and the interest costs associated with the debt financing of these assets are recovered from the applicable provincial government department and municipality:

	2002	2001
Department of Community Services		
-- Doubtful accounts change \$	1,987,628	\$ (1,052,855)
- Amortization, interest and land loss	7,065,017	10,045,254
Department of Justice	1,164,324	1,164,324
Municipal share of public housing costs	5,468,561	5,596,961
	<u>\$ 15,685,530</u>	<u>\$ 15,753,684</u>

Interest Revenue

Interest revenue associated with lending programs is recorded on the accrual basis as interest is earned.

Interest on Long-Term Debt

Interest expense on long-term debt is recorded on the accrual basis as interest obligations are incurred.

Administration Fee

The administration of the Nova Scotia Housing Development Corporation is carried out by the staff of the Department of Community Services. The Corporation reimburses the Housing Services Division of the Department to the extent that revenues earned by the Corporation would otherwise exceed expenditures.

3. Housing Development Corporation Fund

To provide working capital for the Nova Scotia Housing Development Corporation, the Housing Development Corporation Fund was established by Order-In-Council. The Fund is set up as a revolving account which records all receipts and expenditures, and allows the Corporation to borrow up to \$175 million.

4. Mortgages Receivable

Mortgages receivable have an amortization period of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately \$231,917 including interest. Interest rates vary from 6.5% to 13.05%, with renewal dates ranging from April 1, 2002 to October 1, 2012. The mortgages are secured by registered first mortgages on the related properties.

	2002	2001
Mortgages receivable.	\$ 36,855,937	\$ 39,331,922
Less: Current portion due within one year	2,783,000	2,732,650
Provision for concessionary assistance and doubtful recoveries	2,412,192	2,411,892
	<u>5,195,192</u>	<u>5,144,542</u>
	<u>\$ 31,660,745</u>	<u>\$ 34,187,380</u>

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

2003-2004	\$ 2,602,251
2004-2005	\$ 2,653,919
2005-2006	\$ 2,718,563
2006-2007	\$ 2,796,623

5. Investment in Land and Social Housing

	2002	2001
Investment in land	\$ 6,549,163	\$ 5,217,981
Investment in social housing	392,209,662	402,579,848
	<u>398,758,825</u>	<u>407,797,829</u>
Less: Provision for doubtful land recoveries	3,068,676	3,080,745
Provision for fire and other social housing losses	1,580,296	996,026
	<u>4,648,972</u>	<u>4,076,771</u>
	<u>\$ 394,109,853</u>	<u>\$ 403,721,058</u>

6. Long -Term Debt

	2002	2001
Notes payable.....	\$ 252,656,544	\$ 257,759,775
Mortgages payable	<u>77,537,716</u>	<u>79,680,856</u>
	330,194,260	337,440,631
Less: Current portion due within one year	<u>10,285,035</u>	<u>9,391,102</u>
	<u>\$ 319,909,225</u>	<u>\$ 328,049,529</u>

Long term debt is comprised of mortgages and notes payable from various lenders. The amortization of the notes payable ranges from 5 to 36 years. The mortgages payable amortization periods range from 20 to 35 years with either five or ten year renewal terms. Notes payable are secured by investments in social housing. Mortgages and notes payable are repayable in monthly or quarterly installments of interest and principal. Interest rates vary from 4.00% to 21.50% with renewal dates ranging from April 1, 2002 to January 1, 2034.

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

2003-2004	\$ 10,033,789
2004-2005	\$ 10,818,945
2005-2006	\$ 11,574,670
2006-2007	\$ 12,074,091

7. Commitments and Contingencies

Pursuant to the October 1, 1997 Social Housing Transfer Agreement CMHC requires the Corporation to indemnify CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 2002 there were 549 loans with an approximate outstanding balance of \$178,473,218 (2001 - \$182,818,368).

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 2002 a total of 30 (2001 - 30) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was \$27,474,887 (2001 - \$28,185,263).

The Corporation has established reserves for possible losses on mortgage guarantees and indemnified loans in the amount of \$14,623,667 (2001 - \$13,790,958) which includes a reserve for risks associated with interest fluctuation of \$3,200,000 (2001 - \$3,200,000). In addition, the Corporation self insures against fire and other social housing risks and has recorded a provision of \$1,000,000 as disclosed in Note 5.

8. Related Party Transactions

Included in notes 2 and 3 of these consolidated financial statements are transactions with various Nova Scotia government departments related to the Corporation by virtue of common control.

9. Partner's Deficiency and Minority Interest

The Housing Authorities operate under partnership agreements among the Nova Scotia Department of Community Services - Housing Services, Municipal governments and each Housing Authority. Under the terms of these agreements, the Housing Authorities, as trustee, have lease title to certain rental housing properties for the control, operations, management and administration of various projects.

Partner's Equity (Deficiency) and Minority Interest

	2002	2001
Department of Community Services		
Opening Balance, April 1	\$ 9,515,968	\$ 4,021,767
Advances and amortization	44,073,446	46,465,051
Payment of deficits by municipalities	(5,563,106)	(5,588,038)
Change in accounting policy (Note 12)	(1,790,063)	3,163,824
Excess of revenue over expenditures	(38,862,820)	(38,546,636)
Closing balance, March 31	<u>7,373,425</u>	<u>9,515,968</u>
Municipalities' and Towns' Minority interest		
Opening Balance, April 1	(6,525,367)	(6,516,444)
Payments of deficits by municipalities	5,563,106	5,588,038
Excess of revenue over expenditures	(5,468,561)	(5,596,961)
Closing balance, March 31	<u>(6,430,822)</u>	<u>(6,525,367)</u>
Partner's Equity	<u>\$ 942,603</u>	<u>\$ 2,990,601</u>

10. Operating

	2002	2001
Administration	\$ 11,181,609	\$ 10,511,382
Maintenance	13,561,458	12,688,463
Management fee	1,014,650	1,033,588
Modernization and improvements	4,970,944	2,794,340
Municipal taxes	6,553,158	6,523,680
Other operating	6,906,153	7,451,116
Utilities	11,992,927	13,667,115
	<u>\$ 56,180,899</u>	<u>\$ 54,669,684</u>

11. Pension Plan

The Regional Housing Authorities each have defined contribution pension plans available to eligible employees. Authority contributions are included in operating expenses in the consolidated statement of revenues and expenditures.

12. Changes in Accounting Policy

The Corporation changed its accounting policy from reporting on a non-consolidated basis to reporting on a consolidated basis and now includes the financial statements of the Regional Housing Authorities. This change has been made retroactively. The impact of this change is a \$81.5 million increase in revenue and corresponding expenses in 2002 (2001 - \$80.1 million).

The Corporation also recorded a retroactive adjustment (see note 9) of \$1,790,063 in 2002 (2001 - \$3,163,824) to record tangible capital assets acquired by the Regional Housing Authorities prior to March 31, 2001 which had previously been expensed.

13. Recoveries From CMHC for Social Housing

The Corporation upon consolidation changed its method of disclosing these recoveries from net to gross. Whereas the recoveries had been shown in prior years net of transfers to Housing Services, the recoveries are now shown at the gross amount and transfers are separately stated as expenditures.

14. Tangible Capital Assets

The investment in land and social housing disclosed in Note 5 of \$392,209,262 (2001 - \$402,579,848) includes social housing properties acquired through the social housing transfer agreement from the Housing Development Fund and from acquisitions dating back several decades to predecessor housing organizations within government.

These properties were originally recorded at net book value which included cost of land and buildings. Net book value was amortized over the years. Amortization includes amounts related to land which is not in accordance with generally accepted accounting principles. Historical information related to the original cost of land versus buildings is not available.

On a carry forward basis, future construction and or acquisitions will be separated as to land and building in accordance with generally accepted accounting principles.

The tangible capital assets consolidated from the Regional Housing Authorities' financial statements are included in the net book value above. The rates and method of depreciation used to amortize these assets over their estimated useful lives are as follows:

Buildings	5 % declining balance
Equipment	20 % declining balance
Computer equipment	30 % declining balance
Vehicles	30 % declining balance

The following information on costs, accumulated amortization and net book value is available for those assets:

	Cost	Accumulated Amortization	Net Book Value	
			2002	2001
Buildings	\$ 6,139,292	\$ 1,444,541	\$ 4,694,751	\$ 4,941,351
Equipment	56,376	23,903	32,473	40,591
Computer	73,772	50,288	23,484	33,547
Vehicles	1,446,239	962,865	483,374	339,099
ITRP costs	324,134	---	324,134	---
Total	<u>\$ 8,039,813</u>	<u>\$ 2,481,597</u>	<u>\$ 5,558,216</u>	<u>\$ 5,354,588</u>

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of the Office of Economic Development

I have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 2002 and the consolidated statements of loss, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
June 3, 2002

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION**

**Consolidated Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Current		
Cash and cash equivalents	\$ 2,130,218	\$ 2,127,716
Receivables	1,628,794	2,235,299
Inventories	99,033	247,188
Other (Note 13)	---	118,473
	3,858,045	4,728,676
Investments and funds		
Nova Scotia First Fund (Note 3)	9,393,115	10,235,721
Research Endowment Fund (Note 4)	661,182	661,182
Other investments (Note 5)	708,590	708,590
Receivables (Note 6)	493,557	403,448
Capital Assets, (Note 7)	5,537,167	6,049,584
Deferred lease inducement (Note 8)	44,270	---
	\$ 20,695,926	\$ 22,787,201

LIABILITIES

	2002	2001
Current		
Payables and accruals	\$ 881,541	\$ 1,115,958
Payable to Province of Nova Scotia	2,823,274	2,662,677
Deferred revenue	72,003	69,760
Current portion of long term debt	29,265	23,924
	3,806,083	3,872,319
Long term debt (Note 9)	432,375	379,073
Deferred revenue	16,412	---
Deferred government assistance	390,725	506,693
	4,645,595	4,758,085
Non-controlling interest	(323,399)	(36,256)

EQUITY

Capital stock and contributed surplus (Note 10)	19,110,755	19,110,755
Deficiency		
Restricted for Nova Scotia First Fund (Note 3)	(1,717,676)	(875,070)
Unrestricted	(1,019,349)	(170,313)
	(2,737,025)	(1,045,383)
	16,373,730	18,065,372
	\$ 20,695,926	\$ 22,787,201

Commitments (Note 3)

Contingency (Note 3)

See accompanying notes to the consolidated financial statements

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION**

**Consolidated Statement of Loss
Year Ended March 31, 2002**

	2002	2001
Revenues and Grants		
Government grants (Note 11)	\$ 2,333,968	\$ 2,655,796
Commercialization services	547,137	782,580
Technical services	686,259	890,436
Sector development	145,824	486,457
Business incubation	369,611	444,279
Virtual business delivery	168	324,469
Mentoring and information intelligence	221,768	76,747
	<u>4,304,735</u>	<u>5,660,764</u>
Expenses		
Commercialization services	791,595	1,257,751
Technical services	582,750	841,593
Sector development	200,913	647,320
Business incubation	463,418	502,000
Virtual business delivery	1,159,990	568,981
Mentoring and information intelligence	390,305	180,464
Corporate services	1,003,451	1,014,799
Occupancy costs	355,996	432,831
Corporate office	398,731	386,952
	<u>5,347,149</u>	<u>5,832,691</u>
	<u>(1,042,414)</u>	<u>(171,927)</u>
Amortization	(396,358)	(433,985)
Investment income	126,704	233,583
Early retirement incentive plan expense	---	(122,028)
Nova Scotia First Fund net loss	(842,606)	(1,923,363)
Non-controlling interest in subsidiary's net loss	287,143	36,256
	<u>(825,117)</u>	<u>(2,209,537)</u>
Loss before unusual item and discontinued operations	(1,867,531)	(2,381,464)
Unusual item (Note 12)	---	1,487,703
	<u>(1,867,531)</u>	<u>(893,761)</u>
Discontinued operations (Note 13)	175,889	(23,049)
Net loss	<u>\$ (1,691,642)</u>	<u>\$ (916,810)</u>

**Consolidated Statement of Deficit
Year Ended March 31, 2002**

	2002	2001
Deficit, beginning of year	\$ (1,045,383)	\$ (128,573)
Net loss	<u>(1,691,642)</u>	<u>(916,810)</u>
Deficit, end of year	<u>\$ (2,737,025)</u>	<u>\$ (1,045,383)</u>

See accompanying notes to the consolidated financial statements

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION**

**Consolidated Statement of Cash Flows
Year Ended March 31, 2002**

	2002	2001
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	\$ (1,691,642)	\$ (916,810)
Amortization	396,358	433,985
Deferred government assistance recognized.	(141,368)	(139,765)
Nova Scotia First Fund net loss.	842,606	1,923,363
Non-controlling interest in subsidiary's net loss	(287,143)	---
Early retirement incentive plan (Note 9)	---	(1,487,703)
Gain on disposal of assets	(173,314)	(6,772)
	(1,054,503)	(193,702)
Change in non-cash operating working capital (Note 14)	817,968	(726,275)
	(236,535)	(919,977)
Investing		
Nova Scotia First Fund portfolio investments, net.	411,250	2,018,650
Nova Scotia First Fund investments	(411,250)	(2,018,650)
Proceeds from Nova Scotia First Fund investments.	164,999	---
Acquisition of Nova Scotia First Fund investments.	(164,999)	---
Advances from (to) investees, net	81,544	(43,099)
Long term receivables.	(214,850)	67,584
Long term receivables payments received.	124,740	---
Capital asset purchases	(26,419)	(68,935)
Proceeds from disposal of capital assets.	315,790	---
Lease inducement, net.	(44,270)	---
	236,535	(44,450)
Financing		
Long term debt repayments	(41,485)	(33,677)
Deferred government assistance	25,400	106,643
Increase in equipment lease obligation.	18,587	---
	2,502	72,966
Increase (decrease) in cash and cash equivalents.	2,502	(891,461)
Cash and cash equivalents,		
Beginning of year	2,127,716	3,019,177
End of year	\$ 2,130,218	\$ 2,127,716

See accompanying notes to the consolidated financial statements

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA INNOVATION CORPORATION**

**Notes to the Consolidated Financial Statements
March 31, 2002**

1. Authority

The Nova Scotia Innovation Corporation (InNOVAcorp) was established on February 6, 1995 by the Innovation Corporation Act. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world.

2. Summary of significant accounting policies

InNOVAcorp's financial statements have been prepared in accordance with generally accepted accounting principles, which include the following:

a. Principles of consolidation

The consolidated financial statements include the accounts of InNOVAcorp, its wholly owned subsidiary, 1402998 Nova Scotia Limited (formerly Nova Magnetics Limited) and its 80% owned subsidiary, 3839966 Canada Limited (operating as The Decision Point).

b. Use of estimates

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

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and temporary money market instruments at cost plus accrued interest with original maturities of three months or less. Portfolio investments of the Nova Scotia First Fund which mature within ninety days are accorded the same treatment.

d. Inventory

Inventory is valued at the lower of cost or net realizable value.

e. Long term investments

Venture capital investments made through the Nova Scotia First Fund and investments in companies over which InNOVAcorp does not have control are carried at cost. Where management has determined a decline in value that is considered to be other than temporary, these investments are written down to provide for the loss. Fixed income investments of the Nova Scotia First Fund with terms to maturity greater than ninety days are recorded at cost plus accrued interest.

f. Capital assets

The cost of capital assets is being depreciated over the estimated lives of the assets using the following rates and methods:

Buildings	4%	declining balance
Machinery and equipment	20%	declining balance
Computer equipment	30%	declining balance
SE Technology license	17%	straight line
Furniture and fixtures	20%	declining balance
Improvements	100%	declining balance
Management Information Systems	10%	straight line

g. Donated assets

The donation of assets to InNOVAcorp is considered a capital contribution. These assets are recorded at their fair market value with an offsetting increase to a contributed capital account identifying the source of the donation. These assets are charged to income over their estimated economic life as described in Note 2(f) above.

h. Government grants and deferred government assistance

Government grants used for the acquisition of property, plant and equipment are recorded as deferred government assistance and recognized as income on the same basis as the related assets are depreciated. Grants related to other expenditures are recognized as income in the year the related expenditures are incurred.

i. Translation of foreign currencies

Current assets, current liabilities, long term monetary assets and liabilities are translated at the year end rate of exchange. Revenue and expenses are translated at the rates prevailing when the transaction occurred. Translation gains and losses are included in earnings except for unrealized gains and losses arising from translation of long term monetary assets and liabilities, which are deferred and amortized over the remaining lives of the related items.

j. Lease inducements

Amounts paid to tenants to renovate premises are recorded as deferred lease inducement and amortized over the life of the lease.

3. Nova Scotia First Fund

In 1989 the Nova Scotia First Fund (NSFF) was established by Governor in Council. The objective of the fund is to encourage the development of high technology industries and to encourage the adoption of new technologies by existing industries. Fund investments represent investments in development stage enterprises and, as such, have not yet earned significant revenues from their intended business activities or established their commercial viability. The recovery of invested amounts and the realization of investment returns is dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Adverse developments could result in further write-downs of the carrying values of these investments.

During 1996-97, InNOVAcorp assumed management of the NSFF pursuant to the Innovation Corporation Act. The administration of investments and obligations made through the NSFF to April 1, 1996 was also transferred to InNOVAcorp. Fund activity during the current year is summarized below:

	Portfolio Investments	Fund Investments	Fund Obligations	Valuation Adjustment	Fund Balance
Beginning					
Balance	\$ 5,769,775	\$ 8,787,915	\$ (225,000)	\$ (4,096,969)	\$ 10,235,721
Add (Deduct):					
Equity investments ...	(411,250)	411,250	---	---	---
Write-off investments.	---	(500,000)	---	500,000	---
Income	129,394	---	---	(972,000)	(842,606)
Repayments.	164,999	(164,999)	---	---	---
Ending Balance	<u>\$ 5,652,918</u>	<u>\$ 8,534,166</u>	<u>\$ (225,000)</u>	<u>\$ (4,568,969)</u>	<u>\$ 9,393,115</u>

InNOVAcorp is entitled to recover direct expenses associated with its administration of the NSFF. To date it has elected not to charge the Fund for any of the costs incurred. These costs are charged to the Commercialization Services division of the Corporation.

In addition to the above investments and obligations, as at March 31, 2002 there were \$706,250 approved commitments for the NSFF (2001 - \$250,000) and a guarantee of \$115,000 (2001 - \$115,000) outstanding. Subsequent to year end, \$226,250 of these approved commitments were fulfilled.

InNOVAcorp and TARA (Telecom Applications Research Alliance) entered into a \$2 million investment alliance agreement (InNOVAcorp share \$1 million) to support emerging information technology (IT) companies. This strategic alliance provides capital to IT companies with high growth potential and is targeted at early-stage companies seeking \$100,000 to \$300,000 in venture financing. A subcommittee of representatives from both organizations manages the joint venture. At March 31, 2002, \$1,000,000 (InNOVAcorp share - \$500,000) has been placed under this agreement.

The fund obligation of \$225,000 was paid subsequent to year end.

Fund investments include \$325,000 invested in a company which has commenced an action against a customer for patent infringement. The recovery of this investment is dependent on the success of the legal proceedings which are not determinable at this time.

4. Research Endowment Fund

The Research Endowment Fund was transferred to InNOVAcorp when the Nova Scotia Research Foundation Corporation was dissolved. Subject to any directions provided by the Governor in Council, the Fund is administered and controlled by InNOVAcorp. The Fund can be used for purposes consistent with the objects of InNOVAcorp.

The funds have been invested in bonds and debentures and their fair market value approximates cost.

5. Other Investments

	2002	2001
Applied Microelectronics Incorporated - 490,000 3%, non-cumulative preferred shares	\$ 490,000	\$ 490,000
Immune Network Ltd. 1,248,436 common shares	84,141	84,141
PlantSelect Biotechnology Systems Limited 20,000 common shares	29,744	29,744
Preferred shares	94,705	94,705
Produxys Solutions Inc. 1,000 common shares	10,000	10,000
	<u>\$ 708,590</u>	<u>\$ 708,590</u>

6. Receivables

	2002	2001
Loan receivable	\$ 176,750	\$ 265,750
Leases receivable	354,837	187,794
	<u>531,587</u>	<u>453,544</u>
Current Portion	38,030	50,096
	<u>\$ 493,557</u>	<u>\$ 403,448</u>

The loan relates to the disposition of laboratories in September, 1999, payable in quarterly instalments, with interest at a rate of 9.65% per annum. The final instalment is due October 31, 2004.

InNOVAcorp leases equipment under agreements with terms of three to eight years. The leases, which transfer substantially all of the risks and benefits incidental to ownership, have been accounted for as sales.

During the year, a new lease was entered into for \$300,000 relating to the sale of the Environmental Simulation Lab (ESL) division.

7. Capital assets

	Cost	Accumulated Amortization	2002 Carrying Value	2001 Carrying Value
Land	\$ 350,700	\$ ---	\$ 350,700	\$ 350,700
Buildings	5,926,357	1,286,823	4,639,534	4,832,848
Machinery and equipment	919,439	639,104	280,335	487,183
Computer equipment	681,796	546,990	134,806	210,011
SE technology license	111,000	111,000	---	1,803
Furniture & fixtures	176,766	120,419	56,347	70,434
Leaseholds	180,375	166,416	13,959	---
Incorporation costs	1,019	---	1,019	---
Management information system	146,474	86,007	60,467	96,605
	<u>\$ 8,493,926</u>	<u>\$ 2,956,759</u>	<u>\$ 5,537,167</u>	<u>\$ 6,049,584</u>

8. Deferred lease inducements

	2002	2001
Lease inducement	\$ 51,265	---
Accumulated amortization	---	---
	<u>51,265</u>	<u>---</u>
Less: current portion	6,995	---
	<u>\$ 44,270</u>	<u>---</u>

9. Long term debt

	2002	2001
Nova Scotia Business Inc. (NSBI)	\$ 97,390	\$ 121,002
Long term service award	267,982	281,995
Equipment lease obligation	14,724	---
Payable to shareholders	81,544	---
	<u>461,640</u>	<u>402,997</u>
Less: Current portion	29,265	23,924
	<u>\$ 432,375</u>	<u>\$ 379,073</u>

Principal repayments for the NSBI loan and equipment lease obligation for the next four years are as follows:

2003	\$	29,265
2004		31,467
2005		33,524
2006		17,858

Early Retirement Incentive Plan

Payable to shareholders

The amounts advanced from shareholders of an 80% owned subsidiary are non-interest bearing, with no set terms of repayment.

Long Term Service Award

Employees of the Corporation are entitled to long term service awards on retirement, based on the number of years of service. These are earned at a rate of one week's pay for every year of service, to a maximum of 26 weeks.

The liability recorded represents management's best estimate of the net present value of future awards to be paid to retiring staff. The benefit expense calculation includes an imputed interest charge on the average unfunded liability throughout the period, and an accrual for the award earned by the employees during the period.

10. Capital stock and contributed surplus

	2002	2001
Capital stock		
Class A Common Shares, par value \$1.00	75 \$	75
Principal Share, par value \$1.00	<u>1</u>	<u>1</u>
	<u>76</u>	<u>76</u>
Contributed surplus		
Nova Scotia First Fund	11,110,791	11,110,791
Nova Scotia Research Foundation Corporation	7,509,888	7,509,888
Applied Microelectronics Incorporated (Note 5)	<u>490,000</u>	<u>490,000</u>
	<u>19,110,679</u>	<u>19,110,679</u>
	<u>\$ 19,110,755</u>	<u>\$ 19,110,755</u>

11. Government grants

InNOVAcorp receives an annual grant from the Province of Nova Scotia as well as funding from various other Federal and Provincial government agencies for current operations and acquisition of capital assets. Funding related to the operating activities of a business unit has been included in the revenue of that unit.

Funding related to the acquisition of capital assets is deferred as disclosed in note 2(h).

Details of funding are as follows:

	2002	2001
Grant - Province of Nova Scotia	\$ 2,218,000	\$ 2,609,300
Assistance for capital acquisitions	---	13,375
Government funding used to finance capital assets	(25,400)	(88,050)
Amortization of capital grants	141,368	121,171
	<u>\$ 2,333,968</u>	<u>\$ 2,655,796</u>

12. Unusual items

	2002	2001
Elimination of Early Retirement Incentive Plan liability	<u>---</u>	<u>1,487,703</u>

Effective March 31, 2001, the Province of Nova Scotia assumed the liability for the Early Retirement Incentive Plan.

13. Discontinued operations

	2002	2001
Sale of Environmental Simulation Lab		
Net earnings for the year	\$ 13,981	\$ ---
Gain on disposal of assets	148,387	---
	<u>162,368</u>	<u>---</u>
Sale of Nova Magnetics Limited		
Net loss for the year	(11,054)	---
Gain on disposal of assets	24,575	---
Net loss to the measurement date	---	(23,049)
	<u>13,521</u>	<u>(23,049)</u>
	<u>\$ 175,889</u>	<u>\$ (23,049)</u>

Revenues excluded from revenues and grants		
Nova Magnetics Limited	<u>\$ 368,893</u>	<u>\$ 736,350</u>

Remaining assets and liabilities of the discontinued business segment

Nova Magnetics Limited		
Current assets	<u>---</u>	<u>\$ 470,839</u>
Capital assets	<u>---</u>	<u>\$ 12,074</u>
Current liabilities	<u>---</u>	<u>\$ 1,829,178</u>

Sale of Nova Magnetics Limited

On January 9, 2001 (measurement date), inNOVAcorp agreed to sell the assets of Nova Magnetics Limited, its wholly owned subsidiary.

The loss from operations from January 9, 2001 to March 31, 2001 of \$118,473 had been deferred in the 2001 fiscal year.

InNOVAcorp disposed of Nova Magnetics Limited on July 31, 2001.

Sale of Environmental Simulation Lab

On December 17, 2001, InNOVAcorp disposed of its Environmental Simulation Lab (ESL) division.

14. Supplemental cash flow information

	2002	2001
Change in non-cash operating working capital		
Deferred charges	\$ 118,473	\$ (118,473)
Receivables	606,505	110,287
Inventories	148,155	100,069
Payables and accruals	(234,417)	155,092
Payable to Province of Nova Scotia	160,597	(784,261)
Deferred revenue	18,655	(188,989)
	<u>\$ 817,968</u>	<u>\$ (726,275)</u>

15. Public Service Superannuation Fund

Employees of InNOVAcorp, other than casual employees, are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the expenses of InNOVAcorp's divisions.

The Department of Finance administers the Public Service Superannuation Fund. InNOVAcorp is not responsible for any unfunded liability.

16. Related party transactions

Entity	Relationship	Sales To	Year End Receivable
PlantSelect			
Biotechnology			
Systems Limited	50% investee	\$ 6,405	\$ 207,381
BioScience			
Enterprise Centre	Managed Incubator	58,059	190,673
NSFF Investments	Investments	126,302	

Facilities and administrative services are provided to PlantSelect Biotechnology Systems Limited at no cost.

Sales to NSFF investments are at the same prices and terms as with unrelated parties. InNOVAcorp also has the use of the Technology Innovation Centre, which is owned by the Province of Nova Scotia, at no cost.

17. Income taxes

InNOVAcorp is exempt from income tax under Section 149 of the Income Tax Act.

18. Comparative Figures

Certain of the 2001 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2002.

AUDITOR'S REPORT

To the Minister of Justice; and

To the Chair and Members of the
Nova Scotia Legal Aid Commission

I have audited the balance sheet of the Nova Scotia Legal Aid Commission as at March 31, 2002, and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
June 27, 2002

NOVA SCOTIA LEGAL AID COMMISSION

**Statement of Revenue and Expenses
Year Ended March 31, 2002**

	2002	2001
Revenue		
Grant - Province of Nova Scotia	\$ 12,525,939	\$ 11,375,434
Interest	191,803	229,485
Other income	125,523	49,737
	<u>12,843,265</u>	<u>11,654,656</u>
Expenses (Page 321)		
Amortization	138,902	56,670
Capital lease interest	697	2,980
Directors' fees	21,378	40,194
Equipment and maintenance	80,707	85,305
Library	160,907	146,950
Membership, meetings and conferences	202,091	176,972
Office disbursements	253,757	191,077
Private solicitors' fees (Note 6)	2,096,444	1,664,355
Professional and other fees	187,822	126,401
Salaries and benefits	8,758,048	7,361,831
Supplies and services	964,455	909,013
Travel	128,103	268,999
	<u>12,993,311</u>	<u>11,030,747</u>
(Deficiency) excess of revenue over expenses before special cases and unusual items	<u>(150,046)</u>	<u>623,909</u>
Special cases (Note 7)		
Contribution from the Province of Nova Scotia	343,533	281,484
Contribution from clients	15,194	16,530
	<u>358,727</u>	<u>298,014</u>
Expenses, special cases	358,727	298,014
	<u>---</u>	<u>---</u>
(Deficiency) excess of revenue over expenses before unusual items	<u>(150,046)</u>	<u>623,909</u>
Unusual items (Note 16)	227,129	---
Excess of revenue over expenses	<u>\$ 77,083</u>	<u>\$ 623,909</u>

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

**Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Current		
Cash	\$ ---	\$ 1,086,062
Investments	3,999,576	2,696,914
Receivables	337,509	295,664
Prepays	22,620	30,063
	4,359,705	4,108,703
Trust Fund - long service awards (Note 3)	1,425,108	1,163,900
Capital assets (Note 4)	561,799	181,950
	\$ 6,346,612	\$ 5,454,553

LIABILITIES

Current		
Bank indebtedness	\$ 321,939	\$ ---
Payables and accruals (Notes 5 and 6)	1,768,650	1,288,228
Current portion of obligation under capital lease	---	13,065
Deferred contribution - special cases (Note 7)	524,698	468,232
	2,615,287	1,769,525
Long-term		
Early retirement incentive program (Note 8)	---	178,372
Long service awards (Note 9)	1,425,108	1,163,900
	1,425,108	1,342,272
Deferred contributions - capital assets (Note 10)	549,180	662,802
	4,589,575	3,774,599
Net Assets		
Unrestricted net assets	917,604	1,050,102
Net assets invested in capital assets (Page 316)	157,208	95,560
Reserve for future case completion (Page 316 & Note 11)	682,225	534,292
	1,757,037	1,679,954
	\$ 6,346,612	\$ 5,454,553

Commitment and contingencies (Note 12)

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

**Statement of Changes in Net Assets
Year Ended March 31, 2002**

				2002	2001
	Unrestricted	Net Assets	Reserve for		
	Net Assets	Invested in	Future Case	Total	Total
	Net Assets	Capital Assets	Completion		
Balance, beginning of year	\$ 1,050,102	\$ 95,560	\$ 534,292	\$ 1,679,954	\$ 1,056,045
Excess of revenue over expenses	77,083	---	---	77,083	623,909
Purchase of capital assets	(86,134)	86,134	---	---	---
Amortization	37,551	(37,551)	---	---	---
Capital lease repayment	(13,065)	13,065	---	---	---
Transfer to reserve for future case completion	(147,933)	---	147,933	---	---
Balance, end of year	<u>\$ 917,604</u>	<u>\$ 157,208</u>	<u>\$ 682,225</u>	<u>\$ 1,757,037</u>	<u>\$ 1,679,954</u>

**Statement of Cash Flows
Year Ended March 31, 2002**

	2002	2001
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	\$ 77,083	\$ 623,909
Amortization	138,902	56,670
Amortization of deferred contributions - capital	<u>(113,622)</u>	<u>(30,134)</u>
	102,363	650,445
Change in non-cash operating working capital (Note 14)	<u>446,020</u>	<u>(191,104)</u>
	548,383	459,341
Financing		
Principal repayments of capital lease	(13,065)	(17,122)
(Decrease) increase in early retirement incentive program	(178,372)	4,350
Advances for special cases, net	56,466	265,826
Advances for capital asset purchases	---	400,000
	<u>(134,971)</u>	<u>653,054</u>
Investing:		
Increase in investments	(1,302,662)	(144,191)
Purchase of capital assets	<u>(518,751)</u>	<u>(145,082)</u>
	<u>(1,821,413)</u>	<u>(289,273)</u>
Net (decrease) increase in cash and cash equivalents	(1,408,001)	823,122
Cash and cash equivalents,		
Beginning of year	<u>1,086,062</u>	<u>262,940</u>
End of year	<u>\$ (321,939)</u>	<u>\$ 1,086,062</u>

See accompanying notes to the financial statements.

NOVA SCOTIA LEGAL AID COMMISSION

Notes to the Financial Statements
March 31, 2002

1. Authority

The Nova Scotia Legal Aid Commission was established in 1977 pursuant to the Legal Aid Act. The Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

2. Summary of significant accounting policies

Revenue

Operating grants are recorded on the accrual basis.

Contributions from the Province of Nova Scotia for the acquisition of capital assets are recorded as deferred contributions and are amortized to revenue in accordance with the amortization schedule for each capital asset acquired.

Capital assets

Capital assets are stated at cost and are amortized on a straight-line basis over their estimated useful lives:

Computer equipment	33.33% per year
Furniture and equipment	20% per year
Leasehold improvements	Over term of lease
Equipment under capital lease	33.33% per year

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

Special cases

Periodically, the Commission provides legal services to clients upon special request from the Department of Justice where the clients would not otherwise be eligible under the Commission's guidelines. Contributions and expenses related to these special cases are presented separately on the statement of revenue and expenses.

Investments

Investments consist of banker acceptance notes and are valued at cost, which approximates market value.

3. Trust Fund - long service awards

The Commission follows the provisions of the Civil Service Act with respect to the payment of long service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards.

The Commission maintains a trust fund to provide for the eventual payment of awards and to administer long service award advances. The Commission provides contributions, from general operating funds, to defray future obligations for long service awards.

In prior years, employees with 15 years of employment could apply for an advance on their long service award. Advances are repayable upon retirement or termination, together with interest at the provincial borrowing rate which existed at the time of the advance. As at March 31, 2002, six employees have received advances. Advances plus accrued interest at March 31, 2002 totalled \$147,237 (2001 - \$143,287).

	2002	2001
Balance, beginning of year	\$ 1,163,900	\$ 1,065,156
Add: Contribution from operating funds	68,842	59,989
Outstanding year end contribution	149,742	---
Interest on long service award advances	7,450	7,818
Interest on investments	35,174	47,669
	<u>261,208</u>	<u>115,476</u>
Less: Long service awards paid to retiring employees	---	16,732
Balance, end of year	<u>\$ 1,425,108</u>	<u>\$ 1,163,900</u>
Consisting of:		
Cash	\$ 79,335	\$ 512
Investments and accrued interest on investments	1,048,794	1,020,101
Receivable - long service award advances and accrued interest on advances	147,237	143,287
Contribution due from operating funds	149,742	---
	<u>\$ 1,425,108</u>	<u>\$ 1,163,900</u>

4. Capital assets

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Computer equipment	\$ 585,363	\$ 172,702	\$ 412,661	\$ 91,108
Furniture and equipment	76,634	255	76,379	---
Leasehold improvements	131,058	58,299	72,759	78,571
Equipment under capital lease	50,124	50,124	---	12,271
	<u>\$ 843,179</u>	<u>\$ 281,380</u>	<u>\$ 561,799</u>	<u>\$ 181,950</u>

5. Accounts payable and accruals

	2002	2001
Supplies and services	\$ 247,825	\$ 177,328
Accrued private solicitors' fees (Note 6)	1,136,623	849,395
Employee salaries and benefits	384,202	261,505
	<u>\$ 1,768,650</u>	<u>\$ 1,288,228</u>

6. Measurement uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in the financial statements. This exists when there is a variance between the recorded amount and another reasonable possible amount.

Measurement uncertainty in these financial statements is inherent in the recording of accrued private solicitors' fees. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. At March 31, 2002, a liability of \$1,136,623 (2001 - \$849,395) was recorded, of which \$886,436 (2001 - \$709,156) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years. The estimate will vary from the eventual billings from private solicitors due to the specific requirements of each case.

7. Deferred contribution - special cases

Special case funding is received from the Province of Nova Scotia and is restricted solely for expenditures incurred in the process of defending clients. Amounts not used for current expenditures are deferred to be applied against future cases. Any funding not committed at the conclusion of the cases must be returned to the Province of Nova Scotia.

8. Early retirement incentive program

The Commission participated in an Early Retirement Incentive Program offered by the Province of Nova Scotia to crown agencies. A liability in the amount of \$191,279 was accrued as of March 31, 2001.

Effective April 1, 2001 the responsibility for this liability was assumed by the Province of Nova Scotia and the elimination recorded as an unusual item.

9. Long service awards

Employees of the Commission are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of twenty-six weeks.

In 2002, the Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligation respecting long service awards at March 31, 2002, the long service award trust funds of \$1,425,108 (2001 - \$1,163,900) are sufficient to fund the liability.

10. Deferred contributions - capital assets

In the 1999 fiscal year the Province of Nova Scotia contributed \$353,000 to the Commission to offset anticipated costs of upgrading the Commission's computer systems. A further \$400,000 was contributed in the 2001 fiscal year. The changes in the deferred contributions balance for the period are as follows:

	2002	2001
Balance, beginning of year.	\$ 662,802	\$ 292,936
Plus: contributions received.	---	400,000
Less: amounts amortized to revenue.	<u>(113,622)</u>	<u>(30,134)</u>
Balance, end of year.	<u>\$ 549,180</u>	<u>\$ 662,802</u>

11. Reserve for future case completion

During the 2002 fiscal year, the Commission decided to appropriate an amount from unrestricted net assets that approximates management's best estimate of the remaining cost to complete the cases that are in progress as at March 31, 2002.

12. Commitments and contingencies

a. The Commission has entered into lease agreements for eleven of its offices. The remaining two offices do not have formal lease agreements. Lease agreements typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office.

Minimum lease payments for the next five years, not including operating costs and taxes, are as follows:

2003	\$	538,912
2004	\$	545,976
2005	\$	545,976
2006	\$	435,315
2007	\$	257,034

- b. The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide a grant of \$69,000 to Dalhousie Legal Aid Services for the year ending March 31, 2003.
- c. The Commission has been named a defendant in two actions. As of the audit report date, the outcome of these claims is not determinable, and accordingly, no provision has been made for them in the financial statements.

13. Client Trust Funds

On March 31, 2002, \$12,902 (2001 - \$71,189) was held in trust for clients. These trust funds are accounted for separately and are not reflected in the financial statements.

14. Supplement cash flow information

	2002	2001
Change in non cash operating working capital:		
Receivables.....	\$ (41,845)	\$ (220,907)
Prepays	7,443	8,097
Payables and accruals	480,422	21,706
	<u>\$ 446,020</u>	<u>\$ (191,104)</u>
Cash and cash equivalents consist of:		
Cash on hand and balances with banks	<u>\$ (321,939)</u>	<u>\$ 1,086,062</u>
Interest paid	<u>\$ 697</u>	<u>\$ 2,980</u>

15. Pensions

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

16. Unusual items

	2002	2001
Recovery of HST.....	\$ 35,850	\$ ---
Elimination of Early Retirement Incentive Plan liability (Note 8)	191,279	---
	<u>\$ 227,129</u>	<u>\$ ---</u>

17. Comparative figures

Certain of the comparative figures for 2001 have been reclassified to conform with the financial statement presentation adopted for 2002.

NOVA SCOTIA LEGAL AID COMMISSION

**Schedule of Expenses
Year Ended March 31, 2002**

	02	2001
	Budget	Actual
		Actual
Amortization	\$ ---	\$ 138,902
Capital lease interest	---	697
Directors' fees	45,000	21,378
Equipment and maintenance		
Leasehold improvements	26,400	5,168
Office furniture and equipment	41,000	21,254
Office machine leasing	48,000	34,057
Office machine maintenance	41,700	20,228
	<u>157,100</u>	<u>80,707</u>
Library	150,000	160,907
Membership, meetings and conferences		
Membership and dues	140,000	124,223
Meetings and conferences	60,000	77,868
	<u>200,000</u>	<u>202,091</u>
Office disbursements		
Civil and family	100,000	91,798
Criminal	100,000	155,595
Young Offender	22,000	6,364
	<u>222,000</u>	<u>253,757</u>
Private solicitors' fees		
Civil and family - conflicts	907,515	1,052,746
Criminal - choice of counsel	170,000	86,082
Criminal - conflicts	486,786	780,412
Young offender - choice of counsel	---	8,995
Young offender - conflicts	145,899	168,209
	<u>1,710,200</u>	<u>2,096,444</u>
Professional and other fees		
Professional fees	204,200	166,121
Consultant fees	---	21,701
	<u>204,200</u>	<u>187,822</u>
Salaries and benefits	7,876,000	8,758,048
Supplies and services		
General cleaning and office expense	59,500	65,915
Heat, light and water	27,000	22,569
Miscellaneous	1,000	2,594
Printing and stationery	80,000	97,239
Rent, insurance and taxes	605,000	584,184
Telephone and postage	245,000	191,954
	<u>1,017,500</u>	<u>964,455</u>
Travel	285,000	128,103
	<u>\$ 11,867,000</u>	<u>\$ 12,993,311</u>
		<u>\$ 11,030,747</u>

AUDITORS' REPORT

To the Honourable Minister
in Charge of Administration
Liquor Control Act
Province of Nova Scotia
Halifax, Nova Scotia

We have audited the balance sheet of The Nova Scotia Liquor Corporation (formerly The Nova Scotia Liquor Commission) as at March 31, 2002 and the statements of earnings and deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Nova Scotia Liquor Corporation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
June 7, 2002

**THE NOVA SCOTIA LIQUOR CORPORATION
(FORMERLY THE NOVA SCOTIA LIQUOR COMMISSION)**

**Balance Sheet
March 31, 2002, with comparative figures for 2001**

	2002	2001
		(As restated note 2)
	(in thousands)	
ASSETS		
Current assets:		
Cash	\$ 10,733	\$ 8,576
Accounts receivable	2,457	3,117
Inventories of stock in warehouse and stores	19,516	16,804
Prepaid expenses	53	245
	32,759	28,742
Property and equipment:		
Furniture, fixtures and portable equipment	6,259	6,131
Other equipment	7,139	7,125
Computers	6,295	5,953
Land and buildings	12,330	12,607
Capital and leasehold improvements	24,719	23,025
	56,742	54,841
Less accumulated depreciation and amortization	44,239	42,145
	12,503	12,696
Assets under capital lease	10,831	10,831
Less accumulated amortization	8,888	8,356
	1,943	2,475
	\$ 47,205	\$ 43,913

LIABILITIES AND DEFICIENCY

Current liabilities:		
Accounts payable and accrued liabilities	\$ 19,332	\$ 18,533
Current portion of obligations under capital leases (note 3)	423	368
	19,755	18,901
Due to Minister of Finance	6,408	16,852
Obligation under capital lease (note 3)	7,737	8,160
Employee future benefit obligations (note 4)	13,305	12,702
Deficiency	---	(12,702)
	\$ 47,205	\$ 43,913

Operating Leases (Note 5)

See accompanying notes to financial statements.

**THE NOVA SCOTIA LIQUOR CORPORATION
(FORMERLY THE NOVA SCOTIA LIQUOR COMMISSION)**

**Statement of Earnings and Deficiency
Year ended March 31, 2002, with comparative figures for 2001**

	2002	% of Sales	2001	% of Sales
	(in thousands)			(As restated note 2)
Net sales	\$ 391,427	100.0	\$ 372,295	100.0
Cost of goods sold	197,563	50.5	187,120	50.3
	<u>193,864</u>	<u>49.5</u>	<u>185,175</u>	<u>49.7</u>
Stores' operating expenses	<u>34,737</u>	<u>8.9</u>	<u>33,321</u>	<u>8.9</u>
Income, store operations	159,127	40.6	151,854	40.8
Depreciation and amortization	3,432	0.9	3,678	1.0
Warehousing and distribution expenses	4,217	1.1	3,980	1.1
Administrative expenses (note 6)	8,609	2.2	8,482	2.2
Other revenue	(3,695)	(1.0)	(3,889)	(1.0)
Other expenses	2,650	0.7	2,414	0.6
	<u>15,213</u>	<u>3.9</u>	<u>14,665</u>	<u>3.9</u>
Earnings before unusual item	<u>143,914</u>	<u>36.7</u>	<u>137,189</u>	<u>36.9</u>
Early retirement program	<u>56</u>	<u>0.0</u>	<u>660</u>	<u>0.2</u>
Earnings from operations	143,858	36.7	136,529	36.7
Deficiency, beginning of year:				
As previously reported	---		---	
Change in accounting policy (note 2)	<u>(12,702)</u>		<u>(12,048)</u>	
As restated	(12,702)		(12,048)	
Distributions made or to be made	<u>(131,156)</u>		<u>(137,183)</u>	
Deficiency, end of year	<u><u>\$ ---</u></u>		<u><u>\$ (12,702)</u></u>	

See accompanying notes to financial statements.

**THE NOVA SCOTIA LIQUOR CORPORATION
(FORMERLY THE NOVA SCOTIA LIQUOR COMMISSION)**

**Statement of Cash Flows
Year ended March 31, 2002, with comparative figures for 2001**

	2002	2001 (As restated note 2)
	(in thousands)	
Cash provided by (used in):		
Operations:		
Earnings from operations	\$ 143,858	\$ 136,529
Items not involving cash:		
Depreciation and amortization	3,432	3,678
Loss on sale of property and equipment	3	---
Increase in employee future benefit obligations	603	654
Change in non-cash operating working capital	<u>(1,061)</u>	<u>3,912</u>
	146,835	144,773
Financing:		
Principal payments on obligations under capital lease	(368)	(320)
Investments:		
Additions to property and equipment	(2,719)	(2,377)
Proceeds on disposal of property and equipment	<u>9</u>	<u>---</u>
	(2,710)	(2,377)
Other:		
Remittances to Minister of Finance	<u>(141,600)</u>	<u>(135,501)</u>
Increase in cash	2,157	6,575
Cash, beginning of year	<u>8,576</u>	<u>2,001</u>
Cash, end of year	<u>\$ 10,733</u>	<u>\$ 8,576</u>

See accompanying notes to financial statements.

**THE NOVA SCOTIA LIQUOR CORPORATION
(FORMERLY THE NOVA SCOTIA LIQUOR COMMISSION)**

**Notes to Financial Statements
Year ended March 31, 2002**

The Nova Scotia Liquor Corporation administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989, and is a government business enterprise as defined by Public Sector Accounting Board recommendations. The Corporation was created June 1, 2001, by Chapter 4 of the Government Restructuring (2001) Act, via continuance of the Nova Scotia Liquor Commission as a body corporate.

1. Significant accounting policies:

(a) Inventories:

Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from bonded warehouse.

(b) Property and equipment:

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line basis at the following annual rates:

Asset	Rate
Furniture, fixtures, portable equipment, other equipment and capital and leasehold improvements	10%
Computers - stand-alone.	33%
Computers - integrated systems	20%
Land and buildings	5%

In the year of addition, depreciation is charged at the full annual rate.

Land costs which normally would not be depreciated are depreciated due to the retention of proceeds by the Province of Nova Scotia.

(c) Assets under capital lease:

Assets under capital lease are amortized over their estimated useful lives using the straight-line method.

(d) Employee future benefits:

The Corporation has a defined benefit retirement award plan covering substantially all of its permanent employees. The benefits are based on years of service and the employee's compensation during the final year of employment. The cost of this program is being funded currently.

The Corporation also pays a portion of the cost of health care plans for substantially all retirees or surviving spouses of retirees. The Corporation measures the costs of its obligation based on its best estimate. The cost of this program is being funded currently.

Permanent employees are members of the Nova Scotia Public Service Superannuation Plan.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the employee future benefits. The Corporation has adopted the following policies:

- * The cost of pension benefits is the responsibility of the Province of Nova Scotia. The pension related assets and liabilities are accounted for in the Public Accounts of Nova Scotia. Accordingly no provision is included in the Corporation's financial statements for pension related amounts;
- * The cost of other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected salary escalation, retirement ages and expected health care costs; and
- * The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees, which is 14 years (2001 - 15 years).

2. Change in accounting policy:

Effective for fiscal years beginning on or after January 1, 2000, the CICA revised its existing standard for pensions and developed new accounting standards for employee benefits other than pensions. During 2002 the Corporation has adopted the revised standards for its two defined benefit plans. The changes have been applied retroactively and have increased the deficiency at March 31, 2001 as previously reported by \$12,702. The change in accounting for employee future benefits has had the effect of increasing other expense by \$603 in 2002 (2001 - \$654).

3. Obligation under capital lease:

The Nova Scotia Liquor Corporation has an obligation under a capital lease, which matures in 2012. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The following is a schedule by years of future minimum lease payments together with the balance of the obligation under capital lease as of March 31, 2002:

2003	\$	1,536
2004		1,537
2005		1,536
2006		1,537
2007		1,536
2008-2012		<u>7,298</u>
Total minimum lease payments		14,980
Less amount representing interest		<u>6,820</u>
Balance of obligation		8,160
Less current portion of obligation under capital lease		<u>423</u>
	\$	<u><u>7,737</u></u>

4. Employee future benefits:

The Corporation has two defined benefit plans as described in note 1 (d).

Information about the Corporation's defined benefit plans, in aggregate, is as follows:

	2002	2001
Accrued benefit obligation:		
Balance, beginning of year	\$ 11,852	\$ 12,048
Current service cost	492	504
Interest cost	838	786
Benefits paid	(727)	(636)
Actuarial gains	---	(850)
	<u>12,455</u>	<u>11,852</u>
Balance, end of year, and funded status - deficit		
Unamortized net actuarial gain	<u>850</u>	<u>850</u>
Accrued benefit liability	<u>\$ 13,305</u>	<u>\$ 12,702</u>

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

	2002	2001
Discount rate	7.05%	6.56%
Rate of compensation increase	4.50%	4.50%

The assumed health care cost trend rate at December 31, 2001 was 12%, decreasing at 1% per annum to an ultimate rate of 5.0% per annum.

The Corporation's net benefit plan expense is as follows:

	2002	2001
Current service cost	\$ 492	\$ 504
Interest cost	<u>838</u>	<u>786</u>
Net benefit plan expense	<u>\$ 1,330</u>	<u>\$ 1,290</u>

5. Operating leases:

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 2002 and 2011. Some of these operating leases contain renewal options at the end of the initial lease term.

The following is an approximate schedule by years of future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2002:

2003	\$ 2,779
2004	2,412
2005	1,900
2006	1,249
2007	862
2008-2011	<u>1,561</u>
Total minimum payments required	<u>\$ 10,763</u>

6. Administrative expenses:

Administrative expenses also include the following:

	2002	2001
	(in thousands)	
Interest on obligation under capital lease	\$ 1,168	\$ 1,216

7. Comparative figures:

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

AUDITORS' REPORT TO THE DIRECTORS

We have audited the balance sheet of Nova Scotia Municipal Finance Corporation as at March 31, 2002 and the statements of revenue, expenditure and reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
May 8, 2002

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

**Balance Sheet
March 31, 2002 with comparative figures for 2001**

	2002	2001
ASSETS		
Current assets:		
Cash	\$ 59,386	\$ 41,649
Short-term investments, at cost (market - \$4,485,000; 2001 - \$4,959,659)	4,485,000	4,959,659
Accrued interest receivable	11,193,335	12,024,608
Other receivables	2,271	1,655
Principal due within one year on loans to units	94,534,811	68,328,704
	<u>110,274,803</u>	<u>85,356,275</u>
Long-term assets:		
Loans to units (note 3)	481,799,110	500,206,012
Less principal included in current assets	94,534,811	68,328,704
	<u>387,264,299</u>	<u>431,877,308</u>
Investments, at cost (market - \$540,096; 2001 - \$756,187)	586,711	773,549
	<u>387,851,010</u>	<u>432,650,857</u>
Deferred charges:		
Discount on debenture debt	2,600,982	2,532,143
Less accumulated amortization	1,643,729	1,507,223
	957,253	1,024,920
	<u>\$ 499,083,066</u>	<u>\$ 519,032,052</u>
Trust fund assets (note 4)	<u>\$ 23,715,763</u>	<u>\$ 20,094,782</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 66,105	\$ 36,844
Accrued interest payable	11,180,577	12,014,170
Principal due within one year on debenture debt	95,335,750	69,064,750
	<u>106,582,432</u>	<u>81,115,764</u>
Accrued public service awards (note 9)	24,773	---
Long-term debt:		
Debentures payable (note 5)	482,172,500	501,313,250
Less principal included in current liabilities	95,335,750	69,064,750
	<u>386,836,750</u>	<u>432,248,500</u>
Deferred credits:		
Discount on loans to units	2,591,283	2,523,323
Less accumulated amortization	1,635,701	1,513,830
	955,582	1,009,493
Equity:		
Reserve fund	4,683,529	4,658,295
	<u>\$ 499,083,066</u>	<u>\$ 519,032,052</u>
Trust funds under administration (note 4)	<u>\$ 23,715,763</u>	<u>\$ 20,094,782</u>

See accompanying notes to financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

**Statement of Revenue, Expenditure and Reserve Fund
Year ended March 31, 2002, with comparative figures for 2001**

	2002	2001
Revenue:		
Interest on loans to units	\$ 33,320,142	\$ 40,860,550
Amortization of discount on loans to units	237,849	223,660
Interest on short-term investments	247,408	410,616
Current discount on loans to units	<u>315,032</u>	<u>328,080</u>
	<u>34,120,431</u>	<u>41,822,906</u>
Expenditure:		
Interest on debenture debt and short-term loans.	33,372,259	41,015,750
Amortization of discount on debenture debt	251,604	228,703
Debenture issue expenses	198,942	197,150
Administrative expenses (note 6)	<u>272,392</u>	<u>227,178</u>
	<u>34,095,197</u>	<u>41,668,781</u>
Net revenue	<u>25,234</u>	<u>154,125</u>
Reserve Fund, beginning of year	<u>4,658,295</u>	<u>4,504,170</u>
Reserve Fund, end of year.	<u>\$ 4,683,529</u>	<u>\$ 4,658,295</u>

See accompanying notes to financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

**Statement of Cash Flows
Year ended March 31, 2002, with comparative figures for 2001**

	2002	2001
Cash provided by (used in):		
Operations:		
Net revenue.	\$ 25,234	\$ 154,125
Add (deduct) items not involving cash:		
Amortization of discount on loans to units	(237,849)	(223,660)
Amortization of discount on debenture debt	251,604	228,703
Amortization of discount on investments	(45,124)	(23,440)
Change in non-cash working capital (note 8)	26,325	(12,861)
Increase in accrued public service awards.	24,773	---
	<u>44,963</u>	<u>122,867</u>
Investments:		
Issue of loans of \$49,921,802 to units on security of debentures, net of discounts of \$183,938 (2001 - \$52,411,252 net of discounts of \$123,097)	(49,737,864)	(52,288,155)
Principal received on loans to units.	68,328,704	164,707,481
Principal received on maturing investments.	231,963	6,925,000
Purchase of investments of nil (2001 - \$840,814), net of discounts of nil (2001 - \$84,626)	---	(756,188)
	<u>18,822,803</u>	<u>118,588,138</u>
Financing:		
Issue of debentures of \$49,924,000, net of discounts of \$183,938 (2001 - 52,413,000 net of discounts of \$123,107)	49,740,062	52,289,893
Principal payment on debenture debt	<u>(69,064,750)</u>	<u>(168,042,750)</u>
	<u>(19,324,688)</u>	<u>(115,752,857)</u>
Increase (decrease) in cash position.	(456,922)	2,958,148
Cash position, beginning of year	5,001,308	2,043,160
Cash position, end of year	<u>\$ 4,544,386</u>	<u>\$ 5,001,308</u>

Cash position is defined as cash and short-term investments.

See accompanying notes to financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Notes to Financial Statements Year ended March 31, 2002

The corporation was created by the Municipal Corporation Act which was proclaimed on July 31, 1979. The corporation began operations on January 1, 1980 and has a March 31 fiscal year-end. The object of the corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, including district school boards, and hospitals through a central borrowing authority.

1. Summary of significant accounting policies:

- (a) Discounts on debenture debt and loans to units are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method.
- (b) The Reserve Fund was created from interest earnings on funds which had been advanced by the Province of Nova Scotia and have since been repaid and interest on other surplus monies available from time to time, as well as from discounts on loans to units. The purpose of the Reserve Fund is to provide a capital base for the corporation, as well as to provide for funds which may be required for administrative purposes and timing differences.

2. Fair values of financial instruments:

Financial assets and financial liabilities:

The fair values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and principal due within one year on loans to units and debenture debt are assumed to approximate their carrying amounts because of their short-term to maturity. The fair values of investments are assumed to approximate quoted market values as disclosed in the financial statements.

The fair values of the corporation's loans to units and debentures payable fluctuate with changes in current lending rates. The corporation's mandated rate of interest charged on loans to units is directly correlated to its cost of borrowing, thereby providing a hedge against equity erosion. As at March 31, 2002, the corporation's debenture debt was hedged by offsetting loans to units with the exception of \$373,390 which was hedged by promissory notes. The fair market value of the promissory notes was \$608,851, while the fair market value of the debentures in excess of the loans to units was \$379,659. As the corporation normally holds the debentures to maturity, book values of the investments and debentures have not been adjusted to reflect the differences.

Trust fund assets managed by the corporation are completely offset by trust fund liabilities providing a hedge against fair value changes.

3. Loans to units:

(a) Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 1.00% to 12.5%. Due to an existing provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

(b) Principal payments receivable in each of the next five years are as follows:

2003	94,534,811
2004	55,368,094
2005	55,564,653
2006	55,172,357
2007	52,641,569

4. Trust funds under administration:

Trust fund assets totalling \$23,715,763 (2001 - \$20,094,782) are held on behalf of certain provincial debt issued for school and hospital construction financed through debenture Series "AC". These funds represent sinking funds which are held by the corporation to be applied to the repayment of outstanding debenture debt Series "AC" at maturity.

5. Debentures payable:

(a) The debenture debt outstanding at March 31, 2002 totalling \$482,172,500 (2001 -\$501,313,250) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia except for Series AT which is a private placement.

Series	Date Issued	Maturity Date	Interest Rate	Debt Outstanding
N	Apr. 28/85	2002 to 2005	12.375-12.500	\$ 2,520,000
AC	May 13/92	2002	9.875	30,825,000
AD	Dec. 9/92	2002	8.500	8,280,000
AE	May 5/93	2002 to 2003	8.500	6,400,000
AF	Nov. 18/93	2002 to 2003	7.500-7.625	5,030,000
AG	July 13/94	2002 to 2004	9.250	7,000,000
AH	Dec. 8/94	2002 to 2004	9.5-9.750	11,610,000
AI *	May 2/95	2002 to 2005	8.875-9.125	9,255,000
AJ	Nov. 14/95	2002 to 2005	7.875-8.125	15,750,000
AK *	May 14/96	2002 to 2006	7.250-8.000	25,263,000
AL	Oct. 28/96	2002 to 2006	6.750-7.500	12,451,000
AM *	May 12/97	2002 to 2007	6.500-7.000	38,294,000
AN *	Oct. 17/97	2002 to 2007	5.500-6.250	28,854,000
AP *	Jan. 30/98	2003 to 2019	5.500-6.125	40,485,000
AQ	May 15/98	2002 to 2008	5.125-5.500	29,197,000
AR *	Dec. 1/98	2002 to 2008	5.250-5.625	42,957,000
AS *	May 17/99	2002 to 2009	5.000-5.375	32,660,000
AT	May 28/99	2002 to 2015	1.000	2,362,500
AU *	Dec 22/99	2002 to 2009	6.375-6.750	35,704,000
AV *	June 1/00	2002 to 2010	6.500-6.875	23,960,000
AW *	Nov. 9/00	2002 to 2010	5.875-6.375	23,391,000
AX *	May 29/01	2002 to 2011	4.375-6.250	30,559,000
AY *	Nov. 7/01	2002 to 2011	3.125-6.000	19,365,000
				<u>\$ 482,172,500</u>

* Placed directly with the Province of Nova Scotia
Interest is payable semi-annually, except Series AT which is payable annually.

(b) Principal payments due in each of the next five years are as follows:

2003	\$ 95,335,750
2004	55,277,750
2005	55,519,750
2006	55,135,750
2007	52,369,750

6. Administrative expenses:

	2002		2001
	Budget	Actual	Actual
Salaries and benefits	\$ 198,148	\$ 208,148	\$ 190,267
Travel	4,500	3,447	3,062
Equipment and maintenance	4,550	5,153	3,596
Printing	2,800	1,120	2,161
Postage	2,000	1,161	1,441
Telecommunications	5,200	2,932	3,993
Stationery and supplies	5,000	2,742	2,104
Professional services	21,000	21,255	3,655
Bank charges	4,000	2,703	5,603
Directors' fees and expenses	5,600	4,673	3,727
Professional development	6,925	5,525	5,692
Dues and subscriptions	1,365	1,425	1,089
Insurance	745	604	350
Other	500	504	438
Office rent	11,000	11,000	---
	<u>\$ 273,333</u>	<u>\$ 272,392</u>	<u>\$ 227,178</u>

7. Taxes:

The corporation is not subject to provincial or federal taxes.

8. Supplementary cash information:

(a) Change in non-cash working capital:

	2002	2001
Accrued interest receivable	\$ 831,273	\$ 4,414,644
Other receivables	(616)	5,678
Accounts payable	29,261	2,232
Accrued interest payable	(833,593)	(4,435,415)
	<u>\$ 26,325</u>	<u>\$ (12,861)</u>

(b) During the year, cash received for interest income was \$34,353,699 (2001 - \$45,662,369) and cash paid for interest was \$34,205,851 (2001 - \$45,451,166).

9. Public service awards:

As at March 31, 2002, the corporation has recorded a liability in the amount of \$24,773 in respect of a provincial public service award for one employee who is retiring in fiscal 2004. The corporation will fund the public service awards of its other two employees through future budgets. An actuarial valuation has been requested by the corporation, but has not been received as of the date of these financial statements. The corporation will use the actuarial valuation to record future provisions to cover the expected future liability associated with the provincial public service awards.

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Police Commission

We have audited the balance sheet of the Nova Scotia Police Commission as at March 31, 2002 and the statements of operations and surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2002, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
June 18, 2002

NOVA SCOTIA POLICE COMMISSION

**Statements of Operations and Surplus
Year Ended March 31, 2002**

	2002	2001
Revenue		
Grant from the Province of Nova Scotia	\$ 293,000	\$ 250,241
Recovery of inquiry expenses (Note 6)	39,045	---
Interest and other revenue	1,820	1,618
	<u>333,865</u>	<u>251,859</u>
Expenses		
Commission		
Salaries, wages and benefits	156,588	138,788
Investigation services	46,203	22,579
Rent	26,895	---
Travel	21,576	18,953
Office supplies and services	8,006	8,349
Audit and legal	2,811	2,300
Telephone	2,398	2,307
Printing and copying	2,237	963
Dues and fees	1,901	1,325
Depreciation	1,410	4,680
Other expenses	1,300	88
Equipment	881	2,171
Repairs and maintenance	584	519
Transcription	422	154
	<u>273,212</u>	<u>203,176</u>
Review Board		
Salaries, wages and benefits	42,900	42,600
Travel	16,087	8,488
	<u>58,987</u>	<u>51,088</u>
	<u>332,199</u>	<u>254,264</u>
Operating surplus (deficit)	\$ <u>1,666</u>	\$ <u>(2,405)</u>
Surplus, beginning of year	\$ ---	\$ ---
Operating surplus (deficit)	<u>1,666</u>	<u>(2,405)</u>
Transfer from (to) investment in capital assets for		
Depreciation	1,410	4,680
Capital asset acquisitions	<u>(3,076)</u>	<u>(2,275)</u>
	<u>(1,666)</u>	<u>2,405</u>
Surplus, end of year	\$ <u>---</u>	\$ <u>---</u>

See accompanying notes to the financial statements

NOVA SCOTIA POLICE COMMISSION

**Balance Sheet
March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash	\$ 2,729	\$ 16,747
Accounts receivable	5,163	9,656
Due from the Province of Nova Scotia	8,708	---
	<u>16,600</u>	<u>26,403</u>
Capital assets	3,119	1,453
	<u>\$ 19,719</u>	<u>\$ 27,856</u>

LIABILITIES

Current		
Payables and accruals	\$ 16,600	\$ 11,439
Due to the Province of Nova Scotia	---	14,964
	<u>16,600</u>	<u>26,403</u>

SURPLUS

Investment in capital assets (Note 3)	3,119	1,453
	<u>\$ 19,719</u>	<u>\$ 27,856</u>

See accompanying notes to the financial statements.

NOVA SCOTIA POLICE COMMISSION

**Statement of Capital Assets
Year Ended March 31, 2002**

	<u>Cost</u>			<u>Accumulated Depreciation</u>			<u>2002</u>	<u>2001</u>
	<u>Opening</u>	<u>Additons</u>	<u>Closing</u>	<u>Opening</u>	<u>Expense</u>	<u>Closing</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 15,236	\$ 3,076	\$ 18,312	\$ 14,404	\$ 1,099	\$ 15,503	\$ 2,809	\$ 832
Equipment	<u>5,917</u>	<u>---</u>	<u>5,917</u>	<u>5,296</u>	<u>311</u>	<u>5,607</u>	<u>310</u>	<u>621</u>
	<u>\$ 21,153</u>	<u>\$ 3,076</u>	<u>\$ 24,229</u>	<u>\$ 19,700</u>	<u>\$ 1,410</u>	<u>\$ 21,110</u>	<u>\$ 3,119</u>	<u>\$ 1,453</u>

See accompanying notes to the financial statements.

NOVA SCOTIA POLICE COMMISSION

**Statement of Cash Flows
Year Ended March 31, 2002**

	2002	2001
Increase (decrease) in cash and cash equivalents		
Operating		
Operating surplus (deficit) \$	1,666 \$	(2,405)
Depreciation	<u>1,410</u>	<u>4,680</u>
	3,076	2,275
 Change in non-cash operating working capital (Note 5)	 <u>(14,018)</u>	 <u>17,874</u>
	<u>(10,942)</u>	<u>20,149</u>
 Investing		
Purchase of capital assets	<u>(3,076)</u>	<u>(2,275)</u>
Decrease (increase) in cash and cash equivalents.	(14,018)	17,874
 Cash and cash equivalents (net of bank indebtedness)		
Beginning of year	<u>16,747</u>	<u>(1,127)</u>
End of year \$	<u><u>2,729</u></u> \$	<u><u>16,747</u></u>

See accompanying notes to the financial statements.

NOVA SCOTIA POLICE COMMISSION

**Notes to the Financial Statements
March 31, 2002**

1. Incorporation

The Nova Scotia Police Commission was incorporated pursuant to the Police Act of Nova Scotia, Chapter 348 of the Revised Statutes of Nova Scotia, 1989.

2. Summary of significant accounting policies

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

b) Capital assets

Capital assets purchased by the Commission with a value greater than \$1,000 and a useful life greater than one year will be capitalized and amortized over their useful lives on a straight line basis as follows:

Computer equipment	3 years
Equipment	5 years

3. Investment in capital assets

	2002	2001
Balance, beginning of year \$	1,453 \$	3,858
Capital asset acquisitions	3,076	2,275
Depreciation	<u>(1,410)</u>	<u>(4,680)</u>
Balance, end of year \$	<u><u>3,119</u></u> \$	<u><u>1,453</u></u>

4. Pensions

The full time employees of the Commission are entitled, as Civil Servants, to receive pension benefits under the Public Service Superannuation Act. The Plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability.

5. Supplementary cash flow information

Change in non-cash operating working capital

	2002	2001
Accounts receivable \$	(4,215) \$	(2,532)
Payables and accruals	5,161	4,346
Due to Province of Nova Scotia	<u>(14,964)</u>	<u>16,060</u>
\$	<u><u>(14,018)</u></u> \$	<u><u>17,874</u></u>

6. Related party transactions

The Nova Scotia Police Commission is an independent agency of the Province of Nova Scotia. Funding for the Commission is provided from the Consolidated Fund of the Province through a public service vote. Any retained surplus of the commission is refundable to the Province.

Transactions with the Province by financial statement category are as follows:

	2002	2001
Grant from the Province of Nova Scotia. \$	293,000 \$	250,241
Accounts receivable.	5,087	5,830
Due (to) from the Province of Nova Scotia.	8,708	(14,964)
Surplus - Investment in capital assets.	3,119	1,453

To minimize cost to government while preserving the independence of the Commission, some administrative support is provided by another agency, the Nova Scotia Utility and Review Board (NSUARB). The NSUARB recovers all direct costs paid on behalf of the Commission.

Transactions with the NSUARB by financial statement category are as follows:

	2002	2001
Payables and accruals \$	551 \$	609
Rent expense	26,895	---

AUDITORS' REPORT

To the Board of Directors
Nova Scotia Power Finance Corporation

We have audited the statement of financial position of Nova Scotia Power Finance Corporation as at March 31, 2002 and the statement of earnings and retained earnings for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

DELOITTE & TOUCHE LLP
Chartered Accountants

April 30, 2002

NOVA SCOTIA POWER FINANCE CORPORATION

(Formerly Nova Scotia Power Corporation - See Note 1)

**Statement of Financial Position
as at March 31, 2002**

NET ASSETS

	2002	2001
	(in millions)	
Notes receivable - Nova Scotia Power Inc. (Note 1)	\$ ---	\$ ---
Accrued interest due from Nova Scotia Power Inc.	---	---
	<u>---</u>	<u>---</u>
Less: Long-term debt (Note 1)	---	---
Accrued interest on long-term debt	---	---
	<u>---</u>	<u>---</u>
Net (Note 2)	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>

**Statement of Earnings and Retained Earnings
year ended March 31, 2002**

	2002	2001
	(in millions)	
Revenue		
Interest on matching notes (Note 6)	\$ ---	\$ ---
Expenses		
Interest on long-term debt (Note 6)	---	---
	<u>---</u>	<u>---</u>
Net earnings	---	---
Retained earnings, beginning of year	---	---
Retained earnings, end of year	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>

NOVA SCOTIA POWER FINANCE CORPORATION

**Notes to the Financial Statements
year ended March 31, 2002**

1. REORGANIZATION AND PRIVATIZATION

In 1992, the Province of Nova Scotia passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation (N.S.P.C.). In effecting this, pursuant to the Asset Transfer Agreement effective on August 10, 1992, N.S.P.C. transferred all of its existing assets, liabilities and equity except for long-term debt and related sinking funds to Nova Scotia Power Inc. (N.S.P.I.) in exchange for:

- a) matching notes receivable equivalent to outstanding long-term debt, and matching notes payable equivalent to sinking fund assets; and
- b) 20,134,666 fully paid common shares of N.S.P.I., issued to the Province of Nova Scotia, which were subsequently sold on August 12, 1992 by the Province of Nova Scotia as a secondary offering. Concurrently, the \$13.3 million of contributed surplus of N.S.P.C. was transferred to the retained earnings of N.S.P.I.

Subsequent to the reorganization and privatization, the business activities of N.S.P.C. continued under N.S.P.I. N.S.P.C. changed its name to Nova Scotia Power Finance Corporation (N.S.P.F.C.) which continues to hold the long-term debt and sinking fund assets.

Under the terms of the matching notes receivable, N.S.P.I. is responsible for the long-term debt of N.S.P.F.C.

2. ACCOUNTING POLICIES

Pursuant to changes in the reporting requirements for financial instruments, issued by the Canadian Institute of Chartered Accountants and effective for the years ended March 31, 1998, and thereafter, there is a requirement to net offsetting Notes Receivable and Long-Term Debt, and related interest, where there is a legally enforceable right to set off the recognized amounts and where the corporation's management does intend to realize on the asset and, simultaneously, settle the liability. Management concurs, that these conditions apply to Nova Scotia Power Finance Corporation and hence the assets, less offsetting liabilities, have been netted in the Statement of Financial Position.

3. DEFEASANCE ASSETS

The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other Provincial Government and Utilities, Federal Government and Federal US bonds, coupons or residuals. The portfolio mix as of March 31, 2002 is as follows, based upon future cash flows:

Security Type	% of Portfolio
Nova Scotia Power Corp.	68.74
Other Provincial Government and Utilities	29.77
Federal Government	1.45
Federal US Government	0.04
	<u>100.00</u>

The maturity schedule and market value of the defeasance assets, as reported by Royal Trust, as at March 31, 2002 is as follows:

<u>Years of Maturity</u>	<u>Principal Amount</u>	<u>Market Value of Defeasance Assets</u>
11-15	\$ 350,000	\$ 493,621
16-20	150,000	207,089
21-25	478,050	636,112
26-30	200,000	321,474

4. LONG-TERM DEBT

Bonds, debentures and notes payable are summarized by years of maturity in the following table:

<u>Years of Maturity</u>	<u>Principal Outstanding Total</u>	<u>Weighted Average Coupon Rate %</u>
March, 2002	\$ ---	---
March, 2003	---	---
March, 2004	---	---
March, 2005	---	---
11-15 years	350,000	11.09
16-20 years	150,000	10.25
21-25 years	478,050	9.40
26-30 years	200,000	11.00
Total long-term debt (Schedule 1)	\$ <u>1,178,050</u>	<u>10.28</u>

5. DEBT DEFEASANCE

On reorganization, N.S.P.I. and N.S.P.F.C. committed, subject to certain conditions, to effect defeasance of N.S.P.F.C. long-term debt through repayment to the matching notes to December 31, 1998 in order to fully remove the debt from its Statement of Financial Position by that date. Defeasance requires qualifying assets to be set aside by the debtor to be used solely for satisfying scheduled future payments of principal and interest of a specific obligation.

Under the terms of the Defeasance Agreement, subject to certain factors, minimum amounts of debt to be defeased are as follows:

<u>December 31</u>	<u>Annual Amount</u> (in millions)
1993	\$ 200.0
1994	300.0
1995	400.0
1996	250.0
1997	231.6
	\$ <u>1,381.60</u>

As at March 31, 2002, \$1,178.05 million, being all of the outstanding debt, had been defeased (2001 - \$1,348.2 million) (Schedule 1).

6. GENERAL AND ADMINISTRATIVE EXPENSES

Under the terms of the privatization agreements, N.S.P.I. is responsible for the payment of all N.S.P.F.C. expenses. During the year, \$30,851 of such expenses were incurred by N.S.P.F.C. and recovered from N.S.P.I.

NOVA SCOTIA POWER FINANCE CORPORATION

LONG TERM DEBT
as at March 31, 2002

Series	Date of Maturity	Call Date	Rate	Amount Outstanding	Defeasance To Date	Net Undefeased Balance
Debentures						
"AH"	November 15, 2012	November 15, 2012	10.875%	150,000,000	150,000,000	---
"AJ"	April 27, 2014	April 27, 2014	11.25%	200,000,000	200,000,000	---
"AK"	January 10, 2020	January 10, 2020	10.25%	150,000,000	150,000,000	---
"AM"	February 26, 2031	February 26, 2031	11.00%	200,000,000	200,000,000	---
"AN"	April 1, 2021 (U.S.) (1)	April 1, 2021	9.4%	478,050,000	478,050,000	---
Total long-term debt				\$ <u>1,178,050,000</u>	\$ <u>1,178,050,000</u>	\$ <u>---</u>

(1) Amounts payable in foreign currencies and those sinking fund investments denominated in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements(\$300,000,000 US\$ converted @ 1.5935 as of March 31, 2002).

NOVA SCOTIA POWER FINANCE CORPORATION

Continuity of Long-Term Debt
August 10, 1992 to March 31, 2002

Long-term debt, August 10, 1992 (Note 1)	\$ 2,152,879,732
Less: Sinking funds, August 10, 1992	(420,560,964)
Net long-term debt, August 10, 1992	<u>1,732,318,768</u>

Less: Retired, funded or defeased:

	<u>Debt Retirement</u>	<u>Sinking Fund Growth</u>	<u>Defeasance</u>	
Period ended March 31, 1993	\$ (1,371,458)	\$ (57,498,429)	\$ (130,872,250)	\$ (189,742,137)
Year ended March 31, 1994	(238,449,609)	69,597,333	(373,507,887)	(542,360,163)
Year ended March 31, 1995	(65,543,679)	70,132,288	(354,775,338)	(350,186,729)
Year ended March 31, 1996	(184,588,286)	146,494,758	(574,804,525)	(612,898,053)
Year ended March 31, 1997	(113,072,800)	87,986,602	(6,330,000)	(31,416,198)
Year ended March 31, 1998	(99,873,900)	103,848,412	(9,690,000)	(5,715,488)
Year ended March 31, 1999	27,780,000	---	(27,780,000)	---
Year ended March 31, 2000	(16,710,000)	---	16,710,000	---
Year ended March 31, 2001	(112,830,000)	---	112,830,000	---
Sinking fund installments (NSPI)	---	---	---	---
Sinking fund earnings	---	---	---	---
Retirement of debentures ...	(175,000,000)	---	175,000,000	---
Transfer to defeasance	---	---	---	---
Retirement of savings bonds	---	---	---	---
Foreign currency translation	4,830,000	---	(4,830,000)	---
Year ended March 31, 2002	(170,170,000)	---	170,170,000	---
	<u>\$ (974,829,732)</u>	<u>\$ 420,560,964</u>	<u>\$ (1,178,050,000)</u>	<u>(1,732,318,768)</u>

Net long-term debt, March 31, 2002

\$ ---

Comprised of:

Long-term debt (Schedule 1)

\$ 1,178,050,000

Less: Sinking funds

Defeasance assets

1,178,050,000

\$ ---

AUDITOR'S REPORT

To the Minister of Natural Resources; and

To the Chair and Members of the
Nova Scotia Primary Forest Products
Marketing Board

I have audited the balance sheet of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 2002 and the statement of revenues, expenses and fund balance, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002 and the results of its operations and the changes in its financial position for the year than ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
May 27, 2002

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**

**Balance Sheet
as at March 31, 2002**

ASSETS

	2002	2001
Current		
Cash	\$ 200	\$ 200
Due from processors	32,913	47,816
Due from Province of Nova Scotia	<u>626,699</u>	<u>603,019</u>
	<u>\$ 659,812</u>	<u>\$ 651,035</u>

LIABILITIES AND FUND BALANCE

Current		
Accounts payable	\$ 1,500	---
Due to bargaining agents	<u>17,980</u>	<u>30,588</u>
	<u>19,480</u>	<u>30,588</u>
Fund Balance	<u>640,332</u>	<u>620,447</u>
	<u>\$ 659,812</u>	<u>\$ 651,035</u>

Commitment (Note 4)

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**

**Statement of Revenues, Expenses and Fund Balance
for the year ended March 31, 2002**

	2002		2001
	Budget	Actual	Actual
Revenues			
Charges against suppliers (Note 1)		\$ 521,684	\$ 531,565
Less: Bargaining agents funding		336,291	341,052
Charges for funding of Board			
operations \$	150,000	185,393	190,513
Interest on fund balance	32,000	30,347	42,003
Miscellaneous	---	4,600	---
	182,000	220,340	232,516
Expenses			
Board member per diems	28,000	31,700	30,350
Equipment and maintenance(Note 2).	1,000	7,407	137
Grants	100,000	12,803	15,339
Lease payments - equipment.	1,500	1,779	1,415
Lease payments - office space	9,700	14,424	8,655
Legal fees	3,750	2,023	8,837
Other expenses (Note 2).	7,100	7,955	3,328
Salaries	82,000	79,713	79,507
Supplies and services	15,900	7,996	21,715
Travel	27,000	34,655	26,079
	275,950	200,455	195,362
(Deficiency) Excess of revenues over expenses	\$ (93,950)	19,885	37,154
Fund balance, beginning of year		620,447	583,293
Fund balance, end of year		\$ 640,332	\$ 620,447

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**

**Statement of Changes in Financial Position
for the year ended March 31, 2002**

	2002	2001
Cash derived from operations		
Excess of revenues over expenses \$	19,885 \$	37,154
 Changes in non-cash operating working capital items		
Due from processors.	14,903	(11,811)
Due from Province of Nova Scotia.	(23,680)	(32,043)
Accounts payable.	1,500	(3,816)
Due to bargaining agents.	(12,608)	10,516
	(19,885)	(37,154)
 Increase (decrease) in cash	---	---
 Cash, beginning of year.	200	200
 Cash, end of year. \$	200 \$	200

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD**

**Notes to Financial Statements
March 31, 2002**

1. Authority

The Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are: to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents, to provide for the resolution of bargaining disputes, to facilitate and support the continued development of the forest resources held by private woodlot owners, and to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding of bargaining agents, and for funding the operations of the Board.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. In common with many small, not-for-profit organizations, the Board charges furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase. The statement of revenues, expenses and fund balance includes \$6,894 of furniture and equipment purchases recorded to equipment and maintenance (2001 - \$137), as well as \$4,859 of leasehold improvements recorded to other expenses (2001 - \$nil).

3. Loan Receivable

The Board is owed \$25,000 on a loan made to a wood lot owners organization. During the year ended March 31, 2000 the organization ceased operations and was unable to repay the balance owing on the loan. The loan was deemed uncollectible and a provision was made in the March 31, 2000 financial statements to recognize that the loan receivable has no value. Accordingly, it is no longer recorded on the Board's balance sheet. However, pursuant to the Provincial Finance Act, formal write-off of an amount owing to a government department or agency requires approval by Executive Council. This approval has not yet been received for the uncollectible loan.

4. Office Lease Commitment

The Board remits monthly payments of \$1,758 to the Department of Transportation and Public Works for the rental of office space procured by the Department on the Board's behalf. The current lease expires November 30, 2004.

5. Pensions

All permanent employees of the Board are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Board's operating expenses.

AUDITORS' REPORT

To the Board of Trustees of the Nova Scotia Public Service Long Term Disability
Plan Trust Fund

We have audited the balance sheet of the Nova Scotia Public Service Long Term Disability Trust Fund as at December 31, 2001 and the statement of continuity of fund equity for the year then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the fund as at December 31, 2001 and the continuity of the fund for the year then ended in accordance with Canadian generally accepted accounting principles.

LYLE TILLEY DAVIDSON
Chartered Accountants

Halifax, Nova Scotia
March 20, 2002

**NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Balance Sheet
as at December 31, 2001**

	2001	2000
ASSETS		
CURRENT ASSETS		
Cash	\$ 145,872	\$ 246,920
Accounts receivable - premiums	1,168,860	1,139,984
- EI premium rebates	349,293	69,646
- C.P.P. rebates	92,053	69,525
- WCB repayments	129,984	28,423
Goods and Services Tax receivable	---	91,397
Investments (note 4)	<u>26,358,332</u>	<u>29,890,762</u>
	28,244,394	31,536,657
CAPITAL ASSETS (note 5)	<u>26,694</u>	<u>8,441</u>
	<u>\$ 28,271,088</u>	<u>\$ 31,545,098</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable - Province of Nova Scotia	\$ 1,464,824	\$ 1,419,883
- other	132,656	184,213
Deferred revenue	<u>---</u>	<u>30,411</u>
	1,597,480	1,634,507
FUND EQUITY		
FUND EQUITY	<u>26,673,608</u>	<u>29,910,591</u>
	<u>\$ 28,271,088</u>	<u>\$ 31,545,098</u>

**NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Statement of Continuity of Fund Equity
for the year ended December 31, 2001**

	2001	2000 (9 months)
FUND INCREASES		
Premiums (note 6)	\$ 10,320,876	\$ 7,783,966
EI premium rebates	<u>1,121,549</u>	<u>531,567</u>
	<u>11,442,425</u>	<u>8,315,533</u>
FUND DECREASES		
Actuarial	97,429	44,266
Audit and accounting	22,928	18,714
Disability claims	12,814,660	9,064,949
- CPP recoveries	(318,874)	(278,654)
- Subrogation recoveries	(185,143)	(63,363)
- WCB recoveries	(162,236)	(28,423)
GST adjustment	---	6,395
Investment custodian	32,516	24,655
Investment manager	61,276	55,238
Legal - subrogation	29,489	11,904
- other	21,376	2,225
Office and sundry (note 7)	363,015	138,893
Plan administration services	438,067	299,723
Rehabilitation program	<u>261,651</u>	<u>191,618</u>
	<u>13,476,154</u>	<u>9,488,140</u>
DECREASE IN FUND EQUITY BEFORE INVESTMENT LOSS DURING THE YEAR	(2,033,729)	(1,172,607)
INVESTMENT LOSS	<u>(1,203,254)</u>	<u>(607,956)</u>
DECREASE IN FUND EQUITY DURING THE YEAR	(3,236,983)	(1,780,563)
FUND EQUITY - BEGINNING OF YEAR	<u>29,910,591</u>	<u>31,691,154</u>
FUND EQUITY - END OF YEAR	\$ <u>26,673,608</u>	\$ <u>29,910,591</u>

**NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Notes to Financial Statements
for the year ended December 31, 2001**

1. AUTHORITY AND ACTIVITIES

The fund was established to provide a long term disability plan for the employees of the Province of Nova Scotia and such other employee groups as approved by the trustees.

2. EFFECTIVE DATES

The plan was established by Order in Council dated September 26, 1985.

The trust was established by Agreement and Declaration of Trust dated December 23, 1985.

Claimants' benefits became effective May 1, 1985 for employees who, at that time, met prescribed eligibility requirements.

3. ACCOUNTING POLICIES

Financial instruments

The company's financial instruments consist of cash, accounts receivable, marketable securities and accounts payable. Unless otherwise noted, it is management's opinion that the fund is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Disability claims

Disability claims are recorded only for the qualifying disability periods to the date of the financial statements and no liabilities are recorded for future claim periods.

Marketable securities

Marketable securities are stated at market value.

Amortization of capital assets

The fund records amortization of the capital assets at the annual rate of 30% using the declining balance method. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Use of estimates

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

4. INVESTMENTS

Investments include marketable securities, accrued interest thereon and the custodian's account balance. The investments as at December 31, 2001 are recorded at market value of \$26,358,332 (cost - \$24,225,974) and at December 31, 2000 were recorded at market value of \$29,890,762 (cost - \$25,263,083).

5. CAPITAL ASSETS

	2001		2000	
	Cost	Accumulated amortization	Net	Net
Computer and office equipment	\$ 44,437	\$ 21,650	\$ 22,787	\$ 8,180
Software	4,596	689	3,907	261
	<u>\$ 49,033</u>	<u>\$ 22,339</u>	<u>\$ 26,694</u>	<u>\$ 8,441</u>

6. PREMIUMS

	2001	2000 (9 months)
Atlantic Provinces Special Education Authority Centres	\$ 40,088	\$ 31,110
Capital District Health Authority	2,156,999	1,464,723
Correctional officers	190,992	153,826
Department of Transportation	562,887	393,364
District Health Authority 3	64,083	45,634
District Health Authorities 4, 5 and 6	67,813	51,337
District Health Authorities 7 and 8	108,479	78,103
Nova Scotia Community College	443,897	---
Nova Scotia Government Employees Union	45,559	35,259
Nova Scotia Legal Aid	126,621	89,768
Nova Scotia Utility and Review Board	23,599	17,666
Other	24,617	15,084
Province of Nova Scotia Employees	6,465,242	5,408,092
	<u>\$ 10,320,876</u>	<u>\$ 7,783,966</u>

7. OFFICE AND SUNDRY

	2001	2000 (9 months)
Amortization	\$ 6,415	1,580
Equipment rentals	2,202	1,810
Miscellaneous	38,913	26,325
Rent and taxes	47,483	11,641
Salaries and benefits	201,753	72,814
Supplies and postage	30,470	14,050
Telephone	6,087	3,461
Professional development	28,117	4,634
Vehicle allowance and travel	1,575	2,578
	<u>\$ 363,015</u>	<u>\$ 138,893</u>

8. ACTUARIAL VALUATION

The last actuarial valuation was completed as at March 31, 2001, which projected the present value of the fund liabilities for reported and estimated incurred but unreported claims to be \$74,140,000. The actuarial value of the fund assets as at March 31, 2001 was \$27,838,000, leaving an unfunded actuarial liability of \$46,302,000.

9. PLAN CHANGES

After extensive consultations with the Board of Trustees, actuary, auditors and legal advisors, the Plan sponsors - the Public Service Commission and the Nova Scotia Government & General Employees Union - have decided on the following changes effective May 1, 2002:

1. The definition of disability, which affects the own occupation timeframe, will be changed from 30 months to 24 months.
2. Eligible criteria for continued disability coverage after 24 months and related to any occupation is reduced from 80% to 75% of the current rate of pay of the position held prior to disability.
3. Premiums will increase by 61% with employers and employees continuing to cost share on a 50/50 basis.
4. The cap on benefits has been raised, therefore, full premiums must be paid for employees earning up to \$120,000 per year.
5. New LTD claimants will receive benefits equal to 65% (previously 70%) of their pre-disability salary, to a maximum of \$3,000 bi-weekly.
6. Premium contributions and coverage will end 100 days prior to an employee reaching age 60, or accumulating 35 years of service, whichever comes first.
7. Indexing of benefits will be determined based on the financial viability of the Plan.

The last actuarial valuation was completed as at March 31, 2001, which projected unfunded actuarial liability of \$46,302,000. The results of these adopted changes is expected to result in full funding of the LTD plan in 15 years.

AUDITOR'S REPORT

*To the Members of the Legislative
Assembly of Nova Scotia, and*

To the Minister of Finance

I have audited the Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Deficiency of the Nova Scotia Public Service Superannuation Fund as at March 31, 2002 and the Statement of Change of Net Assets Available for Benefits for the period then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficiency of the Fund as at March 31, 2002 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
September 27, 2002

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

**Statement of Net Assets Available for Benefits
and Accrued Pension Benefits and Deficiency
as at March 31, 2002**

2002 2001
(in thousands)

NET ASSETS AVAILABLE FOR BENEFITS

Assets

Investments (Note 3)	\$	2,923,397	\$	2,912,701
Contributions receivable				
Employees'		1,862		2,034
Employers'		2,039		2,162
Accrued income		23,923		22,369
Net investment transactions outstanding		11,800		---
Cash		560		680
Total Assets		<u>2,963,581</u>		<u>2,939,946</u>

Liabilities

Net investment transactions outstanding		---		9,625
Accounts payable		16,540		16,570
Total liabilities		<u>16,540</u>		<u>26,195</u>

Net assets available for benefits 2,947,041 2,913,751

Actuarial asset value adjustment (Note 4)		955		1,000
Actuarial value of net assets available for benefits	\$	<u>2,947,996</u>	\$	<u>2,914,751</u>

ACCRUED PENSION BENEFITS AND DEFICIENCY

Accrued pension benefits	\$	3,128,720	\$	2,970,060
Deficiency (Note 5)		(180,724)		(55,309)
Accrued pension benefits and deficiency	\$	<u>2,947,996</u>	\$	<u>2,914,751</u>

See accompanying notes to financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

**Statement of Changes in Net Assets Available for Benefits
for the year ended March 31, 2002**

	2002	2001
	(in thousands)	
Increase (Decrease) in Assets		
Investment activities (Note 3).....	\$ 127,078	\$ (90,835)
Contributions		
Employers' - matched	34,070	32,486
Employees' - matched	34,070	32,486
Employees' - unmatched	301	263
Interest on the purchase of prior years' service	1,391	1,697
Transfers from other pension plans	4,788	8,302
	<u>74,620</u>	<u>75,234</u>
Total increase(decrease) in assets	<u>201,698</u>	<u>(15,601)</u>
Decrease In Assets		
Benefits paid	143,061	135,667
Operating expenses (Note 6)	7,486	7,301
Refund of contributions and interest and transfers to other pension plans	17,861	16,831
Total decrease in assets	<u>168,408</u>	<u>159,799</u>
Increase (Decrease) in Net Assets	33,290	(175,400)
Net Assets Available for Benefits		
at Beginning of Year	<u>2,913,751</u>	<u>3,089,151</u>
Net Assets Available for Benefits		
at End of Year	\$ <u>2,947,041</u>	\$ <u>2,913,751</u>

See accompanying notes to financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Notes to the Financial Statements March 31, 2002

1. Authority and Description of Plan

The Public Service Superannuation Fund (the Fund) was established by the Public Service Superannuation Act (the Act). It is the funding vehicle for the Public Service Superannuation Plan (the Plan), a pension plan which covers employees of the Province and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 5.4% of salary up to the Year's Maximum Pensionable Earnings (YMPE) per the Canada Pension Plan (CPP) and 7% of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay and deferred pensions are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:

- age 50 with an age plus pensionable service factor of 80 - "Rule of 80" (active members only; legislative amendments were enacted May 30, 2002 with retroactive application to January 1, 2002, applying this provision to deferred pensioners);
- age 55 with two years of service (reduced pension);
- age 55 with an age plus pensionable service factor of 85 - "Rule of 85" (deferred pensioners; see comment on "Rule of 80" above);
- age 60 with two years of service;
- age 65

Certain pension payments are attributable to previous early retirement programs and other unfunded benefits. They are charged to the Consolidated Fund of the Province and participating employers and are not paid from the Fund. These payments amounted to \$15.8 million for the year ended March 31, 2002 (2001 - \$15.5 million).

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared on the going-concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance. They are prepared in accordance with Canadian generally accepted accounting principles.

(b) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the trade dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in unrealized investment income.

(c) Investments

- (i) Investments are reported as of the trade date and are stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
- (ii) The derivative contracts held by the Fund at year end are recorded at market value with the resulting gains or losses being recognized in unrealized investment income.
- (iii) Investments include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of \$44.2 million (1.5% of Total Assets) as at March 31, 2002 (\$57.4 million (2.0% of Total Assets) as at March 31, 2001).

(d) Actuarial Value of Net Assets Available for Benefits

The fund values assets using a technique known as "Actuarial Smoothing", whereby the actuarial asset values are adjusted to reflect the portion of investment gains or losses (relative to actuarial assumptions) not yet recognized for purposes of determining the net assets available for benefits. The adjustment is based on the difference between the market value of assets and what the market value would have been if the fund had earned the assumed rate of return, and is amortized over the current year and the following two years. This adjustment is subject to the condition that the actuarial asset value will not be greater than the fair market value of investments.

3. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employers. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effect of derivative contracts.

	As at <u>March 31, 2002</u>		For the <u>Year</u>	As at <u>March 31, 2001</u>		For the <u>Year</u>
	Asset	%	Income (Loss) *	Asset	%	Income (Loss) *
			(in thousands)			
Money market . . . \$	234,636	8.0%	\$ 8,374	\$ 307,874	10.6%	\$ 18,863
Fixed income . . .	1,057,207	36.2%	57,721	1,113,667	38.2%	96,284
Equities						
- Cdn	832,435	28.5%	73,045	767,651	26.4%	(76,223)
- US	544,789	18.6%	3,686	461,370	15.8%	(5,395)
- Other foreign	252,246	8.6%	(14,321)	276,684	9.5%	(105,044)
Derivatives	2,084	0.1%	(1,489)	(14,545)	(0.5%)	(19,355)
Other	---	---	62	---	---	35
	<u>\$ 2,923,397</u>	100.0%	<u>\$ 127,078</u>	<u>\$ 2,912,701</u>	100.0%	<u>\$ (90,835)</u>

* Includes realized losses of \$25.4 million (gains of \$320.3 million - 2001) and unrealized gains of \$69.6 million (losses of \$544.8 million - 2001).

(b) Derivative Contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy. Money market-to-equity swaps have been used during the year to adjust the asset mix.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at March 31, 2002. Notional amounts of derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and market value of the contracts are determined. These contracts are denominated in Canadian dollars and are reset quarterly.

Notional Principal	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value
			(in thousands)		
\$ 65,227	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	\$ 1,262
65,043	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	(520)
43,467	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	840
16,919	1.0 yr	AA(low)	S&P/TSE60	CAD-BA-CDOR	502
<u>\$ 190,656</u>					<u>\$ 2,084</u>

(c) Market value of investments and related income after allocating the effects of derivative contracts.

	As at <u>March 31, 2002</u>		For the <u>Year</u>		As at <u>March 31, 2001</u>		For the <u>Year</u>	
	Asset	%	(Loss)	Income *	Asset	%	(Loss)	Income *
			(in thousands)				(in thousands)	
Money market. . .	\$ 43,656	1.5%	\$ 3,225	\$ 121,612	4.2%	\$ 5,537		
Fixed income. . .	1,057,207	36.2%	57,721	1,113,667	38.2%	96,284		
Equities								
- Canadian . . .	1,025,499	35.1%	76,705	939,368	32.3%	(82,252)		
- US	544,789	18.6%	3,686	461,370	15.8%	(5,395)		
- Other foreign	252,246	8.6%	(14,321)	276,684	9.5%	(105,044)		
Other	---	---	62	---	---	35		
	<u>\$ 2,923,397</u>	100.0%	<u>\$ 127,078</u>	<u>\$ 2,912,701</u>	100.0%	<u>\$ (90,835)</u>		

* Includes realized losses of \$25.4 million (gains of \$320.3 million - 2001) and unrealized gains of \$69.6 million (losses of \$544.8 million - 2001).

(d) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the plan's assets and cash flows related to the plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities and 40% fixed income securities. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates. At March 31, 2002 the \$1,057.2 million fixed income securities had a modified duration of 5.3 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 5.3 %.

(e) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rates or other economic fundamentals.

The Plan's foreign currency exposure is summarized in the following table.

Currency	March 31, 2002	March 31, 2001
	(in thousands)	
Canada	\$ 2,143,363	\$ 2,180,768
Eurozone	63,021	105,141
Japan	26,894	24,885
United Kingdom	40,101	41,611
United States	581,011	495,116
Other	93,490	88,229
Total	<u>\$ 2,947,880</u>	<u>\$ 2,935,750</u>

4. Actuarial Asset Value Adjustment

The actuarial asset value adjustment is comprised of the following:

	2002	2001
	(in thousands)	
Service Buy-back Receivable	<u>\$ 955</u>	<u>\$ 1,000</u>

a) Unamortized Investment Gains and Losses

The net assets available for benefits is subject to an actuarial asset value adjustment which moderates the effects of market volatility on investment value. The adjustment is based on the difference between the market value of assets and what the market value would have been if the fund had earned the assumed rate of return, and is amortized over the current year and the following two years. The actuarial asset value adjustment reflects the portion of investment gains or losses (relative to actuarial assumptions) not yet recognized for purposes of determining the net assets available for benefits. This adjustment is subject to the condition that the actuarial asset value will not be greater than the fair market value of investments.

Unamortized investment (gains) losses were fully amortized at March 31, 2001 as a result of losses from investment activities for the year ended March 31, 2001.

b) Service Buy-back Receivable

This receivable represents the present value of outstanding employee and employer contributions which are due as a result of service buy-backs.

5. Actuarial Valuation

Actuarial valuations of the Fund are carried out annually and provide an estimate of the accrued pension benefits (fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco performed a valuation as at December 31, 2001 and issued their report in June 2002. The report indicated that the Plan had an unfunded liability of \$174.5 million (2000 - surplus \$21.2 million). A projection to March 31, 2002, applying the same assumptions, indicated an unfunded liability of \$180.7 million (March 31, 2001 - \$55.3 million).

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the member's projected five year average salary at the expected date of retirement. The actuaries have used the unit credit method of determining the current cost and actuarial liability. The major economic and demographic assumptions used in the last valuation are as follows:

	Valuation December 31, 2001	Valuation December 31, 2000
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.5% based on 5 year age bands	0.5% per annum real plus merit ranging from 0.0% to 2.5% based on 5 year age bands
Real Rate of Return on Investment	4.25% per annum	4.25% per annum
Average Retirement Age	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service	20% - age 55 or "Rule of 80" 80% - age 60 or 35 years service
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA	1994 Group Annuity Mortality Table projected to 2000 using scale AA

6. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	2002	2001
	(in thousands)	
Plan Administration		
Professional services	178 \$	155
Salaries	657	543
Supplies and services	538	493
Travel	7	6
Other	77	76
	<u>\$ 1,457</u>	<u>\$ 1,273</u>
 Investment Expenses		
Investment management fees	5,556 \$	5,591
Professional services	31	56
Salaries	311	307
Supplies and services	70	---
Travel	18	22
Other	43	52
	<u>6,029</u>	<u>6,028</u>
	<u>\$ 7,486</u>	<u>\$ 7,301</u>

7. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation for this year.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Nova Scotia Resources Limited as at December 31, 2001, and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
February 8, 2002

NOVA SCOTIA RESOURCES LIMITED

**Consolidated Balance Sheet
December 31, 2001, with comparative figures for 2000**

ASSETS

	2001	2000
		(in thousands)
Oil and gas properties (note 2)	\$ 5,332	\$ 187,881
Cash and short-term investments	13,626	17,946
Receivables and other assets (note 3)	118	14,497
Income taxes receivable	882	---
Investment tax credits receivable	---	71
	<u>\$ 19,958</u>	<u>\$ 220,395</u>

LIABILITIES and SHAREHOLDER'S EQUITY (DEFICIENCY)

Provision for site restoration (note 4)	\$ 11,832	\$ 12,864
Payables and accruals	1,908	11,311
Due to Province of Nova Scotia	4,855	3,410
	<u>18,595</u>	<u>27,585</u>

Shareholder's equity (deficiency):

Capital stock:

Authorized: 40,000 common shares without par value

Issued and outstanding: 3 common shares	1	1
Contributed surplus (note 5)	401,442	796,400
Deficit	<u>(400,080)</u>	<u>(603,591)</u>
	1,363	192,810
	<u>\$ 19,958</u>	<u>\$ 220,395</u>

See accompanying notes to financial statements.

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Operations and Deficit
Year ended December 31, 2001, with comparative figures for 2000

	2001	2000
	(in thousands)	
Revenue:		
Oil and gas revenue	\$ 68,057	\$ 87,845
Royalties	171	25
	<u>67,886</u>	<u>87,820</u>
Government funding and sundry income (note 6)	1,955	6,147
	<u>69,841</u>	<u>93,967</u>
Expenses:		
Transportation	11,491	24,332
Production	6,065	11,006
General and administrative	1,007	2,074
Depreciation and depletion	10,118	13,792
	<u>28,681</u>	<u>51,204</u>
Earnings before financing cost, income taxes and other	41,160	42,763
Interest expense (income)	(811)	44,038
Foreign exchange loss (gain)	(890)	33,933
Litigation settlement (note 10)	---	5,429
Income taxes	---	879
Earnings (loss) before the undernoted	<u>42,861</u>	<u>(41,516)</u>
Gain on sale of oil and gas properties (note 2)	160,650	---
Net earnings (loss)	203,511	(41,516)
Deficit, beginning of year	<u>(603,591)</u>	<u>(562,075)</u>
Deficit, end of year	\$ <u>(400,080)</u>	\$ <u>(603,591)</u>

See accompanying notes to financial statements

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Cash Flows
year ended December 31, 2001, with comparative figures for 2000

	2001	2000
	(in thousands)	
Cash derived from (applied to):		
Operating:		
Net earnings (loss)	\$ 203,511	\$ (41,516)
Items not involving cash:		
Depreciation and depletion	10,118	13,792
Gain on sale of oil and gas properties	<u>(160,650)</u>	<u>---</u>
	52,979	(27,724)
Changes in non-cash operating working capital items:		
Receivables and other assets	14,373	(12,611)
Payables and accruals	(9,403)	3,023
Due to Province of Nova Scotia	1,445	3,410
Income tax credits receivable	71	4,565
Income tax receivable	<u>(882)</u>	<u>---</u>
	58,583	(29,337)
Financing:		
Decrease in commercial paper	---	(349,151)
Increase in short-term borrowings	---	431,718
Contributed surplus repaid to shareholder	<u>(394,958)</u>	<u>---</u>
	(394,958)	82,567
Investing:		
Expenditures on gas properties	(7,463)	(19,108)
Increase (decrease) in provision for site restoration	(1,071)	1,071
Recovery of expenditures (payments) for site restoration	39	(22,550)
Proceeds from disposal of oil and gas properties	<u>340,550</u>	<u>---</u>
	332,055	(40,587)
Increase (decrease) in cash	<u>(4,320)</u>	<u>12,643</u>
Cash and short-term investments, beginning of year	17,946	5,303
Cash and short-term investments, end of year	<u>\$ 13,626</u>	<u>\$ 17,946</u>

Supplemental cash flow information (note 7)

See accompanying notes to financial statements.

NOVA SCOTIA RESOURCES LIMITED

Notes to Consolidated Financial Statements
year ended December 31, 2001

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. Substantially all of the Company's activities are conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in these activities.

(b) Oil and gas properties:

The Company accounts for oil and gas properties in accordance with the Canadian accounting guideline on full cost accounting.

Under this method, all costs associated with the acquisition, exploration and development of gas properties are capitalized in one cost centre. Depletion is calculated using the unit of production method based on gross proved reserves before royalties. A ceiling test is applied to ensure that the capitalized costs do not exceed the estimated future revenues, net of production, site restoration, administration and financing costs.

(c) Provision for site restoration:

The provision for future removal and site restoration costs for the Cohasset/Panuke project is based on current estimates and has been fully charged against income as part of depletion expense.

(d) Measurement uncertainty:

The amounts recorded for depletion and site restoration are based on estimates of reserves and future costs. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

(e) Foreign currency translation:

Monetary items that are denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rates in effect at the balance sheet date. Exchange gains and losses arising on the translation of short-term foreign currency balances are recorded in the statement of operations. The Company does not have any long-term foreign currency balances.

(f) Revenue recognition:

Revenue from the oil and gas production is recorded at current sales prices once the product is delivered.

2. Gas properties:

The Company has the following interests in gas fields and other interests:

	Cost	Accumulated depletion (in thousands)	2001 Net Book value	2000 Net Book value
Sable Offshore Energy Project				
-8.4% working interest	\$ ---	\$ ---	\$ ---	\$ 186,371
SDL evaluations				
-Scotian Shelf	1,561	---	1,561	1,510
British Columbia property	4,143	372	3,771	---
	<u>\$ 5,704</u>	<u>\$ 372</u>	<u>\$ 5,332</u>	<u>\$ 187,881</u>

In applying the ceiling test to its oil and gas reserves, the Company used forecasted commodity prices at December 31, 2001 to determine the net recoverable amount from its oil and gas activities. The Company compared this net recoverable amount to the carrying value of the oil and gas properties and has determined that no write down is required.

During 2001, the Company sold its interest in the Sable Offshore Energy Project together with other assets resulting in a gain on disposition of \$160,650. The Company realized approximately \$396,550 related to the sale of these assets, comprised of closing proceeds of \$340,550 plus an operating income stream of \$56,000, which was retained by the Company from the effective sale date (December 1, 2000) to the closing date. As a result of the funds generated from this transaction, \$394,958 has been paid to the Company's shareholder as a return of capital.

As a result of this sale transaction, the Company has significantly reduced its operations in the Nova Scotia offshore. During 2001, revenues of \$68,266 and expenses of \$26,652 were associated with these operations.

3. Receivable and other assets:

	2001	2000
	(in thousands)	
Accounts receivable, trade	\$ ---	\$ 13,391
Prepaid expenses	93	207
Receivable - J.V. partner	---	861
Other assets	25	38
	<u>\$ 118</u>	<u>\$ 14,497</u>

4. Provision for site restoration - measurement uncertainty:

The provision for site restoration as at December 31, is comprised as follows:

	2001	2000
	(in thousands)	
Cohasset/Panuke Project	\$ 11,832	\$ 11,793
Sable Offshore Energy Project	---	1,071
	<u>\$ 11,832</u>	<u>\$ 12,864</u>

The Cohasset/Panuke Project ceased producing oil in 1999. The joint venture partner in the project has been evaluating deeper hydrocarbon potential in the area and site restoration has thus been delayed.

The carrying value of the provision for site restoration costs for the Cohasset/Panuke Project is based on an abandonment study conducted by an independent third party. The actual costs will be determined when the extent of the site restoration is approved by the Canada - Nova Scotia Offshore Petroleum Board. The Company's share of the cost of site restoration, based on the option chosen, has been estimated to range between \$30 million and \$40 million and was recorded at \$35 million. As at December 31, 2001 \$23.3 million has been paid for site restoration leaving a remaining provision of \$11.8 million in respect of this project. The joint venture partner continues to evaluate options for use of the off-shore facilities, which may reduce or defer the restoration liability.

As evidence of financial responsibility regarding the abandonment of the Cohasset/Panuke Project, the Company has issued a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board in the amount of \$17.5 million. This note is guaranteed by the Province of Nova Scotia.

5. Contributed surplus:

On November 17, 2000, the Province of Nova Scotia (the shareholder), by Order in Council, forgave all of the Company's outstanding debt owed to the Province of Nova Scotia. This amount, less return of surplus funds, was recorded as contributed surplus.

During 2001, contributed surplus of \$394,958 was returned to the shareholder.

6. Government funding and sundry income:

Included in government funding and sundry income is an amount of nil (2000 - \$5.0 million) in infrastructure funding related to site restoration costs.

7. Supplemental cash flow information:

	2001	2000
	(in thousands of dollars)	
Cash paid for:		
Interest	263	\$ 54,625
Income taxes	882	462
Cash received:		
Interest	1,074	780
Income taxes	71	4,678

8. Financial instruments - fair values:

The fair value of the Company's receivables and other assets, cash and short-term investments, and payables and accruals approximate their carrying amounts due to the relatively short periods to maturity of these instruments.

9. Income taxes:

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

The Company's oil and gas operations are conducted through a subsidiary, Nova Scotia Resources (Ventures) Limited. This subsidiary is a taxable corporation and has approximately \$133 million (2000 - \$810 million) of deductions available to reduce future taxable income. The Company also has approximately \$21 million (2000 - \$21 million) of federal tax credits available to reduce future income taxes payable. The tax benefit related to the deductions and credits have not been recognized in these financial statements.

During 2001, refundable investment tax credits totaling approximately nil (2000- \$71) were earned by Nova Scotia Resources (Ventures) Limited and have been recorded as a reduction in the cost of the Sable Offshore Energy Project.

10. Litigation settlement:

During 2000 the Company reached a settlement related to a claim filed by TransCanada Pipelines Limited in prior years. As the outcome of the claim could not previously be determined, no amount has been accrued in prior years. The full amount of the settlement was recorded as a charge against income in 2000.

AUDITOR'S REPORT

To the Chairperson and Members of the
Nova Scotia Talent Trust

I have examined the statements of financial position of the Nova Scotia Talent Trust Operating Fund and Investment Fund as at March 31, 2002 and the statements of revenue, expenses and fund balances for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In common with many similar organizations, the Trust derives revenue from fund raising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the Trust and I was not able to determine whether any adjustments might be necessary to fund raising and donation revenue, (deficiency) excess of revenue over expenses, assets and Trust equity.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of the fund raising and donation revenue referred to in the preceding paragraph, these financial statements present fairly in all material respects, the financial position of the Trust as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R.Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 24, 2002

NOVA SCOTIA TALENT TRUST

**Operating Fund Balance Sheet
as at March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash	5,346 \$	1,682
Due from Investment Fund	<u>302</u>	<u>301</u>
Total Assets	<u>\$ 5,648</u>	<u>\$ 1,983</u>

FUND BALANCE		
Fund Balance - unappropriated	<u>5,648</u>	<u>1,983</u>
Total Liabilities and Fund Balances	<u>\$ 5,648</u>	<u>\$ 1,983</u>

**Investment Fund Balance Sheet
as at March 31, 2002**

	2002	2001
ASSETS		
Current		
Short-term investments, at cost (Note 2)	49,008 \$	40,699
Accrued interest	<u>---</u>	<u>221</u>
	49,008	40,920
Long-term investments, at cost (Note 2)	<u>---</u>	<u>6,772</u>
Total Assets	<u>\$ 49,008</u>	<u>\$ 47,692</u>

LIABILITIES		
Due to Operating Fund	302 \$	301

FUND BALANCE		
Fund Balance - appropriated	<u>48,706</u>	<u>47,391</u>
Total Liabilities and Fund Balances	<u>\$ 49,008</u>	<u>\$ 47,692</u>

NOVA SCOTIA TALENT TRUST

**Operating Fund
Statement of Revenues, Expenses and Fund Balance
for the Year Ended March 31,2002**

	2002	2001
Revenues		
Grant - Province of Nova Scotia	\$ 45,000	\$ 46,500
Fund raising activities (donations)	14,538	1,000
Interest income	16	1,287
	<u>59,554</u>	<u>48,787</u>
Expenses		
Talent Trust grants	52,535	53,000
Administration expenses (Note 3)	3,354	4,601
	<u>55,889</u>	<u>57,601</u>
(Deficiency) Excess of revenue over expenses	3,665	(8,814)
Fund Balance, beginning of period	1,983	10,797
Fund Balance, end of period	<u>\$ 5,648</u>	<u>\$ 1,983</u>

**Investment Fund
Statement of Revenue, Expenses and Fund Balance
for the Year Ended March 31,2002**

	2002	2001
Revenues		
Interest earned - investment fund	\$ 1,315	\$ 2,183
Expenses	<u>---</u>	<u>---</u>
Excess of revenue over expenses	1,315	2,183
Fund Balance, beginning of period	<u>47,391</u>	<u>45,208</u>
Fund Balance, end of period	<u>\$ 48,706</u>	<u>\$ 47,391</u>

NOVA SCOTIA TALENT TRUST

**Notes to Financial Statements
March 31, 2002**

1. Authority

The Nova Scotia Talent Trust was established pursuant to a special resolution of the Nova Scotia Companies Act. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the visual and performing arts.

2. Investments

Investments consist of a Royal Bank Guaranteed Investment Certificate which matured September 2001, and three Royal Bank Mutual Funds - Royal Canadian Money Market, Royfund Balanced Fund and Royal Canadian T-Bill Fund.

3. Administrative Expenses

These financial statements do not reflect administrative expenses incurred by the Provincial Department of Tourism and Culture on behalf of the Trust.

4. Statement of Cash Flow

A Statement of Cash Flow is not provided as disclosure in the balance sheets and statements of revenues, expenses and fund balance is considered adequate.

5. Economic Dependence

Nova Scotia Talent Trust is economically dependent upon the Province of Nova Scotia through the Department of Tourism and Culture. The Department provides the Trust with grants which account for 75% of the Trust's revenues. These grants are needed to cover the Trust's annual scholarship disbursements.

AUDITOR'S REPORT

*To the Members of the Legislative
Assembly of Nova Scotia, and*

To the Minister of Finance

I have audited the Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Deficiency of the Nova Scotia Teachers' Pension Fund as at December 31, 2001 and the Statement of Change of Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficiency of the Fund as at December 31, 2001 and changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
September 27, 2002

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA TEACHERS' PENSION FUND**

**Statement of Net Assets Available for Benefits
and Accrued Pension Benefits and Deficiency
as at December 31, 2001**

	2001	2000
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 4)	\$ 3,437,725	\$ 3,575,982
Receivable from School Boards (Note 1)	171,430	158,903
Contributions receivable		
Employees'	1,378	941
Employers'	3,907	7,348
Accrued income	19,977	18,963
Cash	1,301	670
Total Assets	3,635,718	3,762,807
Liabilities		
Net investment transactions outstanding	16,090	777
Accounts payable	20,910	20,183
Total liabilities	37,000	20,960
Net assets available for benefits	3,598,718	3,741,847
Actuarial asset value adjustment (Note 5)	30,657	44,902
Actuarial value of net assets available for benefits	\$ 3,629,375	\$ 3,786,749
ACCRUED PENSION BENEFITS AND DEFICIENCY		
Accrued pension benefits	\$ 4,197,692	\$ 3,998,940
Deficiency (Note 6)	(568,317)	(212,191)
Accrued pension benefits and deficiency	\$ 3,629,375	\$ 3,786,749

See accompanying notes to financial statements.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA TEACHERS' PENSION FUND**

**Statement of Changes in Net Assets Available for Benefits
for the Year ended December 31, 2001**

	2001	2000
	(in thousands)	
Increase In Assets		
Investment activities (Note 4)	---	\$ 263,144
Interest on receivable from School Boards.	12,555	13,852
	12,555	276,996
Contributions		
Employers' - matched	50,601	49,083
Employees' - matched	50,601	49,083
Employers' - unmatched - Province	16,798	15,626
Employees' - unmatched	2,617	1,140
Transfers from other pension plans	983	1,639
	121,600	116,571
Total increase in assets	134,155	393,567
Decrease In Assets		
Investment activities (Note 4).	73,008	---
Benefits paid	193,934	186,917
Operating expenses (Note 7)	7,806	7,868
Refund of contributions and interest and transfers to other pension plans	2,536	3,104
	277,284	197,889
Total decrease in assets	277,284	197,889
Increase (Decrease) in Net Assets	(143,129)	195,678
Net Assets Available for Benefits at		
Beginning of Year	3,741,847	3,546,169
Net Assets Available for Benefits at		
End of Year	\$ 3,598,718	\$ 3,741,847

See accompanying notes to financial statements.

NOVA SCOTIA TEACHERS' PENSION FUND

Notes to the Financial Statements

December 31, 2001

1. Authority and Description of Plan

The Teachers' Pension Fund (the Fund) was established by the Teachers' Pension Act (the Act). It is the funding vehicle for the Teachers' Pension Plan (the Plan), a pension plan which covers public school and community college teachers. The detailed provisions of the Plan, including pension eligibility criteria and benefit formula are also contained in the Act and in the Regulations made under the Act.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 8.3% of salary up to the Year's Maximum Pensionable Earnings (YMPE) per the Canada Pension Plan (CPP) and 9.9 % of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada less 1%, to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:

- 35 years of service;
- age 50 with 30 years of service (reduced pension);
- age 55 with an age plus pensionable service factor of 85 - "Rule of 85";
- age 55 with two years of service (reduced pension);
- age 60 with 10 years of service;
- age 65 with two years of service.

On July 22, 1994 the Governor in Council authorized an early retirement program (ERP) for plan members. Each employing school board was required to pay into the Plan an amount in respect of each eligible teacher in the employ of the school board who retired in accordance with these regulations. At December 31, 2001 the balance outstanding was \$171.4 million (December 31, 2000 - \$158.9 million) which is repayable over 8 years and bears interest at 8%. Order-in-Council 2002-181 dated April 26, 2002 transferred responsibility for making these payments from the school boards to the Province.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. In the event there are insufficient funds within the Fund to make all payments required by the Act, the Province of Nova Scotia guarantees cash flow assistance. They are prepared in accordance with Canadian generally accepted accounting principles.

(b) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in unrealized investment income.

(c) Investments

- (i) Investments are reported as of the trade date and are stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
- (ii) The derivative contracts held by the Fund are recorded at market value with the resulting gains or losses being recognized in unrealized investment income.
- (iii) Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of \$65.6 million (1.8% of Total Assets) as at December 31, 2001 (\$103.5 million (2.8% of Total Assets) as at December 31, 2000).

3. Agreement to Address Unfunded Liability

On November 25, 1993, the Act was amended to incorporate the terms of an agreement signed May 13, 1993 between the Nova Scotia Teachers' Union and the Province of Nova Scotia to address the unfunded liability in the Plan.

As part of this agreement the Province assumed responsibility for \$300 million of the unfunded liability. By July 18, 1997 the Province had paid the amount in full.

The Province also agreed to make payments over a ten year period equal to \$10 million per year in 1993, increased by 7.5% per year. This commitment is set out in Schedule B of the Teachers' Pension Act.

4. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employer. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effects of derivative contracts.

	As at December 31, 2001		For the Year	As at December 31, 2000		For the Year
	Assets	%	Income *	Assets	%	Income *
			(Loss)			(Loss)
	(in thousands)					
Money market	\$ 287,494	8.4%	\$ 12,125	\$ 447,933	12.6%	\$ 19,595
Fixed income	1,292,418	37.6%	97,686	1,273,050	35.6%	122,969
Equities						
- Cdn	922,947	26.8%	(67,482)	1,005,753	28.1%	153,322
- US	617,513	18.0%	(23,168)	479,309	13.4%	9,851
- Other foreign	302,413	8.8%	(64,696)	379,286	10.6%	(77,971)
Derivatives	14,940	0.4%	(27,533)	(9,349)	(0.3)%	35,348
Other	---	---	60	---	---	30
	<u>\$ 3,437,725</u>	<u>100.0%</u>	<u>\$ (73,008)</u>	<u>\$ 3,575,982</u>	<u>100.0%</u>	<u>\$ 263,144</u>

* Includes realized losses of \$25.2 million (gains of \$452.4 million - 2000) and unrealized losses of \$122.4 million (losses of \$397.3 million - 2000).

(b) Derivative contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy. Money market-to-equity swaps have been used during the year to adjust the asset mix.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at December 31, 2001. Notional amounts of these derivative contracts represent the volume of outstanding transactions and serve as the basis upon which the return from and the market value of the contracts are determined. These contracts are denominated in Canadian dollars and are reset quarterly.

Notional Principal	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value
			(in thousands)		
\$ 16,685	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	\$ 1,230
52,391	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	4,644
74,349	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	6,825
64,363	1.0 yrs	AA(low)	S&P/TSE60	CAD-BA-CDOR	2,241
<u>\$ 207,788</u>					<u>\$ 14,940</u>

(c) Market value of investments and related income after allocating the effect of derivative contracts.

	As at December 31, 2001		For the Year Income *	As at December 31, 2000		For the Year Income *
	Assets	%		Assets	%	
			(Loss)			(Loss)
			(in thousands)			
Money market.	\$ 73,913	2.1%	\$ 5,319	\$ 215,939	6.0%	\$ 4,148
Fixed income.	1,292,418	37.6%	97,686	1,273,050	35.6%	122,969
Equities						
- Cdn	1,151,468	33.5%	(88,209)	1,228,398	34.4%	204,117
- US	617,513	18.0%	(23,168)	479,309	13.4%	9,851
- Other foreign	302,413	8.8%	(64,696)	379,286	10.6%	(77,971)
Other	---	---	60	---	---	30
	<u>\$ 3,437,725</u>	<u>100.0%</u>	<u>\$ (73,008)</u>	<u>\$ 3,575,982</u>	<u>100.0%</u>	<u>\$ 263,144</u>

* Includes realized losses of \$25.2 million (gains of \$452.4 million - 2000) and unrealized losses of \$122.4 million (losses of \$397.3 million - 2000).

(d) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established an asset mix policy of approximately 60% equities and 40% fixed income securities. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates. At December 31, 2001 the \$1,292.4 million fixed income securities had a modified duration of 5.3 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 5.3%.

(e) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rate spreads or other economic fundamentals.

The Plan's foreign currency exposure as at December 31, 2001 is summarized in the following table.

Currency	2001	2000
	(in thousands)	
Canada	\$ 2,517,303	\$ 2,724,987
Eurozone	85,310	162,538
Japan	36,204	26,438
United Kingdom	54,293	52,107
United States	672,110	515,870
Other	93,783	113,675
Total	<u>\$ 3,459,003</u>	<u>\$ 3,595,615</u>

5. Actuarial Asset Value Adjustment

The actuarial asset value adjustment is comprised of the present value of future payments under Schedule B of the Act. As at December 31, 2001, the present value of these future payments was \$30.7 million (2000: \$44.9 million).

6. Actuarial Valuation

Actuarial valuations of the Fund are required every year by the Act, and provide an estimate of the accrued pension benefits (fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, William M. Mercer Limited performed a valuation as at December 31, 2001 and issued their report in August 2002. The report indicated that the Plan had an unfunded liability of \$568.3 million (2000 - \$212.2 million).

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected five year average salary at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The major economic and demographic assumptions used in the valuation were as follows:

	Valuation December 31, 2001	Valuation December 31, 2000
Inflation	3.0% per annum	3.0% per annum
Average Salary Increase	0.5% per annum real plus merit ranging from 0.0% to 2.75% based on 5 year age bands	0.5% per annum real plus merit ranging from 0.0% to 2.75% based on 5 year age bands
Real Rate of Return on Investments	4.25% per annum	4.25% per annum
Average Retirement Age	60% - Retire at earliest date first eligible for an unreduced pension 40% - Retire at earliest of: - age 65; - 35 years of service; or - age 60 with 10 years of service	60% - Retire at earliest date first eligible for an unreduced pension 40% - Retire at the earliest of: - age 65; or - 35 years of service
Mortality	1994 Group Annuitant Mortality Table projected to 2000 using scale AA	1994 Group Annuitant Mortality Table projected to 2000 using scale AA

The impact of the change in major actuarial assumptions and methodology used for the 2001 valuation as compared to the 2000 valuation:

- The average retirement age assumption was changed to 60% of members retire at earliest date first eligible for an unreduced pension with the remainder retiring at the earliest of age 65 or with 35 years of service or age 60 with 10 years of service, from 60% of members retire at earliest date for an unreduced pension or at the earliest of age 65 or with 35 years of service. This change increased Plan liabilities by \$50.6 million.
- The accrual of future service for each member was changed, to being based on the percentage of full-time service in the valuation year from being based on a full year of service. This change decreased Plan liabilities by \$10.4 million.

7. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	2001	2000
Plan Administration		
	(in thousands)	
Professional services	136 \$	140
Salaries	562	448
Supplies and services	378	473
Travel	7	6
Other	88	64
	<u>\$ 1,171</u>	<u>\$ 1,131</u>

	2001	2000
Investment Expenses		
Investment management fees	\$ 6,219	\$ 6,302
Professional services	83	11
Salaries	265	302
Supplies and services	24	47
Travel	21	21
Other	23	54
	<u>\$ 6,635</u>	<u>\$ 6,737</u>
 Total Operating Expenses	 <u>\$ 7,806</u>	 <u>\$ 7,868</u>

8. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation for this year.

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Utility and Review Board

We have audited the balance sheet of the Nova Scotia Utility and Review Board as at March 31, 2002, and the statements of operations, accumulated surplus, capital assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002, and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Halifax, Nova Scotia
June 18, 2002

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Statement of Operations
Year Ended March 31, 2002**

	2002	2001
Revenue		
Grant from the Province of Nova Scotia (Note 2) \$	2,030,000	\$ 2,099,000
Assessments to utilities (Note 2)	900,231	581,125
Recoveries (Notes 2 and 10)	528,329	1,202,648
Interest	44,029	33,935
	<u>3,502,589</u>	<u>3,916,708</u>
Expenses		
Salaries, wages and benefits	2,313,968	2,256,077
Rent and business taxes (Note 11)	410,733	381,355
Consulting and legal fees	318,746	824,431
Travel	174,168	186,193
Advertising	43,958	44,596
Office supplies and services	40,640	46,702
Dues and fees	38,780	35,684
Transcribing and printing	37,379	60,757
Telecommunications	22,683	81,642
Depreciation	20,973	46,490
Equipment (Note 3)	19,490	21,475
Maintenance	18,008	26,840
Books and reports	14,346	17,023
Postage and couriers	9,392	10,605
Sundry expenses	3,998	4,691
Staff training and development	3,615	6,501
	<u>3,490,877</u>	<u>4,051,062</u>
Operating surplus (deficit) for the year \$	<u>11,712</u>	<u>(134,354)</u>

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Statement of Accumulated Surplus
Year Ended March 31, 2002**

	2002		
	Province of Nova Scotia	Public Utilities	Total
Restricted (Note 13)			
Balance, beginning of year	\$ 248,625	\$ 103,505	\$ 352,130
Transferred from general	<u>19,656</u>	<u>1,507</u>	<u>21,163</u>
Balance, end of year	<u>268,281</u>	<u>105,012</u>	<u>373,293</u>
General			
Balance, beginning of year	288,899	156,933	445,832
Operating deficit	8,848	2,864	11,712
Transferred to restricted	<u>(19,656)</u>	<u>(1,507)</u>	<u>(21,163)</u>
Balance, end of year	<u>278,091</u>	<u>158,290</u>	<u>436,381</u>
Total accumulated surplus	<u><u>\$ 546,372</u></u>	<u><u>\$ 263,302</u></u>	<u><u>\$ 809,674</u></u>

	2001		
	Province of Nova Scotia	Public Utilities	Total
Restricted (Note 13)			
Balance, beginning of year	--- \$	--- \$	---
Transferred from general	<u>248,625</u>	<u>103,505</u>	<u>352,130</u>
Balance, end of year	<u>248,625</u>	<u>103,505</u>	<u>352,130</u>
General			
Balance, beginning of year	642,746	289,570	932,316
Operating deficit	(105,222)	(29,132)	(134,354)
Transferred to restricted	<u>(248,625)</u>	<u>(103,505)</u>	<u>(352,130)</u>
Balance, end of year	<u>288,899</u>	<u>156,933</u>	<u>445,832</u>
Total accumulated surplus	<u><u>\$ 537,524</u></u>	<u><u>\$ 260,438</u></u>	<u><u>\$ 797,962</u></u>

See accompanying notes to financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Current		
Cash and cash equivalents (Notes 3 and 6)		
Board operations	\$ 1,188,033	\$ 850,006
War Service pension	---	167,756
Public service award	353,505	300,712
Accounts receivable (Note 4)	375,013	379,489
Inventory (Note 5)	3,279	3,437
	<u>1,919,830</u>	<u>1,701,400</u>
Service award advances	8,729	10,604
Capital assets	53,293	67,130
	<u>\$ 1,981,852</u>	<u>\$ 1,779,134</u>

LIABILITIES

Current		
Payables and accruals	\$ 252,609	\$ 255,137
Due to related parties	456,109	132,567
	<u>708,718</u>	<u>387,704</u>
Long term		
War Service pension liability (Note 7)	---	167,756
Public service award liability (Note 8)	338,460	300,712
Advances for working capital (Note 9)	125,000	125,000
	<u>463,460</u>	<u>593,468</u>
	<u>1,172,178</u>	<u>981,172</u>

SURPLUS (Note 2)

Restricted (Note 13)	373,293	352,130
General	436,381	445,832
	<u>809,674</u>	<u>797,962</u>
	<u>\$ 1,981,852</u>	<u>\$ 1,779,134</u>

Commitment (Note 11)

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Statement of Capital Assets
Year Ended March 31, 2002**

	<u>Cost</u>				<u>Accummulated Depreciation</u>				2002 Net Book Value	2001 Net Book Value
	Opening	Additions	Deletions	Closing	Opening	Expense	Deletions	Closing		
Furniture	\$ 151,035	\$ ---	\$ ---	\$ 151,035	\$ 120,876	\$ 4,726	\$ ---	\$ 125,602	\$ 25,433	\$ 30,159
Computer Equipment	144,741	4,491	---	149,232	143,310	2,928	---	146,238	2,994	1,431
Computer software	10,402	1,605	---	12,007	5,743	3,286	---	9,029	2,978	4,659
Equipment	<u>62,244</u>	<u>1,040</u>	<u>---</u>	<u>63,284</u>	<u>31,363</u>	<u>10,033</u>	<u>---</u>	<u>41,396</u>	<u>21,888</u>	<u>30,881</u>
Total	<u>\$ 368,422</u>	<u>\$ 7,136</u>	<u>\$ ---</u>	<u>\$ 375,558</u>	<u>\$ 301,292</u>	<u>\$ 20,973</u>	<u>\$ ---</u>	<u>\$ 322,265</u>	<u>\$ 53,293</u>	<u>\$ 67,130</u>

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Statement of Cash Flows
Year Ended March 31, 2002**

	2002	2001
Increase (decrease) in cash and cash equivalents		
Operating		
Operating surplus (deficit) \$	11,712	\$ (134,354)
Depreciation	20,973	46,490
	<u>32,685</u>	<u>(87,864)</u>
 Change in non-cash operating working capital (Note 12)	 <u>327,523</u>	 <u>822,595</u>
	<u>360,208</u>	<u>734,731</u>
 Financing		
Decrease in War Service pension liability	(167,756)	(12,105)
Increase in Public service award liability	37,748	25,520
	<u>(130,008)</u>	<u>13,415</u>
 Investing		
Purchase of capital assets	<u>(7,136)</u>	<u>(12,753)</u>
 Net increase in cash and cash equivalents	223,064	735,393
 Cash and cash equivalents		
Beginning of year	<u>1,318,474</u>	<u>583,081</u>
End of year \$	<u><u>1,541,538</u></u>	<u><u>1,318,474</u></u>

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Notes to the Financial Statements
March 31, 2002**

1. Incorporation

The Nova Scotia Utility and Review Board was created on December 14, 1992, through the proclamation of the Utility and Review Board Act, Chapter 11 of the Acts of 1992. The Act consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the Utility and Review Board Act. Section 15(1) of the Public Utilities Act requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Sections 31 and 41 of the Gas Distribution Act allow the Board to set fees and award costs for activities relating to that Act. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

b) Short term investments

Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

c) Capital assets

Capital assets purchased by the Board with a value greater than \$1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years

d) Cash and cash equivalents

Cash and cash equivalents include balances with banks and short term investment. Bank borrowings are considered to be financing activities.

4. Accounts receivable

	2002	2001
Due from related parties	\$ 132,760	\$ 246,070
Trade	<u>242,253</u>	<u>133,419</u>
	<u>\$ 375,013</u>	<u>\$ 379,489</u>

5. Inventory

Inventory consists of Daily Vehicle Trip Inspection books held for resale. Cost is determined using the first-in, first-out method of valuation.

6. Pledged assets

The Board has an operating line of credit of \$150,000 of which none has been used at March 31, 2002. As security, the Board has pledged short term investments.

7. Pensions

Public service superannuation fund

Pursuant to Section 10 of the Utility and Review Board Act, all full time employees of the Board are entitled to receive pension benefits under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability.

War Service pension liability

Employees of the Board are entitled to purchase service credits for certain years of war service. Increases in an employee's pension as a result of the purchase of war service credits were the responsibility of the Board in prior years and were billed to the Board as pensions were paid. During the year the Province of Nova Scotia voluntarily assumed this obligation as part of an administrative simplification initiative.

8. Public service award liability

The Board follows provisions similar to those found in the Civil Service Act with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

9. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	2002	2001
Province of Nova Scotia	\$ <u>125,000</u>	\$ <u>125,000</u>

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the Public Utilities Act. The advance is non-interest bearing, with no set terms of repayment.

10. Recoveries

Consultants are engaged by the Board to provide advice related to utility and natural gas administration and operations and to provide expert testimony during hearings. Consulting fees for specific hearings are generally recovered directly from the entities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

11. Commitments

The Nova Scotia Utility and Review Board has entered into an agreement to lease its premises until October 31, 2009. The annual rent of premises consists of a minimum rent plus the Board's portion of common costs such as maintenance, power, water and property taxes. Minimum rent payable for premises, not including common costs, in aggregate and for each of the next five years is as follows:

2003.....	202,342
2004.....	202,342
2005.....	205,353
2006.....	209,569
2007.....	209,569
Subsequently.....	541,385
	<u>\$ 1,570,560</u>

Approximately 1,000 square feet of the Board's premises has been sublet to the Department of Transportation and Public Works for space occupied by the Nova Scotia Police Commission.

12. Supplemental cash flow information

Change in non-cash operating working capital

	2002	2001
Accounts receivable.....\$	4,476 \$	801,883
Inventory.....	158	517
Service award advances.....	1,875	1,770
Payables and accruals.....	321,014	18,425
	<u>\$ 327,523</u>	<u>\$ 822,595</u>

13. Restricted surplus

Certain amounts of surplus have been restricted as necessary for ongoing and future operations of the Board. Details are as follows:

	Province of Nova Scotia	Public Utilities	2002 Total	2001 Total
Working capital..... \$	101,043 \$	48,957 \$	150,000 \$	150,000
Tangible capital assets.....	34,768	18,525	53,293	67,130
Deferred capital expenditures..	132,470	37,530	170,000	135,000
	<u>\$ 268,281</u>	<u>\$ 105,012</u>	<u>\$ 373,293</u>	<u>\$ 352,130</u>

14. Related party transactions

The Nova Scotia Utility and Review Board is a quasi-judicial tribunal operating at arms length from the Government of the Province of Nova Scotia. A significant amount of the funding for the Board is provided from the Consolidated Fund of the Province through a public service vote.

The Department of Transportation and Public Works for the Province of Nova Scotia sublets approximately 1,000 square feet of the Board's premises on behalf of the Nova Scotia Police Commission. The Board recovers the cost (\$26,895) of the sublet space from the Department.

Direct expenses and a portion of salary costs incurred by the Board in relation to its adjudicative duties pursuant to the Liquor Control Act, Gaming Control Act and Theatre and Amusements Act are recovered from the Province through the Alcohol and Gaming Authority of the Department of Environment and Labour.

In previous fiscal years, the Province charged the Board for use of its mobile radio system. During fiscal 2002 the Province simplified administration of the system and now accounts for charges centrally. Allocations for fiscal year 2001 have been included in telecommunications expense for that year.

The Board purchases certain stationery supplies from the central government stationery stockroom. Purchases are included in office supplies expense.

Transaction with the Province by financial statement category are as follows:

	2002	2001
Statement of Operations:		
Grant from the Province of Nova Scotia \$	2,030,000	2,099,000
Recoveries:		
Premises sublet to Province	24,570	24,570
Alcohol, gaming and amusement adjudicative costs	118,935	99,787
Telecommunications expense	---	58,291
Office supplies expense	7,151	11,285
Balance sheet:		
Accounts receivable (Note 4)	114,893	194,257
Payables and accruals	452,809	132,567
Advances for working capital (Note 9)	125,000	125,000
Surplus	546,372	537,524

To minimize cost to government, some administrative support is provided by the Board to other agencies, in particular the Nova Scotia Police Commission and the Freedom of Information and Protection of Privacy Review Office (FOIPOP Review Office). The Board recovers some shared support costs and any direct expenses incurred on behalf of these agencies.

Transactions with the Nova Scotia Police Commission by financial statement category are as follows:

	2002	2001
Balance sheet:		
Accounts receivable \$	391	609

Transactions with the FOIPOP Review Office by financial statement category are as follows:

	2002	2001
Statement of operations:		
Recoveries \$	12,000	11,800
Balance Sheet:		
Accounts receivable	17,476	51,204
Accounts payable	3,300	---

15. Comparative figures

Certain of the comparative figures for 2001 have been reclassified to conform to the financial statement presentation adopted for the fiscal year 2002.

NOVACO LIMITED

Statement of Assets & Liabilities
For the Period Ending February 28, 2002

	2002	2001
Assets		
Current Assets		
Bank	\$ ---	\$ 26,458
Accrued interest	---	22,828
Investments		
Term deposit	---	561,090
Total Assets	<u>\$ ---</u>	<u>\$ 610,376</u>
Liability & Equity		
Current Liabilities		
Accounts payable	\$ ---	\$ 360
Total Liabilities	---	360
Equity		
Capital Stock	---	5,000
Earnings		
Beginning retained earnings	605,016	582,260
Current earnings	2,560	22,756
Dispositions	607,576	---
Ending Retained Earnings	---	605,016
Total Equity	<u>---</u>	<u>610,016</u>
Total Liabilities/Equity	<u>\$ ---</u>	<u>\$ 610,376</u>

Income Statement
For the Period Ending February 28, 2002

	2002	2001
Revenue		
Investment income	\$ 2,560	\$ 22,828
Total revenue	<u>\$ 2,560</u>	<u>\$ 22,828</u>
Expenses		
Corporate registration	\$ ---	\$ 72
Total Expenses	<u>\$ ---</u>	<u>\$ 72</u>
Net Income	<u>\$ 2,560</u>	<u>\$ 22,756</u>

AUDITORS' REPORT

To the Board of Directors of
Pictou County District Health Authority (formerly District Health Authority 6)

We have audited the statement of financial position of Pictou County District Health Authority (formerly District Health Authority 6) as at March 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of Pictou County District Health Authority (formerly District Health Authority 6) as at March 31, 2002, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP
Chartered Accountants

Truro, Nova Scotia
June 19, 2002

**PICTOU COUNTY DISTRICT HEALTH AUTHORITY
(formerly District Health Authority 6)**

**Statement of Financial Position
March 31, 2002**

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total 2002	Total 2001
Current					
Cash and cash equivalents	\$ 2,949,004	\$ 167,705	\$ 616,866	\$ 3,733,575	\$ 2,395,000
Receivables (Note 4)	2,700,038	785,490	---	3,485,528	4,151,757
Due from other funds	7,632	450,807	---	458,439	133,623
Inventories	264,755	---	---	264,755	293,199
Prepays	79,751	---	---	79,751	116,069
	<u>6,001,180</u>	<u>1,404,002</u>	<u>616,866</u>	<u>8,022,048</u>	<u>7,089,648</u>
Other receivables (Note 5)	3,766,900	---	---	3,766,900	3,531,760
Capital assets (Note 6)	---	41,541,622	---	41,541,622	42,506,418
	<u>\$ 9,768,080</u>	<u>\$ 42,945,624</u>	<u>\$ 616,866</u>	<u>\$ 53,330,570</u>	<u>\$ 53,127,826</u>

LIABILITIES

Current					
Payables and accruals (Note 7)	\$ 5,436,587	\$ 700,113	\$ ---	\$ 6,136,700	\$ 5,819,786
Due to other funds	450,807	---	7,632	458,439	133,623
Deferred revenue	1,706,672	593,342	---	2,300,014	2,101,596
Current portion of obligations under capital lease	---	17,842	---	17,842	64,866
Current portion of long term debt	---	23,889	---	23,889	20,292
	<u>7,594,066</u>	<u>1,335,186</u>	<u>7,632</u>	<u>8,936,884</u>	<u>8,140,163</u>
Employee benefits (Note 8)	2,174,014	---	---	2,174,014	1,938,874
Obligation under capital lease (Note 9)	---	31,123	---	31,123	48,964
Long term debt (Note 10)	---	95,557	---	95,557	123,044
	<u>9,768,080</u>	<u>1,461,866</u>	<u>7,632</u>	<u>11,237,578</u>	<u>10,251,045</u>

FUND BALANCES (Page 407)

Restricted (Note 11)	---	48,965	466,062	515,027	419,847
Unrestricted	---	---	143,172	143,172	139,280
Investment in capital assets	---	41,434,793	---	41,434,793	42,317,654
	<u>---</u>	<u>41,483,758</u>	<u>609,234</u>	<u>42,092,992</u>	<u>42,876,781</u>
	<u>\$ 9,768,080</u>	<u>\$ 42,945,624</u>	<u>\$ 616,866</u>	<u>\$ 53,330,570</u>	<u>\$ 53,127,826</u>

Commitments (Note 13)

See accompanying notes to the financial statements

PICTOU COUNTY DISTRICT HEALTH AUTHORITY
(formerly District Health Authority 6)

Statement of Operations - Operating Fund
Year Ended March 31, 2002

	2002	Three Months Ended 2001
Revenues		
Nova Scotia Department of Health	\$ 35,132,658	\$ 8,728,384
Charges to M.S.I.	1,462,696	269,266
Department of Veterans Affairs	1,553,449	371,748
In-patients	895,378	214,272
Out-patients.	213,649	43,633
Community Health Board initiatives.	14,893	---
Rental income.	277,653	92,768
Investment income.	77,218	14,593
Food services.	41,424	9,407
Laboratory.	57,457	13,109
Other income	43,599	17,530
	<u>39,770,074</u>	<u>9,774,710</u>
Expenses		
In-patient services.	15,158,663	3,535,422
Ambulatory services.	7,133,871	1,710,789
Diagnostic and therapeutic services.	6,508,764	1,548,502
Support services.	8,769,677	2,269,663
Community services	1,144,423	403,673
Employee transitional support	256,257	78,589
Rental expenses.	268,086	57,840
Education and library	84,475	32,575
Increase in vacation pay accrual.	173,146	76,385
Retirement allowance benefits	272,712	61,272
	<u>39,770,074</u>	<u>9,774,710</u>
Excess of revenues over expenses.	\$ <u>---</u>	\$ <u>---</u>

See accompanying notes to the financial statements.

PICTOU COUNTY DISTRICT HEALTH AUTHORITY
(formerly District Health Authority 6)

Statement of Changes in Fund Balances
Year Ended March 31, 2002

	Capital Fund	Endowment Fund	2002 Total	Three Months Ended 2001 Total
Restricted				
Balance, beginning of year.	\$ 113,830	\$ 306,017	\$ 419,847	\$ ---
Fund balance of district facilities as at				
January 1, 2001 (Note 2)	---	---	---	436,887
Excess of revenues over expenses	---	10,489	10,489	3,474
Transfer to unrestricted (Note 9)	(64,865)	---	(64,865)	(21,343)
Contributions.	---	149,556	149,556	829
Balance, end of year.	<u>\$ 48,965</u>	<u>\$ 466,062</u>	<u>\$ 515,027</u>	<u>\$ 419,847</u>
Unrestricted				
Balance, beginning of year.	\$ 42,317,654	\$ 139,280	\$ 42,456,934	\$ ---
Fund balance of district facilities as at				
January 1, 2001 (Note 2)	---	---	---	42,339,434
Transfer from restricted	64,865	---	64,865	21,343
Excess of revenues over expenses	5,382	3,892	9,274	3,596
Capital asset funding				
Department of Health	904,555	---	904,555	130,079
Foundations.	386,525	---	386,525	520,108
Auxiliary.	67,360	---	67,360	(4,780)
Other.	5,122	---	5,122	---
Contributions.	---	---	---	7,762
Amortization.	(2,293,382)	---	(2,293,382)	(557,413)
Capital debt charges.	(23,288)	---	(23,288)	(3,195)
Balance, end of year.	<u>\$ 41,434,793</u>	<u>\$ 143,172</u>	<u>\$ 41,577,965</u>	<u>\$ 42,456,934</u>

See accompanying notes to the financial statements.

PICTOU COUNTY DISTRICT HEALTH AUTHORITY
(formerly District Health Authority 6)

Statement of Cash Flows
Year Ended March 31, 2002

	2002	Three Months Ended 2001
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of revenues over expenses - Capital Fund. \$	5,382	\$ 1,800
Excess of revenues over expenses - Endowment Fund.	14,381	5,270
Contributions - Endowment Fund.	149,556	8,591
	<u>169,319</u>	<u>15,661</u>
Change in non-cash working capital		
Receivables.	431,089	(471,042)
Inventories.	28,444	25,090
Prepaid expenses.	36,318	(39,168)
Payables and accruals	491,719	1,446,439
Deferred revenue	258,753	(162,046)
	<u>1,415,642</u>	<u>814,934</u>
Financing and investing		
Assets, liabilities and fund balances of district facilities at January 1, 2001		
Assets	---	(51,569,420)
Liabilities	---	8,793,099
Fund balances.	---	42,776,321
Capital asset funding	1,363,562	645,407
Interfund transfer - capital asset funding	64,865	21,343
Purchase of capital assets	(1,328,586)	(656,204)
Repayment long term debt and obligation under capital lease.	(88,755)	(21,343)
Capital debt charges.	(23,288)	(3,195)
	<u>(12,202)</u>	<u>(13,992)</u>
Decrease in restricted funds	<u>(64,865)</u>	<u>(21,343)</u>
	<u>(77,067)</u>	<u>(35,335)</u>
Net increase in cash and cash equivalents	1,338,575	779,599
Cash and cash equivalents, beginning of year	<u>2,395,000</u>	<u>1,615,401</u>
Cash and cash equivalents, end of year. \$	<u><u>3,733,575</u></u>	<u><u>\$ 2,395,000</u></u>

See accompanying notes to the financial statements.

PICTOU COUNTY DISTRICT HEALTH AUTHORITY
(formerly District Health Authority 6)

Notes to the Financial Statements
March 31, 2002

1. Nature of operations

Pictou County District Health Authority (formerly District Health Authority 6) operates several health care facilities including Aberdeen Regional Hospital, Sutherland Harris Memorial Hospital and related community health services.

2. Health Authorities Act

Pictou County District Health Authority (formerly District Health Authority 6) was formed by the Health Authorities Act of the Province of Nova Scotia, as assented to on June 8, 2000. On January 1, 2001, Pictou County District Health Authority (formerly District Health Authority 6) acquired the assets and assumed the liabilities of the former Northern Regional Health Board related to the facilities and and community health services referred to above.

3. Summary of significant accounting policies

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

Use of estimates

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

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the authority's capital assets. Endowment contributions are reported in the Endowment fund.

Revenue recognition

Pictou County District Health Authority (formerly District Health Authority 6) follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured.

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

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

Inventories

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

Capital assets

Assets purchased during the period were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis at the following rates:

Buildings	2%
Land improvements	5%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

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

Compensation accruals

Pictou County District Health Authority (formerly District Health Authority 6) follows the policy of recording in payables and accruals a liability for vacation pay, accumulated overtime and call back.

Employee benefit plans

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

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

Cash and cash equivalents

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

4. Receivables

	Operating Fund	Capital Fund	Total 2002	Total 2001
Charges to M.S.I. \$	184,278	---	\$ 184,278	\$ 57,816
Foundations and Auxiliaries . .	8,174	660,488	668,662	815,663
Harmonized sales tax.	254,897	88,287	343,184	346,255
Patients	181,156	---	181,156	206,935
Veterans Affairs Canada	129,858	---	129,858	---
Other	<u>190,500</u>	<u>26,527</u>	<u>217,027</u>	<u>273,987</u>
	<u>948,863</u>	<u>775,302</u>	<u>1,724,165</u>	<u>1,700,656</u>
Nova Scotia Department of Health				
Construction and equipment.	---	10,188	10,188	456,745
Final settlement and other. . .	<u>1,751,175</u>	<u>---</u>	<u>1,751,175</u>	<u>1,994,356</u>
	<u>1,751,175</u>	<u>10,188</u>	<u>1,761,363</u>	<u>2,451,101</u>
	<u>\$ 2,700,038</u>	<u>\$ 785,490</u>	<u>\$ 3,485,528</u>	<u>\$ 4,151,757</u>

The final settlement estimates are dependent upon approval of the Department of Health. An adjustment, if any, will be accounted for in the year in which they occur.

5. Other receivables

	Operating Fund	Total 2002	Total 2001
Nova Scotia Department of Health			
Vacation pay. \$	1,592,886	\$ 1,592,886	\$ 1,592,886
Employee benefits.	<u>2,174,014</u>	<u>2,174,014</u>	<u>1,938,874</u>
	<u>\$ 3,766,900</u>	<u>\$ 3,766,900</u>	<u>\$ 3,531,760</u>

6. Capital Assets

			2002			2001
	Cost	Accumulated Amortization	Net Book Value		Net Book Value	
Land	\$ 32,378	\$ ---	\$ 32,378	\$	32,378	
Land improvements	393,549	77,035	316,514		336,191	
Buildings	49,363,739	12,486,115	36,877,624		37,686,346	
Equipment	9,770,457	5,771,570	3,998,887		4,203,884	
Equipment under capital lease	615,756	436,566	179,190		246,571	
Construction in progress. ...	137,029	---	137,029		1,048	
	<u>60,312,908</u>	<u>\$ 18,771,286</u>	<u>\$ 41,541,622</u>	\$	<u>42,506,418</u>	

The Aberdeen Hospital Foundation has registered a chattel mortgage on specific equipment donated to the former Aberdeen Hospital Commission. The agreement specifies certain restrictions on the use and disposition of this equipment. If the equipment is not used in accordance with the agreement, an agreed upon amount is to be repaid to the foundation on an item by item basis.

7. Payables and accruals

	Operating Fund	Capital Fund	Total 2002		Total 2001
Trade	\$ 3,411,572	\$ 700,113	\$ 4,111,685	\$	3,967,917
Vacation pay.	<u>2,025,015</u>	---	<u>2,025,015</u>		<u>1,851,869</u>
	<u>\$ 5,436,587</u>	<u>\$ 700,113</u>	<u>\$ 6,136,700</u>	\$	<u>5,819,786</u>

8. Employee benefits

The authority has the following benefit plans:

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

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

The most recent projected actuarial valuation of the multi-employer pension plan, with approximately 18,000 members throughout the province, showed a surplus at December 31, 2000.

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

	Pension Benefit Plan March 31, 2002
Contributions to a multi-employer plan accounted for as a defined contribution plan, included in program expenses.	\$ <u>1,075,110</u>

Information about the authority's retirement benefit plan as at March 31, 2002 is as follows:

	Retirement Benefit Plan March 31, 2002
Fair value of plan assets	\$ <u>2,174,014</u>
Accrued benefit liability recognized.	\$ <u>2,174,014</u>

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

	Retirement Benefit Plan March 31, 2002
Retirement allowances	\$ <u>67,438</u>

The following actuarial assumptions have been used in the determination of the accrued benefit obligation as at March 31, 2002:

Discount rate	7.05%
Rate of compensation increase	3.65-6.15%
Termination rates	1.2-20%

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

9. Obligations under capital lease **2002** **2001**

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

Future minimum lease payments are as follows:

2002.....	\$ ---		\$ 70,967
2003	20,908		20,908
2004.....	20,908		20,908
2005.....	<u>12,197</u>		<u>12,197</u>
	54,013		124,980
Less: amount representing interest on capital leases at varying rates of 7.25%	<u>5,048</u>		<u>11,150</u>
	48,965		113,830
Less: current portion	<u>17,842</u>		<u>64,866</u>
	<u>\$ 31,123</u>		<u>\$ 48,964</u>

As security, the authority has pledged specific equipment.

10. Long term debt **2002** **2001**

6.5% loan, payable in equal annual payments of \$29,609 including interest, maturing in 2006	\$ 119,446		\$ 143,336
Less: current portion	<u>23,889</u>		<u>20,292</u>
	<u>\$ 95,557</u>		<u>\$ 123,044</u>

11. Restricted fund balance

The Nova Scotia Department of Health provided funding to establish a reserve for repayment of the capital lease obligations. This reserve is restricted and will be used solely for the repayment of capital lease obligations as referred to in Note 9. The balance of the reserve was \$48,965 as of March 31, 2002.

12. Credit facilities

The health authority has a financing arrangement with a financial institution which provides an available operating line of credit totalling \$1,000,000. As of March 31, 2001, there was no borrowing outstanding against the credit facilities.

13. Commitments

Pictou County District Health Authority (formerly District Health Authority 6) has operating lease commitments amounting to \$19,908 for the fiscal year ended March 31, 2003.

14. Related entities

The health authority has responsibility for the operation of certain hospitals and health care facilities as outlined in Note 1. There are in existence several hospital auxiliaries and foundations, which solicit funds in the name of these particular hospitals and health care facilities. These funds are intended by the contributor to assist in the provision of health care services in the catchment area. The health authority is considered to have an economic interest in these foundations and auxiliaries whereby the assets of these organizations may accrue to the benefit of the authority. The amount and nature of these assets at March 31, 2002 are available from the individual financial statements of the related entities.

15. Comparative figures

Certain of the 2001 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2002.

AUDITOR'S REPORT

To the Board of Directors of
Provincial Drug Distribution Program

We have audited the statement of financial position of the Provincial Drug Distribution Program (the "PDDP") as at March 31, 2002 and the statements of fund balances, revenues and expenditures and cash flow for the year then ended. These financial statements are the responsibility of the PDDP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the PDDP as at March 31, 2002 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

Halifax, Canada
June 7, 2002

PROVINCIAL DRUG DISTRIBUTION PROGRAM

**Statement of Financial Position
as at March 31, 2002**

ASSETS

	Operating Fund	Capital Fund	Total 2002	Total 2001
			(in thousands)	
Current				
Cash	\$ 1,265	\$ ---	\$ 1,265	\$ ---
Accounts receivable (note 3)	7,618	---	7,618	6,461
Due from Capital District Health Authority	---	---	---	3,406
Inventories	2,206	---	2,206	2,853
	<u>11,089</u>	<u>---</u>	<u>11,089</u>	<u>12,720</u>
Deferred charges (Note 4)	---	28	28	39
Capital Assets	<u>---</u>	<u>43</u>	<u>43</u>	<u>56</u>
	<u>\$ 11,089</u>	<u>\$ 71</u>	<u>\$ 11,160</u>	<u>\$ 12,815</u>

LIABILITIES

Current				
Bank indebtedness	\$ ---	\$ ---	\$ ---	\$ 2,984
Due to Capital District Health Authority	265	---	265	---
Accounts payable and accrued liabilities	3,164	---	3,164	2,225
Deferred revenue	206	---	206	109
	<u>3,635</u>	<u>---</u>	<u>3,635</u>	<u>5,318</u>
Due to Department of Finance (note 5)	7,341	---	7,341	7,341
	<u>10,976</u>	<u>---</u>	<u>10,976</u>	<u>12,659</u>

FUND BALANCE

Operating fund	113	---	113	61
Net assets	<u>---</u>	<u>71</u>	<u>71</u>	<u>95</u>
	<u>\$ 11,089</u>	<u>\$ 71</u>	<u>\$ 11,160</u>	<u>\$ 12,815</u>

PROVINCIAL DRUG DISTRIBUTION PROGRAM

**Statement of Fund Balances
Year ended March 31, 2002**

	2002	2001
	(in thousands)	
OPERATING FUND		
Balance, beginning of year	\$ 61	\$ 67
Net revenues over expenditures.....	<u>52</u>	<u>83</u>
	113	150
Approved equity transfer to capital fund.....	<u>---</u>	<u>(89)</u>
	---	---
Balance, end of year	\$ <u><u>113</u></u>	\$ <u><u>61</u></u>

INVESTMENT IN CAPITAL ASSETS

Capital funding, beginning of year	\$ 95	\$ ---
Amortization.....	(24)	(22)
Approved equity transfer to capital fund.....	---	89
Capital funding from the Department of Health.....	<u>---</u>	<u>28</u>
	71	95
Balance, end of year	\$ <u><u>71</u></u>	\$ <u><u>95</u></u>

**Statement of Revenues and Expenditures
year ended March 31, 2002**

	2002	2001
	(in thousands)	
Operating		
Revenues (Schedule A).....	\$ 51,951	\$ 47,022
Expenditures (Schedule B).....	<u>51,899</u>	<u>46,939</u>
	---	---
Net revenues over expenditures	\$ <u><u>52</u></u>	\$ <u><u>83</u></u>

PROVINCIAL DRUG DISTRIBUTION PROGRAM

**Statement of Cash Flow
year ended March 31,2002**

	2002	2001
	(in thousands)	
Operating Activities		
Net revenues over expenditures	\$ 52	\$ 83
Items not requiring cash		
Amortization	24	22
Changes in non-cash working-capital items	4,173	(1,736)
Cash provided by (used in) operating activities	<u>4,249</u>	<u>(1,631)</u>
Financing Activities		
Capital funding from Department of Health, net	---	6
Cash provided by financing activities	<u>---</u>	<u>6</u>
Investing Activities		
Disposal of capital assets	---	18
Cash provided by investing activities	<u>---</u>	<u>18</u>
Net increase (decrease) during the year	4,249	(1,607)
Bank indebtedness, beginning of year	<u>(2,984)</u>	<u>(1,377)</u>
Cash (bank indebtedness), end of year	<u>\$ 1,265</u>	<u>\$ (2,984)</u>

See accompanying notes

PROVINCIAL DRUG DISTRIBUTION PROGRAM

**Notes to Financial Statements
March 31, 2002**

1. Nature of Organization

The Provincial Drug Distribution Program (PDDP) is the responsibility of the Minister of Health and a board of managers. Effective April 1, 1998, the District Health Authorities (DHAs) and non-designated organizations (NDOs) agreed to purchase all of their drug requirements through the PDDP. Sales are made to hospitals at cost and to nursing homes at cost plus a mark up of 10%. The Capital District Health Authority administers the program.

2. Significant Accounting Policies

The PDDP follows the deferral method of accounting for contributions. These financial statements have been prepared in accordance with generally accepted accounting principles and include the following specific accounting policies.

Operating Costs:

These financial statements do not include certain expenses which are absorbed by the Capital District Health Authority.

Capital Assets

Capital assets are valued at cost and are amortized on a straight-line basis over the useful life of each asset.

Deferred Charges

Deferred charges are valued at cost and are amortized on a straight-line basis over five years.

Inventory

Inventory is valued at the lower of cost and replacement cost, with cost determined on a first-in first-out basis.

3. Accounts Receivable

	2002	2001
	(in thousands)	
Customer receivables	\$ 7,551	\$ 6,338
Out-dated drugs receivable.	<u>67</u>	<u>123</u>
	<u>\$ 7,618</u>	<u>\$ 6,461</u>

4. Deferred Charges

The Department of Health entered into an agreement dated January 1, 2000 with a national buying group. As a result, the PDDP will be entitled to receive all negotiated vendor contract prices for pharmaceutical supplies. The PDDP paid a one-time non-refundable joining fee. This investment is recorded at cost and is amortized on a straight-line basis over five years.

5. Due to Department of Finance

In prior years, the Province of Nova Scotia processed and recorded the receipts and disbursements of the Nova Scotia Hospital and PDDP. As at April 1, 1997, the cumulative difference between receipts and disbursements was recognized as a liability to the Province at year end. Repayment terms for this liability are not specified.

6. Comparative Figures

Certain of the March 31, 2001 comparative figures have been reclassified to conform with the presentation adopted in the current year.

PROVINCIAL DRUG DISTRIBUTION PROGRAM

Schedule A

**Schedule of Revenues
Year ended March 31, 2002**

	2002	2001
	(in thousands)	
Drug Sales	\$ 51,475	\$ 46,491
Department of Health	323	352
Other	153	179
Amortization	<u>24</u>	<u>22</u>
	51,975	47,044
Less: Amortization	<u>24</u>	<u>22</u>
	<u><u>\$ 51,951</u></u>	<u><u>\$ 47,022</u></u>

Schedule B

**Schedule of Expenditures
Year ended March 31, 2002**

	2002	2001
	(in thousands)	
Drugs	\$ 51,126	\$ 46,162
Compensation	474	516
Fees	164	156
Other	77	40
Plant maintenance supplies	54	63
Amortization	24	22
Travel	<u>4</u>	<u>2</u>
	51,923	46,961
Less: Amortization	<u>24</u>	<u>22</u>
	<u><u>\$ 51,899</u></u>	<u><u>\$ 46,939</u></u>

Schedule C

**Schedule of Changes in Capital
Year ended March 31, 2002**

	2002	2001
	(in thousands)	
Capital Funding		
Approved equity transfer to capital fund (net of amortization)	\$ ---	\$ 67
Capital funding from Department of Health	<u>---</u>	<u>28</u>
Capital Deficit Funding from Department of Health	<u><u>\$ ---</u></u>	<u><u>\$ 95</u></u>

PROVINCIAL RESORT HOTELS

Statement of User Fees and Expense
for the year ended March 31, 2002

	Pines Resort	Keltic Lodge	Liscombe Lodge	<u>Totals</u>	
				2002	2001
User Fees					
Rooms	\$ 2,067,590	\$ 1,956,853	\$ 856,632	\$ 4,881,075	\$ 4,897,287
Food	1,408,364	1,612,299	683,848	3,704,511	3,821,818
Beverage	313,653	322,406	90,656	726,715	754,562
Other	786,096	446,378	187,993	1,420,467	1,419,406
	<u>4,575,703</u>	<u>4,337,936</u>	<u>1,819,129</u>	<u>10,732,768</u>	<u>10,893,073</u>
Expense					
Salaries & Wages ...	2,085,687	1,718,524	881,206	4,685,417	4,845,792
Travel	17,232	18,849	3,315	39,396	35,400
Supplies & Services .	1,978,823	1,599,883	638,181	4,216,887	4,200,996
Other	53,263	141,946	31,694	226,903	198,296
	<u>4,135,005</u>	<u>3,479,202</u>	<u>1,554,396</u>	<u>9,168,603</u>	<u>9,280,484</u>
Operating					
Profit (Loss)	<u>440,698</u>	<u>858,734</u>	<u>264,733</u>	<u>1,564,165</u>	<u>1,612,589</u>
Property Improvements	232,122	118,961	172,513	523,596	1,373,255
	<u>232,122</u>	<u>118,961</u>	<u>172,513</u>	<u>523,596</u>	<u>1,373,255</u>
Profit (Loss)	\$ <u>208,576</u>	\$ <u>739,773</u>	\$ <u>92,220</u>	\$ <u>1,040,569</u>	\$ <u>239,334</u>

PROVINCIAL RESORT HOTELS

Notes to Financial Statements

March 31, 2002

Note: This financial statement reflects user fees and current expenditures of the Provincial Resorts budgeted under the Department of Tourism and Culture.

The Resort maintenance and non-capital improvement costs of \$459,413 (\$411,859 in 2000-01) are not included in this statement as they are expenses recorded by the Department of Transportation and Public Works:

Review Engagement Report

To the Board of Trustees of
The Public Archives of Nova Scotia-Archival Ancillary and Trust Funds

We have reviewed the balance sheet of The Public Archives of Nova Scotia-Archival Ancillary and Trust Funds (Archives) as at March 31, 2002 and the statements of changes in net assets and revenue and expenditures for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Archives.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

PRICE,WATERHOUSE,COOPERS LLP
Chartered Accountants

June 14, 2002

**PUBLIC ARCHIVES OF NOVA SCOTIA -
ARCHIVAL ANCILLARY AND TRUST FUNDS**

**Balance Sheet
As at March 31, 2002**

	Endowment Fund, Collections	Archival Ancillary Fund	2002 Total	2001 Total
ASSETS				
Current assets				
Cash	\$ 4,500	\$ 63,828	\$ 68,328	\$ 101,434
Marketable securities	34,805	52,873	87,678	94,492
Amount held in trust by Province of Nova Scotia	58,452	---	58,452	61,022
	<u>97,757</u>	<u>116,701</u>	<u>214,458</u>	<u>256,948</u>
Equipment (note 3)	<u>---</u>	<u>48,890</u>	<u>48,890</u>	<u>30,981</u>
	<u>\$ 97,757</u>	<u>\$ 165,591</u>	<u>\$ 263,348</u>	<u>\$ 287,929</u>
LIABILITIES				
Current liabilities				
Amounts payable and accrued liabilities	\$ ---	\$ 4,140	\$ 4,140	\$ 3,000
Deferred revenue	---	38,785	38,785	48,727
	<u>---</u>	<u>42,925</u>	<u>42,925</u>	<u>51,727</u>
Net assets				
Endowments	66,100	---	66,100	66,100
Earnings on endowments	31,657	---	31,657	37,963
Invested in equipment	---	48,890	48,890	30,981
Unrestricted	---	73,776	73,776	101,158
	<u>97,757</u>	<u>122,666</u>	<u>220,423</u>	<u>236,202</u>
	<u>\$ 97,757</u>	<u>\$ 165,591</u>	<u>\$ 263,348</u>	<u>\$ 287,929</u>

**Statement of Changes in Net Assets
For the Year ended March 31, 2002**

	Endowment Fund, Collections	Archival Ancillary Fund	2002 Total	2001 Total
Net assets - Beginning of year	\$ 104,063	\$ 132,139	\$ 236,202	\$ 225,523
Excess of revenue over expenditures (expenditures over revenue) for the year	(6,306)	(9,473)	(15,779)	10,679
Net assets - End of Year	<u>\$ 97,757</u>	<u>\$ 122,666</u>	<u>\$ 220,423</u>	<u>\$ 236,202</u>

**PUBLIC ARCHIVES OF NOVA SCOTIA -
ARCHIVAL ANCILLARY AND TRUST FUNDS**

**Statement of Revenue and Expenditures
for the Year Ended March 31, 2002**

	Endowment Fund, Collections	Archival Ancillary Fund	2002 Total	2001 Total
Revenue				
Reprographic and other recoveries.	\$ ---	\$ 53,212	\$ 53,212	\$ 50,105
Funding for special collections maintenance.	---	117,545	117,545	95,382
Interest	<u>3,694</u>	<u>2,881</u>	<u>6,575</u>	<u>12,043</u>
	<u>3,694</u>	<u>173,638</u>	<u>177,332</u>	<u>157,530</u>
Expenditures				
Amortization	---	9,255	9,255	4,536
Color film cold storage vault	---	6,000	6,000	---
Conferences and seminars.	---	4,040	4,040	3,047
Equipment repair and maintenance	---	708	708	1,882
Freight and express.	---	82	82	748
General operating.	---	7,203	7,203	7,814
Membership dues	---	35	35	230
Miscellaneous	---	2,241	2,241	4,614
Other services	---	2,106	2,106	5,253
Printing and stationery	---	113	113	730
Professional services	---	10,467	10,467	17,083
Reception renovations	---	19,742	19,742	---
Special collections maintenance	10,000	117,545	127,545	95,382
Staff training	---	100	100	2,005
Subscriptions and periodicals	---	739	739	---
Travel	---	<u>2,735</u>	<u>2,735</u>	<u>3,527</u>
	<u>10,000</u>	<u>183,111</u>	<u>193,111</u>	<u>146,851</u>
Excess of revenue over expenditures (expenditures over revenue)				
for the year	<u>\$ (6,306)</u>	<u>\$ (9,473)</u>	<u>\$ (15,779)</u>	<u>\$ 10,679</u>

**PUBLIC ARCHIVES OF NOVA SCOTIA -
ARCHIVAL ANCILLARY AND TRUST FUNDS**

**Notes to Financial Statements
For the year ended March 31, 2002**

1. Status and nature of activities

The Archives, a provincially-owned entity, is primarily responsible for acquiring and preserving the corporate memory of government and documentary heritage of the Province. The Archives is both a deposit library for publications of the Government of Nova Scotia and a historical research facility.

Three trust funds, the Blakely, Fergusson, and Shand, have been endowed to, and are controlled by, the Archives.

2. Significant accounting policies

The accounting policies of the Archives for the Archival Ancillary and Trust funds are established and maintained in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and movements of funds during the year. Actual results could differ from these estimates.

Fund accounting

The Archives uses fund accounting to prepare its financial statements. Fund balances include balances invested in endowments, equipment and unrestricted balances.

The Archival Ancillary Fund accounts for reprographic and other revenue, recoveries, interest on trust funds and other special items and equipment.

The Endowment Fund, Collections accounts for endowment contributions, assets, liabilities, revenues and expenditures related to the acquisition of collections.

Financial instruments

Financial instruments are stated at cost, or at cost less amounts written off to reflect a permanent decline in value, and where there is a fixed rate of return, accrued interest is included in book value. The fair value of these financial instruments approximates their carrying values, due to the short-term nature of these instruments.

Revenue recognition

The Archives follows the restricted fund method of accounting for contributions, which include designated contributions from the public, bequests and Government support.

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

Restricted and endowment contributions are recognized as revenue, in the related fund, when received or receivable to the extent that amounts to be received can be reasonably estimated and collection is reasonably assured.

Contributions received for projects not completed at year-end are shown as deferred revenue to the extent that contributions exceed expenditures to date on these projects.

Equipment

Purchased equipment is recorded at cost. When an asset no longer contributes to the Archives' ability to provide services, its carrying amount is written down to its residual value.

Equipment is amortized using the following methods at the following rates:

Computer software	straight-line 10 years
Microfilm and computer equipment	straight-line 5 years
Furniture and other office equipment	straight-line 10 years

3. Equipment

	<u>2002</u>			<u>2001</u>
	<u>Cost</u>	<u>Accumulated mortization</u>	<u>Net</u>	<u>Net</u>
Computer software	\$ 17,262	\$ 5,179	\$ 12,083	\$ 13,810
Computer equipment	16,826	2,357	14,469	---
Microfilm equipment	23,978	9,981	13,997	16,001
Furniture	7,721	420	7,301	---
Other office equipment	<u>1,300</u>	<u>260</u>	<u>1,040</u>	<u>1,170</u>
	<u>\$ 67,087</u>	<u>\$ 18,197</u>	<u>\$ 48,890</u>	<u>\$ 30,981</u>

AUDITOR'S REPORT

To the Minister of Justice; and
To the Public Trustee

I have audited the balance sheet of the Public Trustee Trust Funds as at March 31, 2002 and the statement of continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

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

In common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust or income earned on trust assets came under the administration of or were recorded by the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 2002 and the continuity of assets for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
May 23, 2002

**PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS**

**Balance Sheet
as at March 31, 2002**

	2002	2001
ASSETS		
Estates and Trusts		
Cash	\$ 667,901	\$ 1,079,254
Securities, real estate and other assets (Note 3)	19,860,851	17,288,339
Common Fund securities (Note 4)	<u>1,414,794</u>	<u>1,249,794</u>
	21,943,546	19,617,387
Special Reserve Fund (Note 5)		
Cash and securities	<u>1,358,378</u>	<u>1,292,263</u>
	<u>\$ 23,301,924</u>	<u>\$ 20,909,650</u>
LIABILITIES		
Estates and Trusts		
Estates and trusts balances	<u>\$ 21,943,546</u>	<u>\$ 19,617,387</u>
Special Reserve Fund (Note 5)		
Restricted funds	1,299,008	1,223,171
Funds transferable to Province of Nova Scotia	<u>59,370</u>	<u>69,092</u>
	<u>1,358,378</u>	<u>1,292,263</u>
	<u>\$ 23,301,924</u>	<u>\$ 20,909,650</u>

**PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS**

**Statement of Continuity of Assets
For The Year Ended March 31, 2002**

	Estates and Trusts	Special Reserve Fund	Fees Earned	2002 Total	2001 Total
Balance, beginning of year	\$ 19,617,387	\$ 1,292,263	\$ ---	\$ 20,909,650	\$ 19,455,230
 Add:					
Assets acquired during the year	11,777,603	---	---	11,777,603	12,737,683
Income earned	794,516	---	---	794,516	789,182
Fees earned	---	---	442,321	442,321	462,175
Interest earned on Special Reserve Fund investments	---	59,370	---	59,370	69,092
Excess interest transferred from Common Fund	---	75,837	---	75,837	87,129
	<u>12,572,119</u>	<u>135,207</u>	<u>442,321</u>	<u>13,149,647</u>	<u>14,145,261</u>
 Less:					
Distributions of estates and trusts	10,195,468	---	---	10,195,468	11,851,306
Transfers to the Province Fees	---	---	442,321	442,321	462,175
Undistributable estates and trusts (per Section 28)	50,492	---	---	50,492	320,789
Investment income earned on Special Reserve Fund	---	69,092	---	69,092	56,571
	<u>10,245,960</u>	<u>69,092</u>	<u>442,321</u>	<u>10,757,373</u>	<u>12,690,841</u>
Balance, end of year	<u>\$ 21,943,546</u>	<u>\$ 1,358,378</u>	<u>\$ ---</u>	<u>\$ 23,301,924</u>	<u>\$ 20,909,650</u>

**PROVINCE OF NOVA SCOTIA
PUBLIC TRUSTEE TRUST FUNDS**

**Notes to Financial Statements
March 31, 2002**

1. Authority

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

2. Accounting Policies

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

- a) The Office of the Public Trustee uses a cash basis of accounting. These financial statements do not include accrued interest and other receivables, as well as accrued fees and other payables.
- b) The market value of stocks and bonds at year end is not disclosed in the financial statements.

3. Securities, Real Estate and Other Assets

Securities consist of deposit certificates, bonds, debentures and stocks. Securities purchased by the Public Trustee are valued at cost. Securities taken over by the Public Trustee are valued at market value as at the date of death for estates of deceased persons or as at the date that control is assumed for all other estates.

The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels. Real estate is valued at estimated market value based on annual assessments for municipal tax purposes. Personal effects and chattels are valued at estimated market value as at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of \$1.

4. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued at cost.

5. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

Income earned on securities held in the Special Reserve Fund is eligible for transfer to the Province. The remainder of the Fund is restricted to the purposes described above.

6. Operating Costs

Operating costs of the Office of the Public Trustee are absorbed by various government departments and are not reflected in the statement of continuity of assets. These costs are offset by fees charged for administering estates and by investment income.

	2002	2001
Department of Justice		
- Salaries and benefits	\$ 593,596	\$ 590,536
- Other operating costs	33,978	39,300
- Rent	41,519	---
Department of Transportation and Public Works		
- Rent	---	35,765
	<u>669,093</u>	<u>665,601</u>
Less transfers to Province		
- Fees	442,321	462,175
- Special Reserve Fund income	69,092	56,571
	<u>511,413</u>	<u>518,746</u>
Net cost to the Province	<u>\$ 157,680</u>	<u>\$ 146,855</u>

AUDITORS' REPORT

To the Board of Directors of
Resource Recovery Fund Board Inc.

We have audited the statement of financial position of Resource Recovery Fund Board Inc. as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2002 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

GRANT THORTON LLP
Chartered Accountants

Truro, Nova Scotia
May 15, 2002

RESOURCE RECOVERY FUND BOARD INC.

**Statement of Operations
Year ended March 31, 2002**

	2002	2001
Revenues		
Deposits		
Gross revenues from deposits	\$ 28,965,713	\$ 26,068,255
Less: Harmonized sales tax	(3,823,437)	(3,397,546)
	25,142,276	22,670,709
Sales of recyclable materials	3,493,840	3,790,780
Stewardship	150,328	802
Tire program	2,966,619	2,781,057
Total revenues	31,753,063	29,243,348
 Cost of sales		
Inventory, beginning of year	74,724	101,116
Deposit refunds	10,703,163	9,822,750
Enviro-Depot handling fees	6,447,877	5,923,382
Local cartage	818,734	911,893
Regional processing	808,456	754,705
Freight-in	119,235	79,971
Central processing expenses (Page 440)	422,377	408,245
Non-deposit materials	29,889	25,611
Used tires	2,240,283	1,725,393
Derelict vehicle program	18,214	17,310
Paint/Household Hazardous Waste program	144,404	165,523
	21,827,356	19,935,899
Less inventory, end of year	91,461	74,724
	21,735,895	19,861,175
Gross margin	10,017,168	9,382,173
Administrative expenses (Page 440)	1,117,168	1,248,688
Operating income	8,900,000	8,133,485
Decrease in equity interest of an affiliated company	---	(43,786)
Interest and other income	505,776	595,042
Excess of revenues over expenses	\$ 9,405,776	\$ 8,684,741

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

**Statement of Financial Position
March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash and cash equivalents	\$ 12,687,844	\$ 12,149,093
Receivables	3,089,938	2,486,693
Accrued interest receivable	18,143	47,839
Inventory	91,461	74,724
Prepays	<u>42,270</u>	<u>2,922</u>
	15,929,656	14,761,271
Investment at cost	7,000	7,000
Equipment (Note 3)	748,069	667,174
Organizational costs, net of accumulated amortization.	<u>31,749</u>	<u>47,990</u>
	<u>\$ 16,716,474</u>	<u>\$ 15,483,435</u>

LIABILITIES

Current		
Payables and accruals	\$ 3,161,057	\$ 2,830,077
Municipal solid waste diversion credits payable.	5,319,008	5,071,031
Unearned revenue.	<u>3,502,400</u>	<u>3,155,100</u>
	<u>11,982,465</u>	<u>11,056,208</u>

NET ASSETS (Page 436)

Invested in capital assets.	779,818	715,164
Invested in value added manufacturing.	7,000	7,000
Restricted for future projects.	1,609,507	1,109,507
Restricted for approved programs	<u>2,337,684</u>	<u>2,595,556</u>
	<u>4,734,009</u>	<u>4,427,227</u>
	<u>\$ 16,716,474</u>	<u>\$ 15,483,435</u>

Commitments (Note 5)

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

**Statement of Changes in Net Assets
Year Ended March 31, 2002**

Net Assets	Invested in Capital Assets	Invested in Value-added Manufacturing	Restricted for Future Projects	Restricted for Approved Programs	Net Revenues	Total 2002	Total 2001
Balance, beginning of year	\$ 715,164	\$ 7,000	\$ 1,109,507	\$ 2,595,556	\$ ---	\$ 4,427,227	\$ 5,470,640
Excess of revenue over expenses	(188,285)	---	---	---	9,594,061	9,405,776	8,684,741
Investment in capital assets	<u>252,939</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(252,939)</u>	<u>---</u>	<u>---</u>
	779,818	7,000	1,109,507	2,595,556	9,341,122	13,833,003	14,155,381
Internally imposed restrictions	---	---	---	4,670,561	(4,670,561)	---	---
Payments during the year							
Education and awareness	---	---	---	(1,176,237)	---	(1,176,237)	(1,097,925)
Regional co-ordinators	---	---	---	(230,528)	---	(230,528)	(226,770)
Approved programs	---	---	500,000	(2,587,556)	648,447	(1,439,109)	(2,797,428)
Nova Scotia Department of Environment & Labour	---	---	---	(934,112)	---	(934,112)	(535,000)
Allocation to Municipal solid waste diversion payable	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(5,319,008)</u>	<u>(5,319,008)</u>	<u>(5,071,031)</u>
Balance, end of year	<u>\$ 779,818</u>	<u>\$ 7,000</u>	<u>\$ 1,609,507</u>	<u>\$ 2,337,684</u>	<u>\$ ---</u>	<u>\$ 4,734,009</u>	<u>\$ 4,427,227</u>

See accompanying notes to the financial statements

RESOURCE RECOVERY FUND BOARD INC.

**Statement of Cash Flows
year ended March 31, 2002**

	2002	2001
Increase (decrease) in cash and cash equivalents:		
Operating		
Excess of revenues over expenses	\$ 9,405,776	\$ 8,684,741
Decrease in equity interest of an affiliated company	---	43,786
Depreciation and amortization	218,073	372,801
(Gain) loss on sale of equipment	(29,788)	2,887
	<u>9,594,061</u>	<u>9,104,215</u>
Change in non-cash operating working capital		
Receivables	(573,549)	47,649
Inventory	(16,737)	26,392
Prepays	(39,348)	(2,922)
Payables and accruals	578,957	956,484
Unearned revenue	347,300	(20,400)
	<u>9,890,684</u>	<u>10,111,418</u>
Investing		
Proceeds from sale of equipment	63,676	---
Purchase of		
Equipment	(291,530)	(187,050)
Organizational costs	(25,085)	(6,664)
Investment - value added manufacturing	---	253,400
	<u>(252,939)</u>	<u>59,686</u>
Allocation of net assets to:		
Municipal solid waste diversion	(5,319,008)	(5,071,031)
Approved programs	(3,779,986)	(4,657,123)
	<u>(9,098,994)</u>	<u>(9,728,154)</u>
Net increase in cash and cash equivalents	538,751	442,950
Cash and cash equivalents, beginning of year	<u>12,149,093</u>	<u>11,706,143</u>
Cash and cash equivalents, end of year	\$ <u><u>12,687,844</u></u>	\$ <u><u>12,149,093</u></u>

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

**Notes to the Financial Statements
March 31, 2002**

1. Nature of operations

The Resource Recovery Fund Board Inc. is a not-for-profit company established by the Nova Scotia government to manage a substantial portion of the Province's Solid Waste-Resource Management Regulations.

2. Summary of signification accounting policies

Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Field equipment	20%	straight-line
Office and warehouse equipment	20%	straight-line
Computer hardware and software	33 1/3%	straight-line
Containers		
- Bags	33 1/3%	straight-line
- Tubs	10%	straight-line
Vehicles	33 1/3%	straight-line

Inventory

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

Unearned revenue

Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. Unearned revenue consists of deposits received in the last sixty (60) days adjusted by the current year return rate.

Organizational costs

Organizational costs for new programs are amortized on a straight line basis over five years.

Income taxes

The company is exempt from income taxes under Section 149(I)(d) of the Canadian Income Tax Act.

Revenue recognition

Resource Recovery Fund Board Inc. follows the deferral method of accounting for revenue.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments with maturity dates of 90 days or less. Bank borrowings are considered to be financing activities.

Financial instruments

Financial instruments include cash and cash equivalents, accounts receivable, accrued interest receivable, an investment, payables and accruals and municipal solid waste diversion credits payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments. The fair market value of these financial instruments approximate their carrying values.

3. Equipment

	Cost	Accumulated Depreciation	2002 Net Book Value	2001 Net Book Value
Field Equipment	\$ 233,052	\$ 83,297	\$ 149,755	\$ 60,512
Office and warehouse equipment	87,526	66,458	21,068	21,594
Leasehold Improvements	12,407	4,183	8,224	7,292
Containers	922,155	478,133	444,022	486,947
Computer hardware and software	409,871	343,007	66,864	85,287
Vehicles	83,700	25,564	58,136	5,542
	<u>\$ 1,748,711</u>	<u>\$ 1,000,642</u>	<u>\$ 748,069</u>	<u>\$ 667,174</u>

4. Banking facilities

The company has an operating line of credit of \$2,500,000, all of which is unused at March 31, 2002.

5. Commitments

The company has entered into agreements to lease office space and a warehouse. Minimum rent payable for the next five years on these leases are as follows:

2003	\$ 99,088
2004	\$ 99,088
2005	\$ 99,088
2006	\$ 96,164
2007	\$ 10,067

RESOURCE RECOVERY FUND BOARD INC.

**Schedule of Central Processing Expenses
Year Ended March 31, 2002**

	2002		2001
Building expenses	\$ 38,403	\$	42,621
Depreciation and amortization	131,404		126,133
Insurance	968		788
Meetings and travel	18,345		9,137
Postage and delivery	3,878		6,924
Propane - forklift	1,919		1,934
Repairs and maintenance - bulk bags	30,953		42,085
Repairs and maintenance - equipment	5,397		7,207
Salaries and benefits	128,359		119,943
Shipping supplies	53,262		37,324
Telecommunications	8,375		9,841
Vehicle expense	1,114		4,308
	<u>\$ 422,377</u>	\$	<u>408,245</u>

**Schedule of Administrative Expenses
Year Ended March 31**

	2002		2001
Bad debt expense	\$ ---	\$	10,417
Bank charges	6,041		6,001
Board fees and expenses	62,328		56,814
Building expenses	67,751		66,536
Depreciation and amortization	45,342		191,880
Dues and fees	6,863		4,740
Equipment lease or rent	5,331		4,865
Insurance	4,228		3,633
Meetings and travel	43,589		46,992
Office expense	11,254		6,596
Postage and delivery	18,356		9,852
Printing and stationery	6,628		6,298
Professional fees	127,464		116,049
Public relations	48,279		68,174
Salaries and benefits	501,200		481,536
Software development and support	124,602		127,912
Telecommunications	31,181		26,997
Training	3,791		9,617
Vehicle expense	2,940		3,779
	<u>\$ 1,117,168</u>	\$	<u>1,248,688</u>

AUDITORS' REPORT

To the Members of the
Sherbrooke Restoration Commission

We have audited the balance sheet of Sherbrooke Restoration Commission as at March 31, 2002 and the statements of operations, fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2002, and the results of its operations and cash flows for the year then ended in accordance with the accounting principles adopted for museum boards in the Province of Nova Scotia.

DELOITTE & TOUCHE LLP
Chartered Accountants

May 23, 2002

SHERBROOKE RESTORATION COMMISSION

**Balance Sheet
as at March 31, 2002**

	2002		2001	
ASSETS				
Current				
Cash (Note 2)	\$	37,491	\$	33,022
Guaranteed Investment Certificate - restricted (Note 3)		98,577		96,644
Accounts receivable		62,591		40,311
Inventory (Note 2)		127,611		125,390
Prepaid expense		<u>1,677</u>		<u>11,282</u>
		327,947		306,649
Capital assets, at cost (Note 2)				
Property, buildings and furnishings		<u>4,322,726</u>		<u>4,268,852</u>
	\$	<u><u>4,650,673</u></u>	\$	<u><u>4,575,501</u></u>

LIABILITIES AND EQUITY

Current				
Accounts payable	\$	<u>61,304</u>	\$	<u>45,278</u>
Equity				
Investment in capital assets		4,322,726		4,268,852
Reserve for development (Note 3)		98,577		96,644
Operating fund surplus		<u>168,066</u>		<u>164,727</u>
		<u>4,589,369</u>		<u>4,530,223</u>
	\$	<u><u>4,650,673</u></u>	\$	<u><u>4,575,501</u></u>

**Statement of Operations
Year Ended March 31, 2002**

	2002		2002		2001	
	Budget		Actual		Actual	
Revenue						
Operating grants						
Board of Governors of the						
Nova Scotia Museum	\$	<u>957,930</u>	\$	<u>957,930</u>	\$	<u>970,430</u>
Program revenue (Schedule 2)		<u>349,500</u>		<u>366,791</u>		<u>394,247</u>
Other						
Gate admissions		140,000		130,602		137,715
Interest		12,000		10,171		19,581
Miscellaneous		<u>5,800</u>		<u>11,380</u>		<u>18,072</u>
		<u>157,800</u>		<u>152,153</u>		<u>175,368</u>
Total revenue		<u>1,465,230</u>		<u>1,476,874</u>		<u>1,540,045</u>
Expenditures						
General operating (Schedule 1)		563,965		553,957		548,024
Program (Schedule 2)		834,390		865,683		868,099
Capital		<u>66,875</u>		<u>51,962</u>		<u>74,824</u>
Total expenditures		<u>1,465,230</u>		<u>1,471,602</u>		<u>1,490,947</u>
Net revenue	\$	<u><u>---</u></u>	\$	<u><u>5,272</u></u>	\$	<u><u>49,098</u></u>

SHERBROOKE RESTORATION COMMISSION

**Statement of Fund Balances
Year Ended March 31, 2002**

	2002	2001
INVESTMENT IN CAPITAL ASSETS		
Balance, beginning of year	\$ <u>4,268,852</u>	\$ <u>4,189,808</u>
Additions		
Furnishings and equipment	1,912	4,220
Renovations funded out of operations	<u>51,962</u>	<u>74,824</u>
	53,874	79,044
Balance, end of year	\$ <u><u>4,322,726</u></u>	\$ <u><u>4,268,852</u></u>

OPERATING FUND SURPLUS

Balance, beginning of year	\$ 164,727	\$ 187,273
Net revenue	<u>5,272</u>	<u>49,098</u>
	169,999	236,371
Transfer to reserve for development (Note 3)	<u>1,933</u>	<u>71,644</u>
Balance, end of year	\$ <u><u>168,066</u></u>	\$ <u><u>164,727</u></u>

RESERVE FOR DEVELOPMENT (Note 3)

Balance, beginning of year	\$ 96,644	\$ 25,000
Transfer from operating fund surplus	<u>1,933</u>	<u>71,644</u>
Balance, end of year	\$ <u><u>98,577</u></u>	\$ <u><u>96,644</u></u>

**Statement of Cash Flows
Year Ended March 31, 2002**

	2002	2001
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net revenue	\$ 5,272	\$ 49,098
Add capital expenditures charged to operations	<u>53,874</u>	<u>79,044</u>
	59,146	128,142
Changes in non-cash operating capital items (Note 5)	<u>1,130</u>	<u>(30,440)</u>
	<u>60,276</u>	<u>97,702</u>
Investing		
Additions to property, buildings and furnishings	(53,874)	(79,044)
Investment in guaranteed investment certificate	<u>(1,933)</u>	<u>(71,644)</u>
	<u>(55,807)</u>	<u>(150,688)</u>
Net cash inflow (outflow)	4,469	(52,986)
Cash position, beginning of year	33,022	86,008
Cash position, end of year	\$ <u><u>37,491</u></u>	\$ <u><u>33,022</u></u>
Represented by:		
Cash	\$ <u><u>37,491</u></u>	\$ <u><u>33,022</u></u>

SHERBROOKE RESTORATION COMMISSION

Notes to the Financial Statements Year Ended March 31, 2002

1. DESCRIPTION OF OPERATIONS

The Commission operates the Sherbrooke Village Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting policies considered appropriate for the museums of Nova Scotia. The more significant of these accounting policies are summarized below:

a) Fund Accounting

The assets and liabilities of the Commission are segregated into two funds - Operating and Investment in Property, Buildings and Furnishings. The Operating Fund assets and liabilities are those which are used for the general operations of the Commission. The Investment in Property, Buildings and Furnishings Fund comprises assets of enduring benefit and any related debt.

b) Amortization

Amortization is not recorded on the capital assets.

c) Capital Assets

Capital assets reflect all expenditures of the Commission from June 15, 1971 to March 31, 1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets.

d) Inventory

Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and market.

e) Cash

Cash consists of amounts held at financial institutions.

3. GUARANTEED INVESTMENT CERTIFICATE

During the year, the Sherbrooke Restoration Commission internally restricted \$1,933 for the Sherbrooke Village Development Fund. This brings the total of internally restricted cash to \$98,577. This fund will be for capital items that will fulfil the long-term objectives of the Commission, such as enhancements.

4. PENSION PLAN

The Commission has a defined benefit pension plan which covers all permanent employees. The plan is contributory and provides retirement benefits based on length of service and average earnings as defined. The last actuarial valuation was carried out in 2001, and covered the financial position of the plan as at December 31, 2000. At that time, the assets of the plan amounted to \$802,000 and the liabilities amounted to \$742,000, with the result that the plan had a surplus of \$60,000 at that date.

Since the last actuarial report there has been one change to the Plan affecting costs. Effective January 1, 2001, the pension benefit formula for pension benefit accrual prior to January 1, 1990 has been changed from career average basis to a final average basis for each year of pensionable service. The resulting pension benefit formula is 2% of the member's final average earnings for all years of pensionable service.

The cost of this plan improvement is \$12,900 at December 31, 2000.

The significant actuarial assumptions adopted in measuring the Commission's accrued benefit obligations at January 1, 2001 are as follows:

Expected long-term rate of return on plan assets	7%
Rate of compensation increases	4.5%

The following contributions were made to the pension plan during 2001:

Employer contributions	usd31,892
Employee contributions	usd22,623

Pension expense for the year-ended March 31, 2002 is \$31,892.

5. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2002	2001
Accounts receivable	\$ (22,280)	\$ (5,769)
Inventory	(2,221)	(21,636)
Prepaid expenses	9,605	(8,962)
Accounts payable	<u>16,026</u>	<u>5,927</u>
	<u>\$ 1,130</u>	<u>\$ (30,440)</u>

SHERBROOKE RESTORATION COMMISSION

Schedule 1

**Schedule of General Operating Expenditures
Year Ended March 31, 2002**

	2002 Budget		2002 Actual		2001 Actual
Advertising and brochures	\$ 23,000	\$	22,452	\$	22,151
Bad debts	---		---		1,878
Freight	2,000		872		2,797
Heat, light and power	64,000		54,701		56,538
Insurance and taxes	4,800		4,299		3,882
Interest and bank charges	2,600		2,659		2,456
Maintenance supplies	17,000		24,729		20,395
Miscellaneous	7,700		13,776		11,718
Motor vehicles	4,000		6,585		5,682
Office supplies and postage	17,000		13,792		15,420
Sewer and water	40,000		34,775		34,293
Professional fees	7,000		8,731		7,679
Property maintenance and security salaries	101,505		105,190		106,616
Pension plan and other benefits	73,000		73,006		55,149
Salaries and wages - Administration	139,360		135,266		140,348
Staff and Commission training	12,000		3,966		9,066
Special projects wages	---		384		(194)
Telephone	16,000		15,269		15,465
Travel	10,000		12,248		11,573
Workers' compensation	23,000		21,257		25,112
	<u>\$ 563,965</u>	\$	<u>553,957</u>	\$	<u>548,024</u>

**Schedule of Program Revenue and Expenditures
Year Ended March 31, 2002**

Schedule 2

	2002 Budget		2002 Net Expenditures		2001 Net Expenditures
Blacksmith shop	\$ 11,445	\$	13,825	\$	11,751
Boat shop	800		---		150
Costume shop	26,150		20,806		24,128
Craft shop	27,710		22,522		30,199
Emporium (Schedule 3)	(47,290)		(21,981)		(39,275)
Exhibit operations	1,200		322		241
Jordan barn	43,990		46,882		45,812
Pottery shop	27,700		25,891		29,575
Program management	80,675		81,118		79,262
Restaurant	(2,000)		(751)		612
Print shop	500		668		(138)
Sawmill operations	26,900		19,197		25,892
Ambrotype Studio	9,500		7,397		8,599
Turner shop	23,190		18,025		16,601
Woodworking shop	25,790		37,221		1,248
Education program	(25,000)		(35,150)		(32,736)
Guides	254,620		255,147		271,727
Theatre program	(990)		7,753		204
	<u>\$ 484,890</u>	\$	<u>498,892</u>	\$	<u>473,852</u>
Program expenditures	\$ 834,390	\$	865,683	\$	868,099
Less: Program revenue	349,500		366,791		394,247
Net expenditures	<u>\$ 484,890</u>	\$	<u>498,892</u>	\$	<u>473,852</u>

SHERBROOKE RESTORATION COMMISSION

Schedule 3

**Schedule of Retail Operations
Year Ended March 31, 2002**

	2002	2001
Revenue		
Sales	\$ <u>168,085</u>	\$ <u>187,341</u>
 Cost of goods sold		
Merchandise inventory, opening	33,926	33,856
Purchases	<u>104,399</u>	<u>112,190</u>
Merchandise available for sale	138,325	146,046
Less: Merchandise inventory, ending	<u>30,824</u>	<u>33,926</u>
Cost of goods sold	<u>107,501</u>	<u>112,120</u>
 Gross profit on sales	<u>60,584</u>	<u>75,221</u>
 Expenses		
Salaries and wages	34,607	30,975
General expense	<u>3,996</u>	<u>4,971</u>
	<u>38,603</u>	<u>35,946</u>
Net retail income.....	\$ <u><u>21,981</u></u>	\$ <u><u>39,275</u></u>

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
South Shore District Health Authority

We have audited the statement of financial position of the South Shore District Health Authority as at March 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District Health Authority as at March 31, 2002 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 14, 2002

SOUTH SHORE DISTRICT HEALTH AUTHORITY

**Statement of Operations
for the year ended March 31, 2002**

	Operating Fund	Capital Fund	2002 Total	(Note 16) 2001 Total
Revenue				
Department of Health funding	\$ 38,104,916	\$ ---	\$ 38,104,916	\$ 11,292,970
Department of Veteran's Affairs	1,640,313	---	1,640,313	387,969
Patient services	1,114,333	---	1,114,333	174,608
Physician funding	1,287,513	---	1,287,513	275,079
Program recoveries and sales	1,497,256	---	1,497,256	263,234
Amortization of deferred capital grants	---	2,355,065	2,355,065	607,557
Other	357,334	9,107	366,441	---
	<u>44,001,665</u>	<u>2,364,172</u>	<u>46,365,837</u>	<u>13,001,417</u>
Expenses				
Administration and support	1,248,519	---	1,248,519	251,390
Addiction	1,376,421	---	1,376,421	339,127
Diagnostic imaging	2,187,849	---	2,187,849	566,055
Environmental	1,552,550	---	1,552,550	383,331
Finance	470,259	---	470,259	113,799
Food & nutritional	2,176,354	---	2,176,354	534,850
Health registry	1,218,713	---	1,218,713	315,761
Human resources	323,572	---	323,572	95,026
Information	696,101	---	696,101	189,613
Laboratory	2,756,003	---	2,756,003	615,752
Materials management	1,021,414	---	1,021,414	273,964
Mental health	2,753,941	---	2,753,941	664,400
Nursing	18,790,537	---	18,790,537	4,462,763
Pharmacy	541,346	---	541,346	126,916
Plant and support	2,363,590	---	2,363,590	667,886
Public health	909,723	---	909,723	281,375
Rehabilitation	743,870	---	743,870	202,349
Other programs	987,642	---	987,642	233,919
Transitional support	431,574	---	431,574	7,456
Employee future benefits	270,254	---	270,254	2,023,211
Amortization of property, plant and equipment	---	2,512,658	2,512,658	597,422
Interest	---	71,589	71,589	16,949
Other programs	1,181,433	11,818	1,193,251	69,625
	<u>44,001,665</u>	<u>2,596,065</u>	<u>46,597,730</u>	<u>13,032,939</u>
Deficiency of revenues over expenses before payment of 2000 -2001 operating deficiency	---	(231,893)	(231,893)	(31,522)
Department of Health funding of 2000 -2001 operating deficiency	24,708	---	24,708	---
Excess (deficiency) of revenues over expenses	<u>\$ 24,708</u>	<u>\$ (231,893)</u>	<u>\$ (207,185)</u>	<u>\$ (31,522)</u>

SOUTH SHORE DISTRICT HEALTH AUTHORITY

**Statement of Financial Position
as at March 31, 2002**

ASSETS

	Operating Fund	Capital Fund	2002 Total	(Note 3 f) 2001 Total
Current				
Cash and cash equivalents (Page 452) \$	---	\$ ---	\$ ---	\$ 1,176,812
Accounts receivable (Note 4)	7,205,039	1,501,296	8,706,335	5,765,718
Inventory	530,112	---	530,112	565,773
Prepaid expenses	<u>379,797</u>	<u>11,053</u>	<u>390,850</u>	<u>203,158</u>
	8,114,948	1,512,349	9,627,297	7,711,461
 Long-term assets (Note 5)	 2,622,371	 ---	 2,622,371	 2,449,587
Property, plant and equipment (Note 6)	 ---	 <u>26,824,463</u>	 <u>26,824,463</u>	 <u>---</u>
	<u>\$ 10,737,319</u>	<u>\$ 28,336,812</u>	<u>\$ 39,074,131</u>	<u>\$ 37,027,480</u>

LIABILITIES

Current				
Bank indebtedness (Note 7) \$	283,259	\$ 610,008	\$ 893,267	\$ ---
Accounts payable and accrued liabilities (Note 8)	6,505,843	367,795	6,873,638	5,296,566
Current portion of long-term debt (Note 9)	---	194,262	194,262	157,865
Revenue received in advance	<u>1,683,722</u>	<u>---</u>	<u>1,683,722</u>	<u>1,637,358</u>
	8,472,824	1,172,065	9,644,889	7,091,789
Long-term debt (Note 9)	---	357,335	357,335	529,753
Employee future benefits (Note 3 and 14)	2,256,131	---	2,256,131	2,023,211
Deferred capital grants (Note 10)	<u>---</u>	<u>26,818,172</u>	<u>26,818,172</u>	<u>27,177,938</u>
	<u>10,728,955</u>	<u>28,347,572</u>	<u>39,076,527</u>	<u>36,822,691</u>

FUND BALANCES

Restricted (Page 451)	8,364	---	8,364	8,364
Unrestricted (Page 451)	<u>---</u>	<u>(10,760)</u>	<u>(10,760)</u>	<u>196,425</u>
	<u>8,364</u>	<u>(10,760)</u>	<u>(2,396)</u>	<u>204,789</u>
	<u>\$ 10,737,319</u>	<u>\$ 28,336,812</u>	<u>\$ 39,074,131</u>	<u>\$ 37,027,480</u>

Commitments (Note 11)
Contingency (Note 15)

SOUTH SHORE DISTRICT HEALTH AUTHORITY

**Statement of Changes in Fund Balances
for the year ended March 31, 2002**

	Operating Fund	Capital Fund	2002 Total	(Note 16) 2001 Total
Restricted Fund Balances				
Balance, beginning of period.	\$ 8,364	\$ ---	\$ 8,364	\$ ---
Restricted fund balance transferred from Western Regional Health Board (Note 2)	---	---	---	8,364
	<u>8,364</u>	<u>---</u>	<u>8,364</u>	<u>8,364</u>
Balance, end of period.	<u>8,364</u>	<u>---</u>	<u>8,364</u>	<u>8,364</u>
Unrestricted Fund Balances				
Balance, beginning of period.	(24,708)	221,133	196,425	---
Unrestricted fund balance transferred from Western Regional Health Board (Note 2)	---	---	---	227,947
Excess (deficiency) revenues over expenses (Page 449).	<u>24,708</u>	<u>(231,893)</u>	<u>(207,185)</u>	<u>(31,522)</u>
Balance, end of period.	<u>---</u>	<u>(10,760)</u>	<u>(10,760)</u>	<u>196,425</u>
Total Fund Balances.	<u><u>8,364</u></u>	<u><u>(10,760)</u></u>	<u><u>(2,396)</u></u>	<u><u>204,789</u></u>

SOUTH SHORE DISTRICT HEALTH AUTHORITY

**Statement of Cash Flows
for the year ended March 31, 2002**

	Operating Fund	Capital Fund	2002 Total	(Note 16) 2001 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Excess (deficiency) of revenues expenses (Page 449) \$	24,708	\$(231,893)	\$(207,185)	\$(31,522)
Adjusted for:				
Amortization of property, plant and equipment (Page 449)	---	2,512,658	2,512,658	597,422
Amortization of deferred capital grants (Page 449)	---	(2,355,065)	(2,355,065)	(607,557)
Employee future benefits (Note 14)	274,409	---	274,409	2,023,211
Payment of employee future benefits				
Changes in working capital items (Note 13)	(41,489)	---	(41,489)	---
	<u>(728,417)</u>	<u>(740,795)</u>	<u>(1,469,212)</u>	<u>399,275</u>
	<u>(470,789)</u>	<u>(815,095)</u>	<u>(1,285,884)</u>	<u>2,380,829</u>
Financing				
Assumption of long-term debt from Western Regional Health Board	---	---	---	724,900
Proceeds from capital grants (Note 10)	---	1,995,299	1,995,299	27,785,495
Repayment of long-term debt	---	(136,021)	(136,021)	(37,283)
Net increase in restricted fund balance from Western Regional Health Board	---	---	---	8,364
Net increase in unrestricted fund balance from Western Regional Health Board	---	---	---	227,947
	<u>---</u>	<u>1,859,278</u>	<u>1,859,278</u>	<u>28,709,423</u>
Investing				
Investments in long-term assets from Western Regional Health Board	---	---	---	(427,076)
Investment in long-term assets	(172,784)	---	(172,784)	(2,022,511)
Net capital assets of the Western Regional Health Board	---	---	---	(27,402,754)
Acquisition of property, plant and equipment	---	(2,470,689)	(2,470,689)	(64,465)
Proceeds on disposal of property, plant and equipment	---	---	---	3,366
	<u>(172,784)</u>	<u>(2,470,689)</u>	<u>(2,643,473)</u>	<u>(29,913,440)</u>
Net cash inflow(outflow)	(643,573)	(1,426,506)	(2,070,079)	1,176,812
Cash and cash equivalents, beginning of period	360,314	816,498	1,176,812	---
(Bank indebtedness) cash and cash equivalents, end of period \$	<u>(283,259)</u>	<u>(610,008)</u>	<u>(893,267)</u>	<u>1,176,812</u>

SOUTH SHORE DISTRICT HEALTH AUTHORITY

**Notes to the Financial Statements
year ended March 31, 2002**

1. DESCRIPTION OF ORGANIZATION

The South Shore District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001. The District Health Authority's vision: "The people of the South Shore are united for our collective good health and well-being, making our community the health leader in Nova Scotia."

The facilities owned and operated by the District Health Authority are the Fishermen's Memorial Hospital, South Shore Regional Hospital and Queen's General Hospital. In addition, the District Health Authority leases space in other locations to operate certain programs throughout Lunenburg and Queen's counties and supports two (2) Community Health Boards.

2. TRANSFER OF FUND BALANCES

Fund balances of the Western Regional Health Board as at December 31, 2000 were transferred in accordance with the allocation methodology approved by the Department of Health to the South Shore District Health Authority effective January 1, 2001, as follows:

	2001
Restricted fund balance transferred from	
Western Regional Health Board.	\$ 8,364
Unrestricted fund balance transferred from	
Western Regional Health Board.	\$ 227,947

3. ACCOUNTING POLICIES

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

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the South Shore District Health Authority's capital assets and special purposes and endowment funds.

b) Revenue Recognition

The South Shore District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted Capital Fund balances.

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

c) Property, Plant and Equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Capital assets transferred in under Note 2 are recorded at original cost less accumulated amortization. Amortization is provided on a straight-line basis at the following annual rates:

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

d) Deferred Capital Grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as depreciation of the related assets.

e) Inventory

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

f) Employee Future Benefits

Effective April 1, 2001, the District adopted, retroactively with prior years restated, the new recommendations of The Canadian Institute of Chartered Accountants (CICA) with respect to accounting for employee future benefits. The result was an increase in long-term assets of \$2,023,211 and an increase in employee future benefits of \$2,023,211 for 2001. There were no other effects as the liability was fully funded by the Department of Health.

Under the new method, employee future benefits are determined based on assumptions as outlined in Note 14 and recognized in the period in which benefits are earned by the employee. Prior to the adoption of the new recommendations, employee benefits were recognized as they were paid by the employer.

4. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2002 Total	2001 Total
Department of Health				
Operating funding	\$ 5,748,987	\$ ---	\$ 5,748,987	\$ 4,436,201
Transition support program	384,600	---	384,600	188,137
Capital grants	---	446,182	446,182	280,358
Patient care	314,727	---	314,727	255,601
HST rebates	170,217	189,404	359,621	191,235
Extended care facilities	25,926	---	25,926	36,187
Homecare/VON	47,692	---	47,692	37,320
Charitable foundations	26,814	865,710	892,524	211,338
Psychiatric recoveries	58,537	---	58,537	53,311
Federal grant funding	13,062	---	13,062	26,311
Other	414,477	---	414,477	49,719
	<u>\$ 7,205,039</u>	<u>\$ 1,501,296</u>	<u>\$ 8,706,335</u>	<u>\$ 5,765,718</u>

5. LONG-TERM ASSETS

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

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value	
			2002	2001
Land and land improvements	\$ 999,176	\$ 614,724	\$ 384,452	\$ 397,859
Building and building service equipment	35,463,429	14,157,957	21,305,472	21,424,759
Equipment	25,558,939	20,892,050	4,666,889	4,414,802
Equipment under capital lease	1,313,835	846,185	467,650	629,012
	<u>\$ 63,335,379</u>	<u>\$ 36,510,916</u>	<u>\$ 26,824,463</u>	<u>\$ 26,866,432</u>

7. BANK INDEBTEDNESS

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling \$2.7 million. As well, the District Health Authority has available a capital line of credit in the amount of \$675,000 with a Canadian chartered bank. As of March 31, 2002, interest charges on any overdraft accounts are prime less 0.75%. There were no amounts owing on these lines at March 31, 2002 as the consolidated bank balance for South Shore District Health Authority, South West District Health Authority, and the Annapolis Valley District Health Authority was positive. Subsequent to year-end, capital bank indebtedness was eliminated through the collection of a receivable from the Department of Health.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	2002 Total	2001 Total
Trade payables	\$ 867,583	\$ 29,339	\$ 896,922	\$ 872,535
Accrued liabilities	434,584	338,456	773,040	550,878
Vacation pay	2,431,683	---	2,431,683	2,182,094
Salary and benefits	2,736,759	---	2,736,759	1,657,222
Other	35,234	---	35,234	33,837
	<u>\$ 6,505,843</u>	<u>\$ 367,795</u>	<u>\$ 6,873,638</u>	<u>\$ 5,296,566</u>

9. LONG-TERM DEBT

	2002	2001
Obligations Under Capital Leases - interest between 0% and 11%, maturing between 2005 and 2006	\$ 551,597	\$ 687,618
Current portion	(194,262)	(157,865)
	<u>\$ 357,335</u>	<u>\$ 529,753</u>

Estimated minimum principal repayments over the next five years are expected to be as follows:

	2003	2004	2005	2006	2007
	\$ 194,262	\$ 194,834	\$ 152,406	\$ 10,095	---

10. DEFERRED CAPITAL GRANTS

	2002	2001
Balance, beginning of period	\$ 27,177,938	\$ ---
Transferred from Western Regional Health Board.	---	27,153,655
Grant received for:		
Capital assets purchased.	1,888,097	62,675
Future capital asset purchases	<u>107,202</u>	<u>569,165</u>
	29,173,237	27,785,495
Amortization of deferred capital grants	<u>(2,355,065)</u>	<u>(607,557)</u>
Balance, end of period	<u>\$ 26,818,172</u>	<u>\$ 27,177,938</u>

11. COMMITMENTS

Leases and Purchase Commitments

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

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 400,543	\$ 345,911	\$ 271,854	\$ 59,664	\$ 48,563

12. PENSION PLAN

The South Shore District Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and showed an unfunded liability for the entire plan of \$nil. The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was conducted as at December 31, 2000 and showed an unfunded liability for the entire plan of \$nil. The South Shore District Health Authority bears no financial responsibility for any unfunded liability of either plan.

13. CHANGES IN WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	2002 Total	2001 Total
Accounts receivable	\$ (1,883,287)	\$ (1,057,330)	\$ (2,940,617)	\$ (5,765,718)
Inventory.	35,661	---	35,661	(565,773)
Prepaid expenses.	(199,510)	11,818	(187,692)	(203,158)
Accounts payable and accrued liabilities	1,272,355	304,717	1,577,072	5,296,566
Revenue received in advance.	<u>46,364</u>	<u>---</u>	<u>46,364</u>	<u>1,637,358</u>
	<u>\$ (728,417)</u>	<u>\$ (740,795)</u>	<u>\$ (1,469,212)</u>	<u>\$ 399,275</u>

14. PROVINCE OF NOVA SCOTIA RETIRING ALLOWANCE PROGRAM FOR EMPLOYEES OF HEALTH CARE FACILITIES

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South Shore District Health Authority, upon retirement. The most recent actuarial valuation was for the years ended March 31, 2001 and March 31, 2002.

Financial position of the program as follows:

Continuity Schedule	2001-2002	2000-2001
Liability, Beginning of Year.	\$ 2,023,211	\$ 1,961,750
Current Service Costs	130,700	27,088
Interest on Liability.	138,100	32,141
Benefits Paid Out To Retirees	(41,489)	---
Current Year Amortized Loss	5,609	2,232
Liability, End of Year.	<u>\$ 2,256,131</u>	<u>\$ 2,023,211</u>

(estimated)

Significant actuarial assumptions adopted in measuring the financial position of the program as at March 31, 2002 were calculated using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2000. The discount rate used was 7.05% and the salary growth rate 3.65% per year, plus promotional scale. The net expenditure related to these employee future benefits was \$270,254 for the year.

All accumulated past liabilities from the retiring allowance program that relate directly to employees of the South Shore District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2002.

15. CONTINGENCY

The South Shore District Health Authority has yet to reach a collective agreement with the employees of the NSGEU Clerical and NSGEU Drug Dependency/Public Health Unions. The most recent collective agreement expired March 31, 2001. Although a retroactive wage adjustment is likely to cover the period from April 1, 2001 to March 31, 2002, it has been determined by management that such an amount cannot be reasonably estimated based on information available prior to the release of the financial statements. As a result, the financial statements do not include a provision for this contingent liability. The Department of Health has agreed to fully fund any such liability on behalf of the South Shore District Health Authority.

16. COMPARATIVE FIGURES

Comparative figures for fiscal 2001 reflect three months of operations for South Shore District Health Authority.

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
South West Nova District Health Authority

We have audited the statement of financial position of the South West Nova District Health Authority as at March 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the District Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District Health Authority as at March 31, 2002 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

June 14, 2002

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

**Statement of Operations
for the year ended March 31, 2002**

	Operating Fund	Capital Fund	2002 Total	2001 Total
Revenue				
Department of Health funding.	\$ 45,899,965	\$ ---	\$ 45,899,965	\$ 14,913,880
Department of Veteran's Affairs	1,318,896	---	1,318,896	280,350
Patient services.	996,660	---	996,660	186,311
Physician funding	1,280,829	---	1,280,829	303,824
Program recoveries and sales.	3,361,234	---	3,361,234	619,209
Amortization of deferred capital grants	---	2,726,949	2,726,949	819,848
Other	439,184	258	439,442	87,136
	<u>53,296,768</u>	<u>2,727,207</u>	<u>56,023,975</u>	<u>17,210,558</u>
Expenses				
Administration and support	1,535,185	---	1,535,185	283,248
Addiction.	1,146,960	---	1,146,960	325,547
Diagnostic imaging	2,431,763	---	2,431,763	658,309
Environmental	2,431,610	---	2,431,610	686,831
Finance.	540,833	---	540,833	138,153
Food & nutritional	3,808,072	---	3,808,072	950,274
Health registry	1,162,927	---	1,162,927	312,178
Human resources	394,669	---	394,669	116,940
Information	1,029,964	---	1,029,964	230,202
Laboratory	3,627,358	---	3,627,358	951,386
Materials management.	1,238,854	---	1,238,854	332,592
Mental health	2,955,107	---	2,955,107	780,425
Nursing.	20,947,757	---	20,947,757	4,928,807
Pharmacy	514,671	---	514,671	125,537
Plant and support.	3,667,460	---	3,667,460	1,080,231
Rehabilitation	671,999	---	671,999	206,799
Other programs.	1,368,849	---	1,368,849	165,918
Public health	1,376,587	---	1,376,587	422,282
Employee future benefits.	362,493	---	362,493	3,053,507
Amortization of property, plant and equipment.	---	2,882,941	2,882,941	742,312
Other.	2,040,545	16,387	2,056,932	690,123
	<u>53,253,663</u>	<u>2,899,328</u>	<u>56,152,991</u>	<u>17,181,601</u>
Excess (deficiency) of revenues over expenses before payment of 2000-2001 operating deficiency	43,105	(172,121)	(129,016)	28,957
Department of Health funding of 2000 -2001 operating deficiency	42,492	---	42,492	---
Excess (deficiency) of revenues over expenses	\$ 85,597	\$ (172,121)	\$ (86,524)	\$ 28,957

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

**Statement of Financial Position
as at March 31, 2002**

ASSETS

	Operating Fund	Capital Fund	2002 Total	(Note 3 f) 2001 Total
Current				
Accounts receivable (Note 4)	\$ 7,081,271	\$ 1,631,122	\$ 8,712,393	\$ 8,836,476
Inventory	772,342	---	772,342	742,395
Prepaid expenses	303,921	72,894	376,815	214,342
	8,157,534	1,704,016	9,861,550	9,793,213
Long-term assets				
(Note 5)	3,499,853	---	3,499,853	3,129,487
Property, plant and equipment				
(Note 6)	---	58,290,683	58,290,683	58,846,389
	<u>\$ 11,657,387</u>	<u>\$ 59,994,699</u>	<u>\$ 71,652,086</u>	<u>\$ 71,769,089</u>

LIABILITIES

Current				
Bank indebtedness (Note 7)	\$ 33,050	\$ 314,244	\$ 347,294	\$ 2,078,628
Accounts payable and accrued liabilities (Note 8)	6,325,740	258,892	6,584,632	5,324,060
Current portion of long-term debt (Note 9)	---	5,448	5,448	5,448
Revenue received in advance	1,885,345	---	1,885,345	1,799,698
	8,244,135	578,584	8,822,719	9,207,834
Long-term debt (Note 9)	---	12,560	12,560	18,008
Employee future benefits (Note 3 and 14)	3,299,930	---	---	3,053,507
Deferred capital grants (Note 10)	---	58,841,439	58,841,439	58,727,778
	<u>11,544,065</u>	<u>59,432,583</u>	<u>70,976,648</u>	<u>71,007,127</u>

FUND BALANCES

Restricted (Page 461)	70,217	10,645	80,862	80,862
Unrestricted (Page 461)	43,105	551,471	594,576	681,100
	<u>113,322</u>	<u>562,116</u>	<u>675,438</u>	<u>761,962</u>
	<u>\$ 11,657,387</u>	<u>\$ 59,994,699</u>	<u>\$ 71,652,086</u>	<u>\$ 71,769,089</u>

Commitments (Note 11)
Contingency (Note 15)

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

**Statement of Changes in Fund Balances
for the year ended March 31, 2002**

	Operating Fund	Capital Fund	2002 Total	(Note 17) 2001 Total
Restricted Fund Balances				
Balance, beginning of period.	\$ 70,217	\$ 10,645	\$ 80,862	\$ ---
Restricted fund balance transferred from Western Regional Health Board	---	---	---	<u>80,862</u>
Balance, end of period.	<u>70,217</u>	<u>10,645</u>	<u>80,862</u>	<u>80,862</u>
Unrestricted Fund Balances				
Balance, beginning of period.	(42,492)	723,592	681,100	---
Unrestricted fund balance transferred from Western Regional Health Board	---	---	---	652,143
Excess (deficiency) of revenues over expenses (Page 459).	<u>85,597</u>	<u>(172,121)</u>	<u>(86,524)</u>	<u>28,957</u>
Balance, end of period.	<u>43,105</u>	<u>551,471</u>	<u>594,576</u>	<u>681,100</u>
Total Fund Balances.	<u>\$ 113,322</u>	<u>\$ 562,116</u>	<u>\$ 675,438</u>	<u>\$ 761,962</u>

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

**Statements of Cash Flows
for the year ended March 31, 2002**

	Operating Fund	Capital Fund	2002 Total	(Note 17) 2001 Total
Net inflow (outflow) of cash related to the following activities:				
Operating				
Excess (deficiency) of revenues over expenses	85,597 \$	(172,121)\$	(86,524) \$	28,957
Adjusted for:				
Amortization of property, plant and equipment (Page 459).	---	2,882,941	2,882,941	742,312
Amortization of deferred capital grants (Page 459)	---	(2,726,949)	(2,726,949)	(819,848)
Employee future benefits (Note 14)	373,373	---	373,373	3,053,507
Payment of employee future benefits	(126,950)	---	(126,950)	---
Changes in working capital items (Note 13)	1,347,594	(69,712)	1,277,882	(2,669,455)
	<u>1,679,614</u>	<u>(85,841)</u>	<u>1,593,773</u>	<u>335,473</u>
Financing				
Assumption of long-term debt from Western Regional Health Board	---	---	---	24,818
Proceeds from capital grants (Note 10).	---	2,840,610	2,840,610	59,547,626
Repayment of long-term debt.	---	(5,448)	(5,448)	(1,362)
Net increase in restricted fund balance from Western Regional Health Board	---	---	---	80,862
Net increase in unrestricted fund balance from Western Regional Health Board	---	---	---	652,143
	<u>---</u>	<u>2,835,162</u>	<u>2,835,162</u>	<u>60,304,087</u>
Investing				
Investment in long-term assets from Western Regional Health Board	---	---	---	(77,260)
Investments in long-term assets.	(370,366)	---	(370,366)	(3,052,227)
Net capital assets of the Western Regional Health Board	---	(2,327,235)	(2,327,235)	(58,542,418)
Acquisition of property, plant and equipment.	---	---	---	(1,042,174)
Loss on disposal of property, plant and equipment	---	---	---	(4,109)
	<u>(370,366)</u>	<u>(2,327,235)</u>	<u>(2,697,601)</u>	<u>(62,718,188)</u>
Net cash inflow (outflow)	1,309,248	422,086	1,731,334	(2,078,628)
Bank indebtedness, beginning of period	(1,342,298)	(736,330)	(2,078,628)	---
Bank indebtedness, end of period	<u>\$ (33,050)\$</u>	<u>(314,244)\$</u>	<u>(347,294) \$</u>	<u>(2,078,628)</u>

SOUTH WEST NOVA DISTRICT HEALTH AUTHORITY

**Notes to the Financial Statements
for the year ended March 31, 2002**

1. DESCRIPTION OF ORGANIZATION

The South West Nova District Health Authority was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 8, 2000. The Act came into force by proclamation of the Lieutenant Governor on January 1, 2001.

The facilities owned and operated by the District Health Authority are Digby General Hospital, Roseway Hospital and Yarmouth Regional Hospital. In addition, the District Health Authority leases space in other locations to operate certain programs throughout Digby, Shelburne and Yarmouth counties and supports four (4) Community Health Boards.

2. TRANSFER OF FUND BALANCES

Fund balances of the Western Regional Health Board as at December 31, 2000 were transferred in accordance with the allocation methodology approved by the Department of Health to the South West Nova District Health Authority effective January 1, 2001, as follows:

	2001
Restricted fund balance transferred from	
Western Regional Health Board	\$ 80,862
Unrestricted fund balance transferred from	
Western Regional Health Board	\$ 652,143

3. ACCOUNTING POLICIES

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

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund, reports the assets, liabilities, revenue and expenses related to the South West Nova District Health Authority's capital assets, and special purposes and endowment funds.

b) Revenue Recognition

The South West Nova District Health Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted Capital Fund balances.

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

c) Property, Plant and Equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Capital assets transferred in under Note 2 are recorded at original costs less accumulated amortization. Amortization on assets under construction is provided once the asset or portion thereof becomes available for use. Amortization is provided on a straight-line basis at the following annual rates:

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

d) Deferred Capital Grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as amortization of the related assets.

e) Inventory

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

f) Employee Future Benefits

Effective April 1, 2001, the District adopted, retroactively with prior years restated, the new recommendations of The Canadian Institute of Chartered Accounts (CICA) with respect to accounting for employee future benefits. The result was an increase in long-term assets of \$3,053,507 and an increase in employee future benefits of \$3,053,507 for 2001. There were no other effects as the liability was fully funded by the Department of Health.

Under the new method, employee future benefits are determined based on assumptions as outlined in Note 14 and recognized in the period in which benefits are earned by the employee. Prior to the adoption of the new recommendations, employee benefits were recognized as they were paid by the employer.

4. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	2002 Total	2001 Total
Department of Health				
Operating funding	\$ 3,559,593	\$ ---	\$ 3,559,593	\$ 4,649,201
Transition support program	415,615	---	415,615	250,521
Capital grants	---	549,715	549,715	1,207,324
Patient Care	220,241	---	220,241	240,605
HST rebates	273,968	148,079	422,047	376,553
Extended care facilities	1,602,161	---	1,602,161	1,371,645
Homecare/VON	54,965	---	54,965	79,295
Charitable foundations	1,034	133,328	134,362	85,962
Psychiatric recoveries	57,389	---	57,389	51,782
Other	896,305	800,000	1,696,305	523,588
	<u>\$ 7,081,271</u>	<u>\$ 1,631,122</u>	<u>\$ 8,712,393</u>	<u>\$ 8,836,476</u>

5. LONG-TERM ASSETS

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

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value	
			2002	2001
Land and land improvements	\$ 862,453	\$ 111,380	\$ 751,073	\$ 763,555
Building and service equipment	75,108,498	20,885,045	54,223,453	54,228,315
Equipment	15,057,559	11,760,861	3,296,698	3,824,832
Equipment under capital lease	51,147	31,688	19,459	29,687
	<u>\$ 91,079,657</u>	<u>\$ 32,788,974</u>	<u>\$ 58,290,683</u>	<u>\$ 58,846,389</u>

7. BANK INDEBTEDNESS

The District Health Authority has available operating lines of credit with a Canadian chartered bank totalling \$3.2 million. As well, the District Health Authority has available a capital line of credit totalling \$800,000 with a Canadian chartered bank. As of March 31, 2002, interest charges on any overdraft accounts are prime less .75%. There were no amounts owing on these lines at March 31, 2002 as the consolidated bank balance for South Shore District Health Authority, South West Nova District Health Authority, and the Annapolis Valley District Health Authority was positive. Subsequent to year-end, capital bank indebtedness was eliminated through the collection of a receivable from the Department of Health.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	Total 2002	Total 2001
Trade payables	\$ 1,045,490	\$ 50,241	\$ 1,095,731	\$ 782,805
Accrued liabilities	556,243	208,651	764,894	1,080,909
Vacation pay	883,563	---	883,563	802,773
Salary and benefits	3,792,786	---	3,792,786	2,620,475
Other	47,658	---	47,658	37,098
	<u>\$ 6,325,740</u>	<u>\$ 258,892</u>	<u>\$ 6,584,632</u>	<u>\$ 5,324,060</u>

9. LONG-TERM DEBT

	2002	2001
Obligations Under Capital Leases - interest at 0%, maturing in 2006	\$ 18,008	\$ 23,456
Current portion	(5,448)	(5,448)
	<u>\$ 12,560</u>	<u>\$ 18,008</u>

Estimated minimum principal repayments over the next five years are expected to be as follows:

	2003	2004	2005	2005	2007
	\$ 5,448	\$ 5,448	\$ 5,448	\$ 1,664	---

10. DEFERRED CAPITAL GRANTS

	2002	2001
Balance, beginning of period	\$ 58,727,778	\$ ---
Transferred from Western Regional Health Board.	---	57,907,823
Grants received for:		
Capital assets purchased.	2,603,710	888,317
Future capital asset purchases	<u>236,900</u>	<u>751,486</u>
	61,568,388	59,547,626
Amortization of deferred capital grants	<u>(2,726,949)</u>	<u>(819,848)</u>
Balance, end of period	<u>\$ 58,841,439</u>	<u>\$ 58,727,778</u>

11. COMMITMENTS

a) Leases and Purchase Commitments

The South West Nova District Health Authority has committed funds from operations for occupancy and equipment leases. Estimated minimum lease payments over the next five years are expected to be as follows:

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 361,051	\$ 274,619	\$ 209,824	\$ 15,259	---

b) Yarmouth Redevelopment Project

The South West Nova District Health Authority has committed to a multi-year redevelopment project for the Yarmouth Regional Hospital. The original amount of the contract was \$57.4 million. The District's remaining commitment is \$2.6 million.

12. PENSION PLAN

The South West Nova Health Authority contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 2000 and showed an unfunded liability for the entire plan of \$nil. The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was conducted as at December 31, 2000 and showed an unfunded liability for the entire plan of \$nil. The South West Nova District Health Authority bears no financial responsibility for any unfunded liability of either plan.

13. CHANGES IN WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	Total 2002	Total 2001
Accounts receivable	\$ (35,573)	\$ 159,656	\$ 124,083	\$ (8,836,476)
Inventory.	(29,947)	---	(29,947)	(742,395)
Prepaid expenses.	(125,485)	(36,988)	(162,473)	(214,342)
Accounts payable and accrued liabilities	1,452,952	(192,380)	1,260,572	5,324,060
Revenue received in advance.	85,647	---	85,647	1,799,698
	<u>\$ 1,347,594</u>	<u>\$ (69,712)</u>	<u>\$ 1,277,882</u>	<u>\$ (2,669,455)</u>

14. PROVINCE OF NOVA SCOTIA RETIRING ALLOWANCE PROGRAM FOR EMPLOYEES OF HEALTH CARE FACILITIES

The Province of Nova Scotia Retiring Allowance Program for Health Care Facilities provides benefits for employees of the South West Nova District Health Authority upon retirement. The most recent actuarial valuation was for the years ended March 31, 2001 and March 31, 2002.

Financial position of the program as follows:

Continuity Schedule	2001-2002	2000-2001
Liability, Beginning of Year.....	\$ 3,053,507	\$ 2,960,749
Current Service Costs	163,600	40,882
Interest on Liability.....	200,800	48,508
Benefits Paid Out To Retirees.....	(126,950)	---
Current Year Amortized Loss	8,973	3,368
Liability, End of Year.....	<u>\$ 3,299,930</u>	<u>\$ 3,053,507</u>

(estimated)

Significant actuarial assumptions adopted in measuring the financial position of the program as at March 31, 2002 were calculated using the projected benefit method based on membership information provided by the Nova Scotia Association of Health Organizations ("NSAHO") as of December 31, 2000. The discount rate used was 7.05% and the salary growth rate 3.65% per year, plus promotional scale. The net expenditure related to these employee future benefits was \$362,493 for the year.

All accumulated past liabilities from the retiring allowance program that relate directly to employees of the South West Nova District Health Authority will be fully funded by the Province of Nova Scotia, up to and including March 31, 2002.

15. CONTINGENCY

The South West Nova District Health Authority has yet to reach a collective agreement with the employees of the NSGEU Clerical and NSGEU Drug Dependency/Public Health Unions. The most recent collective agreement expired March 31, 2001. Although a retroactive wage adjustment is likely to cover the period from April 1, 2001 to March 31, 2002, it has been determined by management that such an amount cannot be reasonably estimated based on information available prior to the release of the financial statements. As a result, the financial statements do not include a provision for this contingent liability. The Department of Health has agreed to fully fund any such liability on behalf of the South West Nova District Health Authority.

16. 2001 - 2002 OPERATING SURPLUS

Pursuant to Section 32 of Bill no. 34, "Where a District Health Authority realized a budget surplus at the end of a fiscal year, the Minister of Health may authorize the authority to retain all or part of the surplus on such terms and conditions as the Minister considers appropriate". The District plans to apply to retain the surplus for use in 2002-2003 operations.

17. COMPARATIVE FIGURES

Comparative figures for fiscal 2001 reflect three months of operations for District Health Authority.

AUDITORS' REPORT

To the Chairperson and Members
of the Southwest Regional School Board

We have examined the Consolidated, Operating Fund, Capital Fund, Reserve Fund and Trust Fund balance sheets of the Southwest Regional School Board as at March 31, 2002, and the statements of operations for the year then ended. These financial statements are the responsibility of the Southwest Regional School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Southwest Regional School Board as at March 31, 2002, and the results of its operations and the changes in its capital position for the year then ended in accordance with generally accepted accounting principles adopted for Nova Scotia School Boards.

GRANT THORNTON LLP
Registered Municipal Auditors

Bridgewater, Nova Scotia
June 13, 2002

SOUTHWEST REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Current		
Bank	\$ 1,157,243	\$ ---
Receivables (Note 2)	3,251,446	2,637,908
Receivable - Retirement allowance (Note 6)	5,234,000	4,821,000
Inventory	482,994	416,544
Prepaid expenses	467,898	101,982
	<u>10,593,581</u>	<u>7,977,434</u>
Restricted cash	242,333	5,986
Fixed Assets, at cost		
Land, buildings and improvements (Note 3)	57,666,901	55,815,866
Equipment and furnishings	17,920,260	17,759,594
School buses and other vehicles	11,480,477	11,244,939
	<u>87,067,638</u>	<u>84,820,399</u>
	<u>\$ 97,903,552</u>	<u>\$ 92,803,819</u>

LIABILITIES

Current		
Bank overdraft	\$ ---	\$ 428,161
Payables and accruals		
Trade	3,306,165	1,549,594
Payroll and employee deductions	505,699	248,959
C.S.A.P (Note 7)	---	78,704
Deferred revenue	302,440	385,809
	<u>4,114,304</u>	<u>2,691,227</u>
Long term		
Retirement Allowance (Note 6)	<u>5,234,000</u>	<u>4,821,000</u>
Equity		
Reserves	1,259,004	242,587
Surplus	228,606	228,606
Investment in capital assets	87,067,638	84,820,399
	<u>88,555,248</u>	<u>85,291,592</u>
	<u>\$ 97,903,552</u>	<u>\$ 92,803,819</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Operating Fund Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Current		
Bank	\$ 1,157,243	\$ ---
Receivables (Note 2)	3,251,446	2,637,908
Receivable - Retirement allowance (Note 6)	5,234,000	4,821,000
Inventory	482,994	416,544
Prepaid expenses	467,898	101,982
Due from Reserve Fund	52,525	---
	<u>\$ 10,646,106</u>	<u>\$ 7,977,434</u>

LIABILITIES

Current		
Bank overdraft	\$ ---	\$ 428,161
Payables and accruals		
Trade	3,306,165	1,549,594
Payroll and employee deductions	505,699	248,959
C.S.A.P.	---	78,704
Deferred revenue	302,440	385,809
	<u>4,114,304</u>	<u>2,691,227</u>
Long term debt		
Retirement Allowance (Note 6)	5,234,000	4,821,000
Due to Reserve Fund	<u>1,069,196</u>	<u>236,601</u>

EQUITY

Surplus	228,606	228,606
	<u>228,606</u>	<u>228,606</u>
	<u>\$ 10,646,106</u>	<u>\$ 7,977,434</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Statement of Operations
Year Ended March 31, 2002**

	Budget	2002 Actual	2001 Actual
Revenue			
Province of Nova Scotia	\$ 74,427,289	\$ 77,086,626	\$ 74,077,832
Government of Canada	868,500	1,115,594	1,154,645
Appropriations from Councils	17,897,806	17,897,807	18,174,402
Board Operations	1,186,700	1,235,344	927,763
Transfer from Reserves	6,000	58,511	662,199
	<u>\$ 94,386,295</u>	<u>\$ 97,393,882</u>	<u>\$ 94,996,841</u>
Expenditures			
Regional Board Management	\$ 2,685,097	\$ 2,645,556	\$ 2,713,542
School Administration and Instruction	64,913,523	65,299,176	63,802,695
Special Education	9,454,877	9,120,799	9,516,996
Adult Education	768,388	839,045	657,034
Summer School	15,000	11,644	23,766
Property Service	8,886,504	9,146,563	9,305,537
Student Transportation	6,926,906	7,089,544	6,865,773
Operating Capital	736,000	2,172,359	1,869,468
Prior Years' Deficit	---	---	---
	<u>\$ 94,386,295</u>	<u>\$ 96,324,686</u>	<u>\$ 94,754,811</u>
Excess of revenue over expenditures	\$ ---	\$ 1,069,196	\$ 242,030
Transfer to Reserve	---	<u>(1,069,196)</u>	<u>(236,601)</u>
Excess of revenue over expenditures after transfer to reserves	<u>---</u>	<u>---</u>	<u>\$ 5,429</u>

**Statement of Continuity of Surplus
Year Ended March 31, 2002**

	2002	2001
Surplus, beginning of year	\$ 228,606	\$ 223,177
Transfer from current operations	---	---
Deficit repayment	---	---
	<u>228,606</u>	<u>223,177</u>
Transfer to current operations	---	---
Excess of revenue over expenditures	1,069,196	242,030
Transfer to Reserves	<u>(1,069,196)</u>	<u>(236,601)</u>
Surplus, end of year	<u>\$ 228,606</u>	<u>\$ 228,606</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Capital Fund Balance Sheet
March 31, 2002**

	2002	2001
ASSETS		
Fixed assets, at cost		
Land, buildings and improvements (Note 3)	\$ 57,666,901	\$ 55,815,866
Equipment and furnishings	17,920,260	17,759,594
School buses and other vehicles	<u>11,480,477</u>	<u>11,244,939</u>
	\$ <u>87,067,638</u>	\$ <u>84,820,399</u>
EQUITY		
Investment in capital assets	\$ <u>87,067,638</u>	\$ <u>84,820,399</u>

**Statement of Continuity of Investment in Capital Assets
Year Ended March 31, 2002**

	2002	2001
Balance, beginning of year	\$ <u>84,820,399</u>	\$ <u>83,537,546</u>
Capital purchases		
Land, building and improvements	1,851,035	663,389
Equipment and furnishings	<u>160,666</u>	<u>330,108</u>
	<u>2,011,701</u>	<u>993,497</u>
School bus and motor vehicle dispositions	(673,380)	(793,667)
School buses and motor vehicles	<u>908,918</u>	<u>1,083,023</u>
	<u>235,538</u>	<u>289,356</u>
Balance, end of year	\$ <u>87,067,638</u>	\$ <u>84,820,399</u>

**Reserve Fund Balance Sheet
March 31, 2002**

	2002	2001
ASSETS		
Restricted cash	\$ 242,333	\$ 5,986
Due from operating fund	<u>1,069,196</u>	<u>236,601</u>
	\$ <u>1,311,529</u>	\$ <u>242,587</u>
LIABILITIES		
Due from operating fund	\$ <u>52,525</u>	\$ <u>---</u>
EQUITY		
Reserve for future projects	\$ 189,808	\$ 242,587
Reserve for South Shore District School Board	681,188	---
Reserve for TriCounty District School Board	<u>388,008</u>	<u>---</u>
	<u>1,259,004</u>	<u>242,587</u>
	\$ <u>1,311,529</u>	\$ <u>242,587</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Statement of Continuity of Reserves
March 31, 2002**

	Balance Beginning of Year	Transfer To/ from Operating Fund	Interest Revenue	Balance End of Year
Future projects	\$ 236,601	\$ (52,525)	\$ ---	\$ 184,076
Future projects - investment increase	5,986	(5,986)	5,732	5,732
South Shore District School Board	---	681,188	---	681,188
TriCounty District School Board	---	388,008	---	388,008
	<u>\$ 242,587</u>	<u>\$ 1,010,685</u>	<u>\$ 5,732</u>	<u>\$ 1,259,004</u>

**Supplementary Details of Revenues
Year Ended March 31, 2002**

	Budget	2002 Actual	2001 Actual
Province of Nova Scotia			
General formula	\$ 67,840,789	\$ 67,840,791	\$ 65,784,387
General formula - other	---	303,300	---
Grants - Junior High Computer Networks	5,330,100	---	60,000
Special education	155,800	5,330,100	4,941,000
Learning disability grant	897,500	156,050	152,311
Textbook credit	---	897,500	905,400
Bus purchase	---	---	814,800
Emergency capital	---	1,319,789	198,672
Other:			
Wage recovery + Contract settlements	---	485,121	---
Pilot Costs - Provincial funding	---	---	76,367
Reading recovery	21,500	15,093	34,979
PSA Development	29,300	41,185	22,750
School initiative - P3 schools	---	---	50,000
Level 5 treatment facility	60,200	56,426	59,434
Technology - Digby High	---	26,690	---
Gas tax rebate	7,000	10,751	13,995
Fuel/oil cost pressure relief	---	---	350,000
Relocation - Adult Ed/Daycare - Milton	---	---	20,000
French monitor program	31,400	31,953	34,664
Technology refresh	53,700	122,376	17,018
Technologist grant - Meadowfields	---	---	68,055
Bus Cost Recovery	---	36,501	---
Retirement Allowance Funding	---	413,000	474,000
	<u>\$ 74,427,289</u>	<u>\$ 77,086,626</u>	<u>\$ 74,077,832</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Revenues (continued)
Year Ended March 31, 2002**

	<u>Budget</u>	<u>2002 Actual</u>	<u>2001 Actual</u>
Government of Canada			
Acadia/Shubenacadie First Nation Band			
Councils	\$ 285,000	\$ 281,953	\$ 299,719
Employment and Immigration	27,800	113,560	51,193
French formula grant	60,000	51,677	80,761
French special projects	275,000	316,672	260,731
IEI Technology project	220,700	351,731	462,241
	<u>\$ 868,500</u>	<u>\$ 1,115,593</u>	<u>\$ 1,154,645</u>
Appropriations from Councils			
Town of Bridgewater	\$ 1,400,580	\$ 1,400,580	\$ 1,462,626
Town of Lunenburg	419,712	419,712	429,781
Town of Mahone Bay	189,567	189,567	188,426
Municipality of Chester	2,112,606	2,112,606	2,123,124
Municipality of Lunenburg	3,868,875	3,868,875	3,906,187
Region of Queens Municipality	2,233,469	2,233,469	2,239,253
Municipality of Barrington	912,584	912,584	909,992
Town of Clark's Harbour	105,015	105,015	113,151
Town of Shelburne	235,098	235,098	245,305
Municipality of Shelburne	697,226	697,226	705,535
Town of Lockeport	74,599	74,599	78,840
Town of Yarmouth	1,099,775	1,099,775	1,138,494
Municipality of Yarmouth	1,272,722	1,272,722	1,302,340
Municipality of Digby	827,810	827,810	823,746
Town of Digby	277,002	277,002	280,083
Municipality of Clare	1,120,109	1,120,109	1,154,143
Municipality of Argyle	1,051,059	1,051,059	1,073,376
	<u>\$ 17,897,808</u>	<u>\$ 17,897,808</u>	<u>\$ 18,174,402</u>
Board Operations			
Investment income	\$ 140,000	\$ 168,830	\$ 179,518
Adult education fees	171,500	150,593	94,738
Nursery school fees	125,400	154,967	115,985
After school programs	96,800	48,656	6,879
Summer school fees	15,000	20,195	29,278
Other fees/revenues			
Sale of assets	5,000	125	17,301
Extracurricular bus trips	100,000	173,231	169,002
Vandalism reimbursement	1,000	160	1,002
HST Interest	---	527	290
International student program	531,000	387,237	209,126
Literacy programs	---	3,639	11,629
Environmental Protection Agency	---	15,234	10,279
Grass roots funding	---	18,650	11,900
Millennium Programs - Gulf of Maine Project	---	5,531	66,826
Curriculum programming - various grants	---	85,620	---
Total other fees/revenues	1,185,700	1,233,195	923,753
Facilities rental	1,000	2,148	4,010
	<u>\$ 1,186,700</u>	<u>\$ 1,235,343</u>	<u>\$ 927,763</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures
Year Ended March 31, 2002**

	Budget	2002 Actual	2001 Actual
Regional Board Management			
Salaries, wages and honoraria:			
- administration	\$ 506,620	\$ 475,110	\$ 470,839
- board members	178,800	180,668	153,107
- clerical	582,350	566,976	628,680
- other	165,221	179,049	167,034
Employer benefits			
- statutory benefits	94,978	93,129	92,483
- group insurance/pension	93,328	120,214	93,604
- professional development	14,500	1,837	5,016
Supplies and materials	222,600	211,624	196,162
In-service training	3,000	2,556	833
Travel and conference			
- staff	63,300	55,656	64,383
- board members	82,800	84,401	88,091
Liability insurance	153,000	143,655	131,230
Professional services			
- audit	17,000	17,000	12,406
- legal	100,000	144,252	205,742
Contracts: bank charges	500	110	50
Board office: rental	54,000	55,759	53,138
Occupational health and safety	15,000	20,648	12,767
Board office			
- telephone	81,400	68,812	74,716
- utilities	35,000	32,308	35,889
Dues/fees	82,100	77,313	48,281
School board elections	---	(3,677)	37,233
Computer services/equipment/data communication	74,000	58,988	79,049
Other:			
Advertising	36,600	32,476	36,333
Board office: maintenance/custodial	26,000	26,692	24,044
Overdraft interest	3,000	---	2,434
Employee compensation study	---	---	---
	\$ 2,685,097	\$ 2,645,556	\$ 2,713,544

See accompanying notes to financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
Year Ended March 31, 2002**

	Budget	2002 Actual	2001 Actual
School Administration and Instruction			
Salaries and wages			
- administration.	\$ 5,054,278	\$ 5,023,063	\$ 4,911,257
- instruction.	46,178,882	45,674,469	44,926,482
- substitutes.	1,500,000	1,562,998	1,619,786
- sabbatical.	153,344	157,114	250,000
- support services.	471,453	632,127	477,532
- library.	518,716	498,810	450,647
- guidance	1,041,387	1,119,260	1,077,906
- student assistants/tutors.	25,000	26,282	8,586
- clerical.	1,606,892	1,577,574	1,571,108
- lunch and bus.	400,000	442,834	398,108
- other.	187,561	283,663	17,228
Employer benefits			
- statutory benefits	3,170,003	3,127,194	2,958,413
- retirement allowances - board paid	95,000	157,624	77,295
- retirement allowances - current service.	---	80,000	183,000
- group insurance/pension	274,665	301,654	250,373
- professional development	319,656	325,804	292,104
School admin. and instruction - supplies			
- administration.	---	113,009	110,067
- instruction and curriculum.	1,075,250	503,307	461,250
- copier leases	---	329,419	407,679
- postage	---	16,231	19,871
- books.	---	24,668	18,860
- furniture and equipment	---	117,658	81,041
- SAC Allocation.	19,315	19,530	19,356
- Junior High Network.	---	---	60,000
Total school admin and instruction	<u>62,091,402</u>	<u>62,114,292</u>	<u>60,647,949</u>
Supplies and materials			
- library.	108,321	79,171	74,051
- textbook credit	897,500	897,500	905,400
- other supplies.	153,500	292,554	212,383
- IEI	---	150,829	462,242
- Tech Refresh.	---	64,757	55,005
In-service training	111,000	171,023	105,109
Travel			
- circuit/library/clerical.	65,000	55,541	65,794
- other staff travel/conference	232,900	257,493	180,610
Telephone/fax/data communication.	280,300	264,169	278,792
Computer services.	225,000	240,475	197,457
Other:			
CSAP - purchase of services.	350,000	85,306	174,175
International Student program	398,000	292,324	151,990
Debt service - Retirement Allowances	---	333,000	291,000
Other expenses	600	742	738
	<u>2,822,121</u>	<u>3,184,884</u>	<u>3,154,746</u>
	<u>\$ 64,913,523</u>	<u>\$ 65,299,176</u>	<u>\$ 63,802,695</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
Year Ended March 31, 2002**

	Budget	2002 Actual	2001 Actual
Special Education			
Salaries and wages			
- administration	\$ ---	\$ ---	\$ 21,469
- instruction	4,218,249	4,026,821	4,379,268
- support services	834,358	824,351	799,092
- student assistants	3,520,137	3,399,225	3,445,195
- clerical	---	---	6,741
Benefits			
- statutory benefits	586,938	555,314	577,296
- group insurance/pension	168,310	188,013	10,298
- professional development	15,000	13,785	148,004
Supplies and materials	35,000	25,404	31,320
In-service training	12,700	12,171	4,886
Travel			
- circuit/resource	50,500	51,641	47,546
- other travel/conference	11,185	15,972	22,992
Telephone/fax/data communication	2,500	8,102	10,129
Other	---	---	12,760
	\$ 9,454,877	\$ 9,120,799	\$ 9,516,996
Adult Education			
Salaries and wages			
- administration	\$ 107,639	\$ 186,123	\$ 181,244
- instruction	287,359	275,263	244,555
- support services	133,118	143,937	88,158
- clerical	26,914	20,407	24,833
- other	1,200	113	---
Benefits			
- statutory benefits	54,338	53,489	42,933
- group insurance/pension	13,054	13,609	12,970
Supplies and materials	33,100	33,327	42,897
Travel: other travel/conference	8,000	1,987	3,512
Building rental	13,300	12,052	7,030
Telephone/fax/data communication	8,000	6,958	14,932
Program deficits to next year	---	---	(32,616)
Other - maintenance/custodial	82,366	91,780	26,586
	\$ 768,388	\$ 839,045	\$ 657,034
Summer School			
Salaries and wages			
- instruction	\$ 14,000	\$ 10,875	\$ 8,250
- other	---	---	10,500
Benefits - statutory benefits	1,000	769	758
Supplies and materials	---	---	4,258
	\$ 15,000	\$ 11,644	\$ 23,766

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
Year Ended March 31, 2002**

	2002		2001
	Budget	Actual	Actual
Property Services			
Salaries and wages			
- supervisory	\$ 190,750	\$ 194,340	\$ 196,662
- maintenance	385,091	398,584	356,022
- custodial	3,140,768	3,147,532	3,171,151
- clerical	52,898	57,024	54,937
- grounds.	85,800	84,075	81,431
Benefits			
- statutory benefits.	353,015	360,323	340,809
- group insurance / pension	208,732	230,714	197,154
- service awards	30,700	14,376	64,236
- other benefits	2,000	4,366	1,629
Supplies and materials			---
- maintenance	483,700	502,706	467,250
- custodial.	260,200	287,049	252,351
- other.	37,100	56,685	59,448
Insurance.	235,000	246,921	226,021
	<u>5,465,754</u>	<u>5,584,695</u>	<u>5,469,101</u>
Utilities			
Electricity.	1,377,000	1,468,364	1,499,540
Heat-fuel oil	1,061,700	879,774	1,247,097
Sewer/water/fire.	195,000	177,412	203,385
	<u>2,633,700</u>	<u>2,525,550</u>	<u>2,950,022</u>
In-service training.	7,000	8,679	6,829
Travel/conference.	12,500	23,114	29,693
Rental of facilities	80,750	110,118	80,856
Contracted services: maintenance.	427,000	530,684	341,992
	<u>527,250</u>	<u>672,595</u>	<u>459,370</u>
Contracted services: custodial			
Snow removal	100,000	207,636	268,203
Garbage removal.	91,000	108,634	98,355
Other contracted services: custodial.	7,500	6,074	7,524
	<u>198,500</u>	<u>322,344</u>	<u>374,082</u>
Telephone/fax	24,200	25,453	35,221
Computer services.	7,100	8,734	5,897
Equipment repairs.	25,000	7,077	10,188
Architectural fees	5,000	115	1,656
	<u>61,300</u>	<u>41,379</u>	<u>52,962</u>
	<u>\$ 8,886,504</u>	<u>\$ 9,146,563</u>	<u>\$ 9,305,537</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
Year Ended March 31, 2002**

	<u>Budget</u>	<u>2002 Actual</u>	<u>2001 Actual</u>
Pupil Transportation			
Salaries and wages			
- supervisory	\$ 139,415	\$ 155,141	\$ 142,882
- drivers	3,480,874	3,509,378	3,466,976
- mechanics and helpers	497,864	504,679	502,335
- dispatchers	65,392	63,010	63,479
Benefits			
- statutory benefits	378,453	382,449	375,232
- service awards	22,200	23,549	14,868
- group insurance/pension	270,008	283,367	241,290
- other benefits	13,000	14,928	10,901
Supplies and materials	65,600	83,798	64,078
Vehicle operating expenses			
- gas/oil/grease	709,700	632,070	773,815
- tires/tubes	100,000	106,897	97,330
- registration / license	112,000	108,823	111,019
- insurance	72,000	70,102	57,732
- repairs/maintenance	508,000	612,795	453,940
Garage expenses			
- repairs/maintenance	64,400	74,099	73,447
- utilities	55,600	54,536	63,509
In-service training	13,000	16,285	10,669
Travel/conference	20,000	22,067	29,284
Extra-curricular travel	140,000	158,515	175,264
Contract conveyance	101,000	93,824	79,247
Telephone/fax	32,400	35,598	32,857
Computer services	40,000	40,000	---
Bus site maintenance	6,000	17,233	13,826
Equipment repairs	20,000	26,401	11,793
	<u>\$ 6,926,906</u>	<u>\$ 7,089,544</u>	<u>\$ 6,865,773</u>
Operating capital			
Repairs and renovations			
- property service	\$ 511,000	\$ 467,433	\$ 507,669
- other programs	---	---	---
Emergency capital	---	1,319,789	198,672
Furniture and equipment			
- regional board	37,000	18,490	---
- schools	100,000	100,411	80,103
- property service	---	8,384	---
Facility use studies - schools	---	134,720	---
Vehicles			
- property service	88,000	123,132	100,753
- school buses	---	---	982,271
	<u>\$ 736,000</u>	<u>\$ 2,172,359</u>	<u>\$ 1,869,468</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Notes to the Financial Statements
March 31, 2002**

1. Accounting principles

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

Inventories

Garage parts inventory is recorded at cost. All other supplies and purchases are expensed.

Financial statement presentation

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

Expenditure recognition

Expenditures other than salaries are recorded on an accrual basis. Outstanding purchase orders at the balance sheet date are accrued and recorded as payables.

Capital equipment and school buses

Fixed assets are recorded at cost. Assets received from the various boards as at January 1, 1982, under the agreement creating the Southwest Regional School Board, are treated as additions to investments in fixed assets. The Board does not record depreciation on its fixed assets, as the Tangible Capital Asset Policy has not been adopted for the year ended March 31, 2002. Effective April 1, 2002, the Province of Nova Scotia no longer provided funding to Boards for purchases of school buses, assuming fully the responsibility and cost of purchasing.

2. Receivables

	2002	2001
Government of Canada.	\$ 753,414	\$ 316,431
Province of Nova Scotia.	1,563,214	1,049,576
NSSRA - NSTU Sal Con Insurance (Note 7).	250,000	250,000
Municipalities.	---	69,969
First Nations Band Councils.	34,338	90,983
Other.	650,480	860,949
	<u>\$ 3,251,446</u>	<u>\$ 2,637,908</u>

3. Land, buildings and improvements

Prior to the formation of the Southwest Regional School Board, certain municipal units had joined to form District School Boards. Under various agreements, land and school buildings on hand remained assets of the appropriate municipal units but were under the operational control of the District School Boards until such time as the Board no longer required the assets for school purposes. At that time, control reverted back to the appropriate municipality. These agreements will now remain in force with the Southwest Regional School Board.

The Southwest Regional School Board has a vested interest in capital improvements to school buildings. Under the Education Act, should a municipal unit sell a building returned to it by the Board under the circumstances noted above, a portion of the proceeds will be payable to the Board. In the event of the destruction of the building such that insurance proceeds are payable, a portion of these proceeds will similarly be payable to the Board.

4. Commitments

Service awards

For all service on or before July 31, 2000, under the terms of agreements with local units of the Nova Scotia Teacher's Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amounts of the awards are as follows:

Digby District	- \$80 per year of service
Queens District	- 0.45 of one percent of a TC5 - MAX per year of service
Shelburne District	- \$90 per year of service
Yarmouth District	- 0.75 of one percent of annual salary per year of service
Lunenburg District	- \$200 per year of service - Maximum \$7,000
Clare/Argyle District	- 0.60 of one percent of annual salary per year of service

For all service commencing on or after August 1, 2000 under the terms of agreement with the NSTU and Southwest Regional School Board the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board. The amount of the award is as follows: .75 of 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The recording of retirement allowances for this year constitutes an accounting policy change and therefore has been applied retroactively, with comparative figures restated.

P-3 Operating Expenses

Forest Ridge Academy, Bayview Community School and Aspotogan Consolidated Elementary School were opened for the 2000/01 school year. Meadowfields Community School had been opened in the 1999/2000 school year. The lease contains both a capital and operating component and all payments are to be made by the Province to the private partner. Since school boards are generally responsible for school operating expenses, the Province recovers a portion of the operating lease payment from the school board. As there are going to be a significant number of leased schools in the next few years, it has been agreed by the Province to establish a province-wide rate for this recovery from school boards. This rate has been revised to \$3.05 per square foot, from \$4.00 per square foot. The Province of Nova Scotia has reduced funding by : \$152,400 for the year ended March 31, 2000; \$343,600 for the year ended March 31, 2001; and \$122,900 for the year ended March 31, 2002, totalling \$618,900 for the P3 schools. Budgets for expenditures under the property service section are also reduced.

5. Pensions plans

The Board makes payments into the following pension plans:

Lunenburg District	- C.U.P.E. staff and support staff non-teaching defined benefit plans.
Queens District	- Non-teaching staff money purchase plan and defined benefit plan.
Shelburne District	- Non-teaching staff money purchase plan and defined benefit plan.
Yarmouth District	- Non-teaching staff money purchase plan and undivided registered retirement savings plan.
Digby District	- Non-teaching staff defined benefit plan.

Recent actuarial reports have not been prepared for these various plans and therefore no balances have been reflected in these financial statements. The Board's teachers are covered by a pension plan established by the Province pursuant to the Teachers Pension Act.

6. Early Retirement (1994-98) Program (ERP)

During the 2000/01 fiscal year, the province of Nova Scotia assumed full responsibility for the Early Retirement Plan (1994-1996).

7. Contingencies

Receivable

Included in receivables is \$250,000 due from the Province of Nova Scotia for the Nova Scotia Board Association insurance rebate. This has been outstanding for a number of years and the Board cannot make a determination of the amount of likelihood of any writedown that might be required upon settlement with the Province.

Legal

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

C.S.A.P.

The final settlement to the Conseil Scolaire Acadien Provincial of \$78,704 for the cost of English students attending the CSAP schools was paid as of March 31, 2002.

8. Commitment

The Southwest Regional School Board has entered into an energy management contract with Nova Scotia Power Services Limited. The School Board is required to pay \$5,848 per month until the contract expires July 2005.

9. Board Restructuring

The Southwest Regional School Board was restructured into two districts - The South Shore District School Board and the Tri County District School Board during the fiscal year 2000/2001. The Southwest Regional School Board is responsible for operational issues and the two school districts are responsible for educational issues.

10. Comparative Balances

Comparative figures have been restated to conform with the accounting policy change for retirement allowances.

SOUTHWEST REGIONAL SCHOOL BOARD

**Trust Funds Balance Sheet
March 31, 2002**

	2002	2001
Assets		
Cash.....	\$ <u>469,025</u>	\$ <u>571,055</u>
 Equity		
Estate of Marjorie E. Jones.....	\$ 15,165	\$ 64,087
Digby Community Theatre.....	4,064	168,889
CUPE Pension Fund.....	189,216	80,534
Reserve for scholarships		
Teachers' Scholastic Scholarship.....	6,324	6,276
Forbes Mountain Scholarship.....	519	698
Josephine Christie Fredea Award.....	1,564	1,586
L.C.D.S.B. Memorial Scholarship.....	4,352	4,832
Murray Barkhouse Scholarship Fund.....	3,029	3,115
Robert Hirtle Memorial Fund.....	1,372	1,275
Dr. K.C. Gandhi Marfatia Scholarship Fund.....	11,294	6,042
W.G.L. Hirtle Scholarship.....	10,559	10,691
Elinor Muir Leary Scholarship.....	10,361	10,600
Irene and Derrell Ernst Scholarship.....	5,314	5,380
David Lowe Scholarship.....	7,934	8,109
Clara Quinlan Scholarship.....	5,264	5,258
Monte Oickle Scholarship.....	4,982	5,158
Cameron Smith Memorial.....	159	153
Paul Eisnor Memorial.....	439	326
Austin Nauss Scholarship.....	1,587	1,832
Rodney Veinot Memorial.....	2,619	2,512
Timothy Daniels Memorial.....	3,819	3,694
Sylvia Weagle Bursary.....	29,246	29,833
Dr. J.C. Wickwire.....	2,646	2,557
Augusta Nickerson.....	13,825	13,362
J. Pask memorial.....	127	123
Maragaret Ernst MacLeod.....	3,735	3,610
Elsie Hemeon Fund.....	512	495
Stay-in-School Bursary.....	153	148
F. Dakin and P. Dakin Dickson.....	44,845	44,309
Dr. Charles and Mary Webster.....	21,752	22,200
Erma Westhaver Loomis.....	36,415	37,148
Yarmouth District Scholarship Society		
Unassigned.....	3,572	3,549
Samuel Margolian Trust - Yarmouth High.....	5,035	5,089
Samuel Margolian Trust - St. Ambrose.....	5,035	5,089
Churchill Trust.....	1,592	1,492
Loraleis Trust.....	1,579	1,600
Blackader - Kirk Trust.....	2,871	3,265
Olson.....	2,987	2,887
Andrew Maxwell.....	3,162	3,252
	\$ <u>469,025</u>	\$ <u>571,055</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

Statement of Continuity of Trust Funds
For the Year Ended March 31, 2002

	Balance Beginning of Year	Contributions	Receipt of Donations	Interest Earned	Scholarships Awarded	Balance End of Year
Estate of Marjorie E. Jones.	\$ 64,087	\$ ---	\$ ---	\$ 1,078	\$ (50,000)	115,165
Digby Community Theatre Fund.	168,889	---	---	2,039	(166,864)	4,064
CUPE Pension Fund.	80,534	105,138	---	3,544	---	189,216
Teachers Scholastic	6,276	6,365	---	233	(6,550)	6,324
Forbes Mountain	698	---	---	22	(200)	520
J.C. Fredea Award.	1,586	---	---	53	(75)	1,564
L.C.D.S.B. Memorial	4,832	---	850	170	(1,500)	4,352
M. Barkhouse Scholarship Fund.	3,117	---	100	112	(300)	3,029
Robert Hirtle Memorial Fund	1,275	---	500	96	(500)	1,371
Dr. K.C. Marfatia Ghandi.	6,042	---	5,250	253	(250)	11,295
W.G.L.Hirtle	10,691	---	---	369	(500)	10,560
Elinor Muir Leary	10,600	---	---	361	(600)	10,600
Irene/Derrell Ernst	5,380	---	---	184	(250)	5,314
David Lowe	8,109	---	---	275	(450)	7,934
Clara Quinlan	5,258	---	---	181	(175)	5,264
Monte Oickle	5,160	---	---	172	(350)	4,982
Cameron Smith	153	---	---	5	---	158
Paul Eisnor	326	---	100	14	---	440
Austin Nauss	1,832	---	---	55	(300)	1,587
Balance forward	\$ 384,845	\$ 111,503	\$ 6,800	\$ 9,216	\$ (228,864)	\$ 283,500

SOUTHWEST REGIONAL SCHOOL BOARD

**Statement of Continuity of Trust Funds (Continued)
For the Year Ended March 31, 2002**

	Balance Beginning <u>of Year</u>	<u>Contributions</u>	Receipt of <u>Donations</u>	Interest <u>Earned</u>	Scholarships <u>Awarded</u>	Balance <u>End of Year</u>
Balance carried forward	\$ 384,845	\$ 111,503	\$ 6,800	\$ 9,216	\$ (228,864)	\$ 283,500
Rodney Veinot	2,512	---	20	87	---	2,619
Timothy Daniels	3,694	---	500	126	(500)	3,820
S Weagle Bursary	29,833	---	---	1,013	(1,600)	29,246
Dr. J.C. Wickwire	2,557	---	---	89	---	2,646
Augusta Nickerson	13,362	---	---	463	---	13,825
J. Pask Memorial	122	---	---	5	---	127
M. Ernst MacLeod	3,610	---	---	125	---	3,735
Elsie Hemeon	495	---	---	17	---	512
Stay-in-School Bursary	148	---	---	5	---	153
F. Dakin/P. Dakin Dickson	44,309	---	---	1,536	(1,000)	44,845
Dr. Charles/Mary Webster	22,200	---	---	752	(1,200)	21,752
Erma Westhaver Loomis	37,148	---	---	1,267	(2,000)	36,415
Yarmouth District Scholarship Society						
Unassigned	3,549	---	100	122	(200)	3,571
S. Margolian Trust - Yarmouth High.	5,089	---	---	173	(227)	5,035
S. Margolian Trust - St. Ambrose	5,089	---	---	173	(227)	5,035
Churchill Trust	1,492	---	150	50	(100)	1,592
Loraleis Trust	1,600	---	---	55	(75)	1,580
Blackader - Kirk Trust	3,265	---	---	106	(500)	2,871
Olson	2,886	---	---	100	---	2,986
Andrew Maxwell	3,250	---	---	110	(200)	3,160
	<u>\$ 571,055</u>	<u>\$ 111,503</u>	<u>\$ 7,570</u>	<u>\$ 15,590</u>	<u>\$ (236,693)</u>	<u>\$ 469,025</u>

See accompanying notes to the financial statements.

AUDITOR'S REPORT

To the Chairman and Members of the Board of
The Strait Regional School Board

We have audited the consolidated balance sheet of the Strait Regional School Board as at March 31, 2002, and the consolidated statements of operations for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002 and the results of its operations for the year then ended in accordance with accounting principles generally accepted for school boards in Nova Scotia.

The prior year's amounts were reported on by another chartered accountant.

Grant Thornton LLP
Chartered Accountants

Port Hawkesbury, Nova Scotia
May 17, 2002

STRAIT REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Current		
Cash.....	\$ 3,050	\$ 2,900
Receivables.....	8,880,301	8,352,144
Prepays.....	431,700	172,672
	<u>9,315,051</u>	<u>8,527,716</u>
Capital assets		
School buildings and improvements.....	31,613,947	34,354,558
Buses and other vehicles.....	2,449,477	3,459,560
Equipment and furnishings.....	2,535,197	3,168,996
	<u>36,598,621</u>	<u>40,983,114</u>
	<u>\$ 45,913,672</u>	<u>\$ 49,510,830</u>

LIABILITIES

Current		
Bank indebtedness (Note 5).....	\$ 3,106,757	\$ 2,025,658
Payables and accruals.....	1,483,063	2,550,524
Retirement service awards (Note 3).....	4,299,000	4,190,000
	<u>8,888,820</u>	<u>8,766,182</u>

EQUITY

Surplus (deficit) general fund (Page 489).....	426,231	(238,466)
Investment in capital assets (Page 490).....	36,598,621	40,983,114
	<u>37,024,852</u>	<u>40,744,648</u>
	<u>\$ 45,913,672</u>	<u>\$ 49,510,830</u>

Contingencies and commitments (Note 11)

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

**Consolidated Statement of Operations
Year Ended March 31, 2002**

	<u>2002</u>		<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Province of Nova Scotia	\$ 48,033,175	\$ 50,972,584	\$ 52,370,020
Appropriation from councils	10,217,700	10,208,800	8,114,468
Government of Canada	1,078,193	1,187,162	1,153,951
Board operations	2,607,896	3,649,096	1,511,319
	<u>61,936,964</u>	<u>66,017,642</u>	<u>63,149,758</u>
Expenditures			
Regional board management	2,274,872	3,112,566	2,874,968
School administration and instruction	39,070,201	39,929,697	40,133,440
Property service	7,520,704	7,740,744	7,783,767
Student transportation	5,853,976	5,413,792	5,398,115
Special education	6,183,827	6,129,287	5,488,155
Capital expenditures and repayments	748,263	2,857,955	1,629,924
Cafeteria	50,000	70,461	92,143
Other operations (Note 7)	---	98,443	---
	<u>61,701,843</u>	<u>65,352,945</u>	<u>63,400,512</u>
Excess (deficiency) of revenue over expenditure before recovery	235,121	664,697	(250,754)
Prior year's (deficit) surplus	(235,121)	(238,466)	12,288
Excess (deficiency) of revenue over expenditure	<u>---</u>	<u>426,231</u>	<u>(238,466)</u>

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

**General Fund Balance Sheet
March 31, 2002**

ASSETS

	2002		2001
Current			
Cash.....	\$ 3,050	\$	2,900
Receivables			
Province of Nova Scotia	6,070,371		5,599,182
Municipal councils	450,203		136,228
Government of Canada (Note 9)	1,794,928		1,722,720
General public	564,799		894,014
Prepays.....	431,700		172,672
	<u>\$ 9,315,051</u>	\$	<u>8,527,716</u>

LIABILITIES

Current			
Bank indebtedness (Note 5).....	\$ 3,106,757	\$	2,025,658
Payables and accruals	1,483,063		2,550,524
Retirement service awards (Note 3).....	4,299,000		4,190,000
	<u>8,888,820</u>		<u>8,766,182</u>

EQUITY

Surplus (deficit) - current year.....	<u>426,231</u>		<u>(238,466)</u>
	<u>\$ 9,315,051</u>	\$	<u>8,527,716</u>

**General Fund
Statement of Continuity of Surplus
Year Ended March 31, 2002**

	2002		2001
Balance, beginning of year.....	\$ (238,466)	\$	12,288
Excess (deficiency) of revenue over expenditure	426,231		(238,466)
Transfer of prior year's (deficit) surplus to statement of operations	<u>238,466</u>		<u>(12,288)</u>
Balance, end of year	<u>\$ 426,231</u>	\$	<u>(238,466)</u>

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

**Capital Fund
Balance Sheet
March 31, 2002**

ASSETS		
	2002	2001
School buildings and improvements	\$ 31,613,947	\$ 34,354,558
Buses and other vehicles	2,449,477	3,459,560
Equipment and furnishings.	<u>2,535,197</u>	<u>3,168,996</u>
	\$ <u><u>36,598,621</u></u>	\$ <u><u>40,983,114</u></u>

EQUITY		
Investment in capital assets (Page 490).	\$ <u><u>36,598,621</u></u>	\$ <u><u>40,983,114</u></u>

**Capital Fund
Statement of Continuity of Investment in Capital Assets
Year Ended March 31, 2002**

	2002	2001
Balance, beginning of year	\$ 40,983,114	\$ 46,285,436
Capital purchases out of revenue		
Buses and other vehicles	39,693	113,459
School building and improvements	772,050	---
Equipment and furnishings.	<u>---</u>	<u>676,309</u>
	<u>41,794,857</u>	<u>47,075,204</u>
Capital assets written off and depreciation provision	<u>5,196,236</u>	<u>6,092,090</u>
Balance, end of year	\$ <u><u>36,598,621</u></u>	\$ <u><u>40,983,114</u></u>

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

**Notes to the Consolidated Financial Statements
March 31, 2002**

1. Nature of operations

The Strait Regional School Board manages education programs and finances of public schools within Inverness, Guysborough, Richmond and Antigonish counties.

2. Significant accounting policies

(a) Basis of accounting and consolidation

The consolidated balance sheet is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the general and capital funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements. The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis except for some salaries, which are recorded as an expense when paid.

(b) Capital fund assets

Capital fund assets transferred from municipal councils are recorded at their carrying value. In previous years, all improvements to school properties and acquisitions of furniture and equipment are recorded at cost. Assets are depreciated at the following rates using the declining balance method:

Buildings	10%
Equipment	20%
Vehicles	30%

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

(c) Trust funds

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

3. Retirement service awards

Many Board employees are entitled to receive services awards of varying amounts depending on the original board they were hired under. Effective April 1, 2002, the Province of Nova Scotia has assumed responsibility for the payment of these awards.

4. Pension plans

Teachers

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

5. Bank indebtedness

The Board has an operating line of credit of \$600,000.

6. Related party transactions

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

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

During the year the Board made payments to Knowledge House Technologies, which had former employees of the Board in senior management positions, of \$102,278 for technology services. It also made payments of \$35,433 to Achnacarry Consulting Limited, a company owned by a relative of another former employee.

7. Other operations	Strathspey Place	Chedabucto Place	Total
Revenues	\$ 166,985	\$	166,985
Expenses	<u>246,313</u>	<u>19,115</u>	<u>265,428</u>
Net loss	\$ <u>(79,328)</u>	\$ <u>(19,115)</u>	\$ <u>(98,443)</u>

8. Comparative figures

The comparative figures have been restated to reflect the change in accounting policy as it pertains to the payment of service awards for teachers. Previously no liability had been accrued for the actuarial liability of these awards and the expense and related debt servicing costs were recognized as incurred. This has been changed due to the fact that the Province is assuming the liability as of April 1, 2002. To reflect this change, a liability of \$4,190,000 was recorded in the 2001 comparative figures along with a corresponding receivable from the Province. In addition, the benefits in the school administration and instruction section were increased by \$107,000, debt servicing costs were increased by \$255,000 and revenue from the Province was increased by \$362,000.

9. Measurement uncertainty

The Board currently has a receivable from a local First Nation. The amount of the receivable is \$909,000 as of March 31, 2002. The First Nation has offered to settle the debt for \$500,000 leaving the Board exposed for losses of the remainder. Management feels confident that they will be able to recover the entire amount through negotiation with the First Nation and various levels of government.

10. Write offs

Province of Nova Scotia (Sal Con)	\$ 220,000
Province of Nova Scotia	214,000
ALIN	61,355
Other sundry amounts	<u>(4,423)</u>
	\$ <u>490,932</u>

11. Contingencies and commitments

(a) Liability to Province of Nova Scotia

As of March 31, 2002 a potential liability of \$647,000 existed related to the construction of Strathspey Place. Due to the circumstances surrounding the origin of the debt it has not yet been established as to whether this is actually a liability of the Strait Regional School Board. The Board is currently in discussions with senior officials of the Department of Education regarding the resolution of this issue.

(b) Recoveries

The Board is attempting to recover certain amounts that had previously been expended. The amount and likelihood of recovery is unknown at this time.

12. Trust fund equity

	Equity 2001	Donations & Income	Awards	Equity 2002
Catherine Avery Bursary.	\$ 1,672	\$ 35	\$ ---	\$ 1,707
Allistair Fraser Award.	10,335	194	1,000	9,529
Ray Caldwell Scholarship.	5,814	113	400	5,527
Dorothy Jost Drysdale Scholarship.	2,316	46	100	2,262
Roy Fanning-Hillside Bursary.	14,438	271	1,400	13,309
Norman Grant Scholarship.	20,778	407	1,200	19,985
Carol Long Scholarship.	9,900	201	250	9,851
NSP Employees Scholarship.	17,994	364	500	17,858
James Russell Scholarship.	3,030	55	400	2,685
Mulgrave Bursary Fund.	1,986	35	300	1,721
Bertha Morgan Scholarship.	988	21		1,009
Henry Marshall Tory Prize.	27,548	32,289	1,500	58,337
Paul Hendsbee Memorial.	1,511	26	250	1,287
Donald Archibald Memorial.	1,074	20	100	994
Neil & Eileen MacIsaac Bursary.	2,500	125	125	2,500
Thomas Williams Prize.	5,000	200	200	5,000
Tina Munro Hickey Prize.	10,000	550	550	10,000
Jesse Sceles Memorial.	1,960	41		2,001
	<u>\$ 138,844</u>	<u>\$ 34,993</u>	<u>\$ 8,275</u>	<u>\$ 165,562</u>

13. Professional fees

Professional fees paid during the year	\$ 453,224
Less: forensic audit costs paid by Province of Nova Scotia	<u>287,478</u>
	<u>\$ 165,746</u>

STRAIT REGIONAL SCHOOL BOARD

**General Fund
Detail of Revenue
Year Ended March 31, 2002**

	<u>2002</u>		<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Province of Nova Scotia			
Formula funding	\$ 44,236,100	\$ 44,534,504	\$ 46,063,600
Special education	3,192,600	3,192,600	2,978,000
Textbook credit allocation	495,000	492,388	543,277
Emergency capital	---	1,046,871	345,039
Special programs and projects.	109,475	1,706,221	2,440,104
	<u>\$ 48,033,175</u>	<u>\$ 50,972,584</u>	<u>\$ 52,370,020</u>
Government of Canada			
Indian and Northern Affairs	\$ 950,000	\$ 1,027,809	\$ 975,337
Minority official language	33,000	28,136	42,859
Special programs and projects.	95,193	131,217	135,755
	<u>\$ 1,078,193</u>	<u>\$ 1,187,162</u>	<u>\$ 1,153,951</u>
Board Operations			
Cafeterias	\$ 50,000	\$ 67,296	\$ 91,209
Investment income.	25,000	62,210	71,417
Facilities rentals and program fees.	85,000	123,059	116,114
P3 management fee.	2,447,896	2,447,901	1,232,579
Strathspey Place - capital.	---	675,277	---
Recovery of fuel costs - P3	---	244,561	---
Other.	---	28,792	---
	<u>\$ 2,607,896</u>	<u>\$ 3,649,096</u>	<u>\$ 1,511,319</u>

See accompanying notes to the financial statements.

STRAIT REGIONAL SCHOOL BOARD

**General Fund
Details of Expenditure
Year Ended March 31, 2002**

	<u>2002</u>		<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Regional board management			
Salaries - administrative.	\$ 1,239,638	\$ 1,221,971	\$ 1,431,755
Honoraria.	93,000	92,000	88,800
Benefits.	196,241	256,294	287,078
Supplies and materials	188,000	190,562	160,699
Telephone and data transmission.	72,000	45,881	67,062
Staff travel and conferences.	100,659	112,584	142,259
Liability insurance	89,012	97,913	89,012
Professional services (Note 13)	106,000	165,746	170,642
Write offs (Note 10)	---	490,932	---
Bank service and overdraft charges.	25,000	4,930	31,783
Debt servicing - retirement allowances	---	279,000	255,000
Board members expense	94,293	81,213	93,323
NSSBA dues	51,029	50,438	25,994
Other.	20,000	23,102	31,561
	<u>\$ 2,274,872</u>	<u>\$ 3,112,566</u>	<u>\$ 2,874,968</u>
School administration and instruction			
Salaries and wages			
Administration.	\$ 3,491,870	\$ 2,999,995	\$ 3,370,612
Instruction.	26,422,032	27,316,294	26,483,866
Guidance.	859,374	836,519	818,890
Library.	565,480	582,950	583,763
Substitutes.	1,136,903	1,384,041	1,162,314
Clerical.	1,072,471	1,135,645	1,158,992
Lunch and bus monitors.	270,000	266,524	272,451
Benefits	2,661,830	2,402,719	2,743,101
Supplies, materials and telephone.	1,405,473	1,544,802	1,447,376
Textbook credit allocation.	495,000	493,019	544,221
Travel and in-service.	93,000	94,593	103,001
Information Economy Initiative.	---	234,531	268,800
French special projects.	220,554	270,732	286,802
Minority official language.	33,000	28,507	36,362
Mulgrave PD Centre.	94,077	90,026	148,942
ALIN.	---	---	407,421
RAMPS.	52,634	49,330	69,069
Adult education.	---	---	241
Technology	196,503	199,470	227,216
	<u>\$ 39,070,201</u>	<u>\$ 39,929,697</u>	<u>\$ 40,133,440</u>
Property service			
Salaries and wages.	\$ 3,340,418	\$ 3,310,144	\$ 3,329,288
Benefits	564,208	549,327	529,229
Insurance	188,760	187,967	170,879
Utilities.	2,442,088	2,575,338	2,650,301
Supplies and materials.	692,230	805,958	654,831
Travel and contracted services	293,000	312,010	449,239
	<u>\$ 7,520,704</u>	<u>\$ 7,740,744</u>	<u>\$ 7,783,767</u>

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditure (continued)
Year Ended March 31, 2002**

	<u>2002</u>		<u>2001</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Student transportation			
Salaries and wages	\$ 3,713,653	\$ 3,663,131	\$ 3,541,211
Benefits	620,873	572,720	547,558
Travel	17,000	15,064	13,846
In-service	15,000	11,218	6,695
Vehicle operating			
Gas and oil	748,000	546,219	668,547
Tires	80,000	51,853	77,985
Licenses	63,000	55,522	57,714
Insurance	47,000	56,551	44,413
Repairs and maintenance	300,000	257,092	282,679
Garage maintenance	141,950	75,730	71,441
Contract conveyance, telephone, other	107,500	108,692	86,026
	<u>\$ 5,853,976</u>	<u>\$ 5,413,792</u>	<u>\$ 5,398,115</u>
Special education			
Salaries and Wages			
Administration	\$ 81,600	\$ 83,254	\$ 77,815
Instruction	3,061,519	2,958,886	2,812,115
Professional services	424,733	383,805	411,462
Student Program assistants	1,942,453	2,007,283	1,663,356
Clerical	76,144	86,977	26,893
Benefits	504,578	493,626	412,940
Supplies, materials and telephone	44,800	50,243	35,944
Travel and conference	48,000	65,213	47,630
	<u>\$ 6,183,827</u>	<u>\$ 6,129,287</u>	<u>\$ 5,488,155</u>
Capital Expenditures and Repayments			
Regional board management - Equipment \$	26,292	\$ 38,392	\$ 50,785
School administration and instruction			
Equipment	271,371	218,866	434,749
Property service			
Capital repairs and projects	374,000	1,758,544	901,285
Strathspey Place	---	772,050	---
Vehicles	40,000	39,693	---
Student transportation			
Buses	---	---	178,160
Vehicle	---	---	24,311
Equipment	36,600	30,410	40,634
	<u>\$ 748,263</u>	<u>\$ 2,857,955</u>	<u>\$ 1,629,924</u>
Cafeteria			
Salaries and wages	\$ 20,000	\$ 26,536	\$ 43,150
Benefits	3,000	2,208	4,708
Supplies and expenses	27,000	41,717	44,285
	<u>\$ 50,000</u>	<u>\$ 70,461</u>	<u>\$ 92,143</u>

See accompanying notes to the consolidated financial statements.

STRAIT REGIONAL SCHOOL BOARD

**Trust Fund Balance Sheet
March 31, 2002**

ASSETS

	2002	2001
Cash.....	\$ <u>165,562</u>	\$ <u>138,844</u>

EQUITY

Equity in trust funds (Note 12).....	\$ <u>165,562</u>	\$ <u>138,844</u>
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See accompanying notes to the consolidated financial statements.

AUDITOR'S REPORT

To the Minister Responsible for Sydney Environmental Resources Limited

I have audited the operating fund balance sheet of Sydney Environmental Resources Limited for the year ended March 31, 2002 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2002, and the results of its operations for the year then ended, in accordance with Canadian generally accepted accounting principles except as disclosed in Note 3.

JOHN NASH
Chartered Accountant

May 17, 2002

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

**Balance Sheet
as at March 31, 2002**

ASSETS

	2002		2001
Current			
Cash	\$ ---	\$	127,044
Accounts receivable	278,613		147,682
Prepaid expenses	6,854		50,000
	<u>\$ 285,467</u>	\$	<u>324,726</u>

LIABILITIES

Current			
Bank indebtedness	\$ 137,792	\$	---
Accounts payable and accrued liabilities	147,675		293,184
Due to Province of Nova Scotia (Note 5)	---		31,541
	<u>285,467</u>		<u>324,725</u>

EQUITY

Share capital (Note 8)	<u>1</u>		<u>1</u>
	<u>\$ 285,468</u>	\$	<u>324,726</u>

Commitments (Note 7)

**Statement of Revenue and Expenditures
Year Ended March 31, 2002**

	2002		2001
Revenue			
Province of Nova Scotia			
Operations	\$ 1,243,024	\$	1,468,405
Site security and other community costs	473,033		385,995
Asbestos Abatement Project	178,685		582,711
Sydney Steel site decommissioning	1,518,812		---
	<u>3,413,554</u>		<u>2,437,111</u>
Expenditures			
Operations (Schedule 1)	1,243,024		1,468,405
Site security and other community costs			
Wages and benefits	327,082		307,082
Supplies and services	145,951		78,913
Asbestos Abatement Project			
Wages and benefits	127,938		357,084
Supplies and services	50,747		225,627
Sydney Steel site decommissioning			
Wages and benefits	1,031,047		---
Supplies and services	487,765		---
	<u>3,413,554</u>		<u>2,437,111</u>
Excess revenue over expenditures	<u>\$ ---</u>	\$	<u>---</u>

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

**Notes to the Financial Statements
Year Ended March 31, 2002**

1. AUTHORITY AND OBJECTIVE

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. It was established as a crown corporation of the Province of Nova Scotia by Order-in-Council on March 26, 1991. On January 7, 1998 the company changed its name from Sydney Tar Ponds Clean-Up Inc. to Sydney Environment Resources Limited.

Its current objective is to utilize its resources in emerging community based environmental initiatives.

2. CONTINUATION OF THE BUSINESS

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon obtaining necessary funding from the Province of Nova Scotia and/or the Government of Canada.

3. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles except as outlined below:

a) **Financing**

The Company, an agency of Her Majesty, receives legislative appropriations for operating expenditures. These appropriations are reflected as operating grants to the extent of operating expenditures. Any excess appropriations are accounted for as deferred operating grants. Consequently, the Company does not have any equity.

b) **Capital Assets**

In accordance with funding requirements, the cost of capital assets are accounted for as current operating expenditures.

4. ACCOUNTS RECEIVABLE

	2002	2001
Sydney Steel site decommissioning	\$ 145,139	\$ ---
Asbestos Abatement Project	---	69,781
HST receivable	69,638	77,901
Province of Nova Scotia	34,517	---
Other	29,319	---
	\$ 278,613	\$ 147,682

5. PROVINCE OF NOVA SCOTIA FUNDING

The Company received the following amounts from the Province of Nova Scotia in the year:

	2002	2001
Current operating grant	\$ 1,243,024	\$ 1,468,405
Asbestos Abatement Project.	102,525	561,056
Site security and other community costs	473,033	385,995
	<u>\$ 1,818,582</u>	<u>\$ 2,415,456</u>

As at March 31, 2002 there was a net receivable from the Province of Nova Scotia for this funding in the amount of \$ 34,517 (2001 - net payable of \$ 31,541).

6. RELATED PARTY TRANSACTIONS

In addition to the related party transactions in Note 5 above, the Company is related in terms of common ownership to all Province of Nova Scotia created departments, agencies and crown corporations. The Company enters into transactions with these entities in the normal course of business.

7. COMMITMENTS

a) Operations

The Company has committed to the Province of Nova Scotia, that it will run its affairs in accordance with Provincial standards. Its operations will be accountable to the Province through the Minister responsible for Sydney Environmental Resources Limited.

b) Sydney Steel Corporation

The Company has undertaken to hire displaced Sydney Steel Corporation employees.

8. SHARE CAPITAL

Authorized
50,000 common shares with no par value

Issued
1 Share at \$1 \$ 1

9. COMPARATIVE FIGURES

Certain of the comparative figures from the March 31, 2001 fiscal year have been reclassified to conform to the financial statement presentation adopted for the current year.

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Operating Expenditures
Year Ended March 31, 2002

	2002		2001
Operating expenditures			
Civic taxes	---	\$	3,329
Directors' fees	15,226		10,142
Health, safety and environmental	144,260		162,663
Incineration plant operation and maintenance	16,967		52,898
Incineration plant overhead	201,052		185,476
Office	32,728		21,288
Professional fees	28,681		15,159
Public information	48,628		44,585
Rent	30,000		32,500
Salaries and benefits	636,441		836,723
Technical services	67,696		86,156
Telephone	9,927		9,466
Travel	11,418		8,020
	<u>1,243,024</u>	\$	<u>1,468,405</u>

AUDITORS' REPORT TO THE DIRECTORS

We have audited the statement of net assets in liquidation of Sydney Steel Corporation as at December 31, 2001 and the statement of changes in net assets in liquidation for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets in liquidation as at December 31, 2001 and the changes in net assets in liquidation for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
June 28, 2002

SYDNEY STEEL CORPORATION

**Statement of Net Assets in Liquidation
December 31, 2001, with comparative figures for 2000**

ASSETS

	2001	2000
(in thousands)		
Current assets:		
Cash	\$ 24,300	\$ 20,484
Accounts receivable, trade	1,736	3,468
Receivable from Province of Nova Scotia	5,747	12,315
Inventories	<u>4,399</u>	<u>4,492</u>
	36,182	40,759
Property, plant and equipment:		
Land, buildings and equipment , at cost	441,298	441,298
Less accumulated depreciation and write-downs	<u>441,297</u>	<u>441,297</u>
	1	1
Total assets	<u>\$ 36,183</u>	<u>\$ 40,760</u>

LIABILITIES

Current liabilities		
Trade payables	\$ 2,133	\$ 1,893
Deposits and holdbacks payable	3,570	---
Property taxes payable	1,020	---
Wages, benefits and severances payable	175	9,851
Provision for estimated remaining closure costs	<u>---</u>	<u>2,566</u>
Total liabilities	<u>\$ 6,898</u>	<u>\$ 14,310</u>
Net assets in liquidation	<u>\$ 29,285</u>	<u>\$ 26,450</u>

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

**Statement of Changes in Net Assets in Liquidation
Year Ended December 31, 2001**

	Closure Activities	Demolition and Remediation Activities	Continuing Activities	Total
	(in thousands)			
Increases in net assets in liquidation:				
Contributions from Province				
of Nova Scotia (note 2) \$	1,859	\$ 3,790	\$ ---	\$ 5,649
Proceeds on disposal				
of assets	1,753	---	---	1,753
Interest	---	---	970	970
Other recoveries	159	---	127	286
	<u>3,771</u>	<u>3,790</u>	<u>1,097</u>	<u>8,658</u>
Decreases in net assets in liquidation:				
Demolition and remediation.	---	2,604	---	2,604
General and administration.	1,120	581	80	1,781
Salaries and wages.	996	267	54	1,317
Property taxes.	1,024	---	---	1,024
Professional fees	608	338	40	986
Electricity.	913	---	---	913
Reversal of non-specific provisions for closure costs.	(2,802)	---	---	(2,802)
	<u>1,859</u>	<u>3,790</u>	<u>174</u>	<u>5,823</u>
Increase in net assets in liquidation. \$	<u>1,912</u>	<u>---</u>	<u>923</u>	2,835
Net assets in liquidation, beginning of year.				<u>26,450</u>
Net assets in liquidation, end of year.			\$	<u>29,285</u>

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

Notes to Financial Statements Year Ended December 31, 2001

Sydney Steel Corporation is a Crown Corporation incorporated by special act of the Province of Nova Scotia.

1. Significant accounting policies:

a) Basis of presentation:

Effective December 31, 2000 the Corporation changed its basis of accounting from a going concern basis to a liquidation basis in accordance with generally accepted accounting principles.

b) Valuation of non-cash assets:

Effective with the December 31, 2000 adoption of the liquidation basis of accounting, the cost base for the Corporation's non-cash assets was established as their then estimated realizable values.

The non-cash assets at December 31, 2001 are valued at the lower of their cost base and their realizable value.

c) Mode and presentation of operations:

Ernst & Young Inc. has been appointed agent of the Province of Nova Scotia pursuant to a mandate which currently is to sell the assets of the Corporation and to direct the evolution of a land use plan and redevelopment strategy for the property.

The financial statement presentation format distinguishes three aspects or phases of the mandate; namely:

- closure activities
- demolition and remediation activities, and
- continuing activities

A brief description of each activity follows:

i) Closure activities:

Closure activities are those principally related to the shut down of the former operating plant, the liquidation of the former operating assets and the associated direct and indirect costs necessary to carry out these functions.

ii) Demolition and remediation activities:

Demolition and remediation activities are those related to the Corporation's evolving site remediation plan and consist principally of fees and contracts for demolition and remediation work and the associated direct and indirect costs incidental to these functions.

iii) Continuing activities:

Continuing activities are those not closely aligned with either the closure or demolition and remediation activities.

As at December 31, 2001, they consist principally of the investment management function but contemplated herein will be those activities arising from and incidental to redevelopment strategies adopted by the Corporation concerning the property's future use.

2. Province of Nova Scotia:

In connection with the former active operations of Sydney Steel Corporation the Province of Nova Scotia has:

- provided cash infusions as required by the Corporation to meet its operating obligations,
- agreed to assume responsibility for Sydney Steel Corporation site environmental matters, and has
- established the Sydney Steel Corporation Superannuation Fund to assume direct responsibility for the Corporation's pension obligations.

In connection with the current liquidation and redevelopment plan, the Province has committed to continuing support and has established in its accounts provisions for the closure and demolition and remediation activities. Expenses incurred during the year related to these provisions and for which the Corporation will receive reimbursement from the Province include:

- \$1.859 million in respect of closure activities, and
- \$3.790 million in respect of demolition and remediation activities.

3. Litigation:

The Corporation is in litigation regarding collection of a material trade receivable. Although management believes the carrying value of the receivable is recoverable, the outcome of the litigation is not determinable. Impairment in value, if any, will be reflected in the period the outcome of the litigation is known.

4. Commitment:

During the year, the Corporation engaged a demolition firm to remove structures and buildings on the property.

The value of the contract is estimated at \$7.7 million. At December 31, 2001, the Corporation had incurred expenditures of \$1.5 million which are included in demolition and remediation costs.

5. Subsequent event:

Within the context of its redevelopment strategy the Corporation, effective April 15, 2002, reached agreement to lease to a tenant approximately 90 acres of property which includes the wharf and related facilities. The initial lease term is for a period of ten years.

AUDITORS' REPORT

*To the Members of the Legislative
Assembly of Nova Scotia, and*

To the Minister of Finance

I have audited the Statement of Net Assets Benefits Available for Benefits and Accrued Pension Benefits and Deficiency of the Sydney Steel Corporation Superannuation Fund as at March 31, 2002 and the Statement of Change of Net Assets Available for Benefits for the period then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on our audit.

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

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficiency of the Fund as at March 31, 2002 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.

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

The comparative figures for March 31, 2001 were reported on by a firm of chartered accountants.

E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
September 27, 2002.

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

**Consolidated Statement of Net Assets Available for Benefits
and Accrued Pension Benefits and Deficiency
as at March 31**

	2002	2001
NET ASSET AVAILABLE FOR BENEFITS		
Assets		
Marketable securities under administration:		
Cash and short-term notes	\$ 2,219,765	\$ 3,714,603
Bonds and debentures.	13,730,950	25,200,437
Equities.	23,103,835	37,729,932
Interest and dividends receivable	219,855	391,964
	<u>39,274,405</u>	<u>67,036,936</u>
Contributions receivable:		
Sydney Steel Corporation	---	78,148
Employees	---	35,534
	<u>---</u>	<u>113,682</u>
Cash	48,996	5,518
	<u>39,323,401</u>	<u>67,156,136</u>
Liabilities		
Accounts payable and accrued liabilities	357,205	148,349
Net Assets Available for benefits.	<u>\$ 38,966,196</u>	<u>\$ 67,007,787</u>
ACCRUED PENSION BENEFITS AND DEFICIENCY		
Accrued Pension Benefits	\$ 236,122,900	\$ 247,943,200
Deficiency (Note 3)	(197,156,704)	(180,935,413)
Accrued pension Benefits and Deficiency.	<u>\$ 38,966,196</u>	<u>\$ 67,007,787</u>

See accompanying notes to consolidated financial statements.

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

**Consolidated Statement of Changes in Net Assets Available for Benefits
for the Year Ended March 31, 2002,
with comparative figures for the one month period ending March 31, 2001**

	2002	2001
Increase (Decrease) In Assets		
Contributions:		
Sydney Steel Corporation	141,852	33,880
Employees	79,347	16,075
Investment income:		
Interest on investments	1,237,969	146,396
Dividends on investments	487,653	37,256
Gain on sale of investments	<u>3,628,923</u>	<u>219,167</u>
Total increase in assets	<u>5,575,744</u>	<u>452,774</u>
 Decrease In Assets		
Benefits paid	28,319,083	1,274,403
Operating expenses (Note 4)	490,506	61,365
Current period change in market values of investments	<u>4,807,746</u>	<u>2,116,077</u>
Total decrease in assets	<u>33,617,335</u>	<u>3,451,845</u>
Decrease In Net Assets	(28,041,591)	(2,999,071)
 Net Assets Available for Benefits at Beginning of Period	 <u>67,007,787</u>	 <u>70,006,858</u>
 Net Assets Available for Benefits at End of Period	 <u><u>\$ 38,966,196</u></u>	 <u><u>\$ 67,007,787</u></u>

See accompanying notes to consolidated financial statements.

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

**Notes to Consolidated Financial Statements
Year ended March 31, 2002**

1. Authority and Description of Plans:

The Sydney Steel Corporation Superannuation Fund (the "Fund") was established under the Sydney Steel Corporation Sale Act and was effective March 1, 2001. The Fund assumed responsibility for the assets and obligations of the former Sydney Steel Corporation pension plans. Under the Sub-section 7(9) of the Sydney Steel Corporation Sale Act the Province of Nova Scotia has assumed responsibility to fund any shortfalls arising under this Fund.

Effective March 1, 2001, assets estimated to be sufficient to settle all obligations of the former Scotia Limestone Limited pension plan were placed with the Nova Scotia Superintendent of Pensions. The remaining former Sydney Steel Corporation Pension Fund assets in the amount of \$70,006,858 were transferred to this fund - the Sydney Steel Corporation Superannuation Fund.

The following descriptions are a summary only. For more complete information, reference should be made to the Plan Agreements.

a) United Steel Workers of America Pension Plan:

The Plan is a non-contributory defined benefit plan, covering employees of Sydney Steel Corporation who are members of Locals 1064, 6537 and 6516 of the United Steelworkers of America. Under the Plan, contributions are made only by Sydney Steel Corporation.

A service pension is available based on \$30.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Disability pensions, termination and death benefits are available if certain criteria are met.

b) Salaried Pension Plan:

The Plan is a partially contributory defined benefit pension plan covering the salaried employees of Sydney Steel Corporation. Under the Plan, contributions are made by the Plan members and Sydney Steel Corporation.

A service pension is available based on \$30.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus certain percentages of required contributions made after May 1, 1955.

Senior management employees receive pension benefits different from the above.

Termination and death benefits are available if certain criteria are met.

c) Canadian Union of Public Employees Pension Plan:

The Plan is a non-contributory defined benefit plan covering employees of Sydney Steel Corporation who are members of Local 1675 of the Canadian Union of Public Employees. Under the Plan, contributions are made only by Sydney Steel Corporation.

A service pension is available based on \$35.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Disability pensions, termination and death benefits are available if certain criteria are met.

2. Significant accounting policies:

a) Basis of consolidation

The consolidated financial statements include the accounts of the following pension plans:

- United Steel Workers of America Pension Plan
- Salaried Pension Plan
- Canadian Union of Public Employees Pension Plan

b) Basis of presentation

As the Province of Nova Scotia has assumed any shortfall arising under this Fund (note 1), these consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with Canadian generally accepted accounting principles.

c) Marketable securities

Marketable securities are reported as of the trade date and stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Bonds, debentures and equities are valued using published market quotations. Net unrealized appreciation or depreciation for the year is reflected in the Consolidated Statement of changes in Assets Available for Benefits.

d) Gains and losses on sale of investments

Gains and losses arising on the sale of investments are determined by relating the sale proceeds of the investments to their original cost.

e) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in unrealized investment income.

3. Actuarial Valuation

Actuarial valuations of the Plans are carried out periodically and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Eckler Partners Limited performed a valuation as at December 31, 2001 and issued their report in September 2002. The report indicated that the Plans had an unfunded liability of \$192.5 million. A projection to March 31, 2002, applying the same assumptions, indicated an unfunded liability of \$197.2 million (March 31, 2001 - \$180.9 million).

The actuarial valuation projects liabilities for each member on the basis of the pension credit years earned. The actuaries have used the unit credit method of determining the actuarial liability. The major economic and demographic assumptions used in the last valuation are as follows:

**Valuation
December 31, 2001**

Inflation (only applied to the salary plan)	3.0% per annum
Average Salary Increase	Not applicable
Interest (discount) rate	7.05% per annum
Retirement Age	Earliest unreduced retirement date
Mortality	1994 Group Annuity Mortality Table projected to 2000 using scale AA

4. Operating Expenses

The Fund is charged with administrative and other expenses, certain of which are incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	2002	2001
Investment Expenses		
Investment management fees	\$ 90,646	\$ 12,338
Professional services	78,424	7,076
	<u>\$ 169,070</u>	<u>\$ 19,414</u>
 Plan Administration		
Professional services	\$ 171,623	\$ 21,405
Salaries	138,711	8,280
Supplies and services	3,362	8,212
Travel	6,174	3,065
Other	1,566	989
	<u>\$ 321,436</u>	<u>\$ 41,951</u>
 Total Operating Expenses	 <u>\$ 490,506</u>	 <u>\$ 61,365</u>

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

**Schedule A - Assets Available for Benefits by Pension Plan
March 31**

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
<u>2002</u>				
Investments	\$ 14,028,965	\$ 24,600,494	\$ 644,946	\$ 39,274,405
Cash	630	---	48,366	48,996
	<u>14,029,595</u>	<u>24,600,494</u>	<u>693,312</u>	<u>39,323,401</u>
Less: Accounts payable and accrued liabilities	257,821	79,186	20,198	357,205
Net assets available for benefits	<u>\$ 13,771,774</u>	<u>\$ 24,521,308</u>	<u>\$ 673,114</u>	<u>\$ 38,966,196</u>
Accrued pension benefits	\$ 182,238,800	\$ 51,589,300	\$ 2,294,800	\$ 236,122,900
Deficiency	(168,467,026)	(27,067,992)	(1,621,686)	(197,156,704)
Accrued pension benefits and deficiency	<u>13,771,774</u>	<u>24,521,308</u>	<u>673,114</u>	<u>38,966,196</u>
<u>2001</u>				
Investments	\$ 37,200,752	\$ 29,004,091	\$ 832,093	\$ 67,036,936
Contributions receivable	5,170	105,146	3,366	113,682
Cash	5,177	53	288	5,518
	<u>37,211,099</u>	<u>29,109,290</u>	<u>835,747</u>	<u>67,156,136</u>
Less: Accounts payable and accrued Liabilities	108,752	30,821	8,776	148,349
Assets available for benefits	<u>\$ 37,102,347</u>	<u>\$ 29,078,469</u>	<u>\$ 826,971</u>	<u>\$ 67,007,787</u>
Accrued pension benefits	\$ 192,706,500	\$ 52,952,400	\$ 2,284,300	\$ 247,943,200
Deficiency	(155,604,153)	(23,873,931)	(1,457,329)	(180,935,413)
Accrued pension benefits and deficiency	<u>\$ 37,102,347</u>	<u>\$ 29,078,469</u>	<u>\$ 826,971</u>	<u>\$ 67,007,787</u>

SYDNEY STEEL CORPORATION SUPERANNUATION FUND

**Schedule B - Changes in Assets Available for Benefits by Pension Plan
Year ended March 31, 2002, with comparative figures for the one month period ending March 31, 2001**

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2002				
Increase in Assets				
Contributions:				
Sydney Steel Corporation	\$ 4,064	\$ 135,370	\$ 2,418	\$ 141,852
Employees	10,247	69,100	---	79,347
Interest and dividends on investments	702,333	1,008,007	15,282	1,725,622
Gain on sale of investments	<u>1,476,994</u>	<u>2,119,792</u>	<u>32,137</u>	<u>3,628,923</u>
	2,193,638	3,332,269	49,837	5,575,744
Decrease in Assets				
Benefits paid	23,248,083	4,925,557	145,443	28,319,083
Administrative expenses	319,346	155,486	15,674	490,506
Current period change in market value of investments	<u>1,956,782</u>	<u>2,808,387</u>	<u>42,577</u>	<u>4,807,746</u>
	25,524,211	7,889,430	203,694	33,617,335
Decrease in Net Assets	(23,330,573)	(4,557,161)	(153,857)	(28,041,591)
Assets available for benefits, beginning of year	<u>37,102,347</u>	<u>29,078,469</u>	<u>826,971</u>	<u>67,007,787</u>
Assets available for benefits, end of year	<u>\$ 13,771,774</u>	<u>\$ 24,521,308</u>	<u>\$ 673,114</u>	<u>\$ 38,966,196</u>
2001				
Increase in Assets				
Contributions:				
Sydney Steel Corporation	\$ 1,361	\$ 31,491	\$ 1,028	\$ 33,880
Employees	---	16,075	---	16,075
Interest and dividends on investments	102,203	79,172	2,277	183,652
Gain on sale of investments	<u>122,067</u>	<u>94,404</u>	<u>2,696</u>	<u>219,167</u>
	225,631	221,142	6,001	452,774
Decrease in Assets				
Benefits paid	973,354	295,358	5,691	1,274,403
Administrative expenses	48,129	11,167	2,069	61,365
Current period change in market value of investments	<u>1,177,597</u>	<u>912,241</u>	<u>26,239</u>	<u>2,116,077</u>
	2,199,080	1,218,766	33,999	3,451,845
Decrease in Net Assets	(1,973,449)	(997,624)	(27,998)	(2,999,071)
Assets available for benefits, March 1, 2001	<u>39,075,796</u>	<u>30,076,093</u>	<u>854,969</u>	<u>70,006,858</u>
Assets available for benefits, March 31, 2001	<u>\$ 37,102,347</u>	<u>\$ 29,078,469</u>	<u>\$ 826,971</u>	<u>\$ 67,007,787</u>

TIDAL POWER CORPORATION

Balance Sheet
for the period ended January 31, 2002

	2002	2001
ASSETS		
Current Assets		
Bank	\$ ---	\$ 43,672
Fixed Assets		
Office Furniture	---	7,178
Less Accumulated Depreciation	---	4,068
	---	3,110
Computer Equipment	---	4,875
Less Accumulated Depreciation	---	2,922
	---	1,953
Total Assets	\$ ---	\$ 48,735

LIABILITIES

Liabilities	\$ ---	---
-----------------------	--------	-----

EQUITY

Opening Retained Earnings	48,735	47,524
Current Earnings	(4,967)	1,211
Dispositions	43,768	---
Closing Retained Earnings	---	48,735
Liabilities/Equity	\$ ---	\$ 48,735

Income Statement
for the period ended January 31, 2002

	2002	2001
Revenue		
Interest Income	\$ 159	\$ 2,075
Total Revenue	\$ 159	\$ 2,075
Expenses		
Administration-Bank Charges	\$ 63	\$ 18
Depreciation Expense		
Furniture/Equipment	---	359
Computer	---	487
Loss on Disposal of Fixed Assets	3,110	
Loss on Disposal of Computer Equipment	1,953	
Total Expenses	5,126	864
Net Income	\$ (4,967)	\$ 1,211

TIDAL POWER CORPORATION

Schedule of Interest and Charges
January 31, 2002

Month	Interest	Charges
April	---	---
May	152.54	10.01
June	0.43	6.00
July	0.39	6.00
August	0.38	6.00
September	0.34	6.00
October	0.27	6.00
November	0.26	6.00
December	0.16	6.00
January	4.12	11.00
Total	<u>\$ 158.89</u>	<u>\$ 63.01</u>

Notes to Financial Statements
January 31, 2002

1. Authority

The Tidal Power Corporation was established by the Tidal Power Corporation Act which came into force on April 22, 1971. The object of the Corporation is to obtain, for Nova Scotia, the maximum benefit which may be derived from exploitation of tidal power and undertakings which are ancillary to, connected with, or may arise as a result of exploitation.

Tidal Power Corporation was dissolved by Cabinet through Order-in Council #2001-114, dated March 9, 2001. The residual funds belonging to the Corporation have been transferred to the Department of Natural Resources for use by the Energy Utilization section of the department for energy efficiency or alternative energy projects, in particular, the climate change project.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Trade Centre Limited as at March 31, 2002 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Halifax, Canada
June 7, 2002

TRADE CENTRE LIMITED

**Consolidated Balance Sheet
March 31, 2002, with comparative figures for 2001**

	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,997,215	\$ 2,690,170
Accounts receivable (note 2)	1,804,995	1,869,306
Inventories	138,771	125,585
Prepaid expenses	<u>237,361</u>	<u>43,741</u>
	4,178,342	4,728,802
Property and equipment (note 3):		
Land, building, furniture and equipment and tenant leaseholds	39,726,176	38,599,034
Less accumulated depreciation and amortization	<u>(23,240,041)</u>	<u>(21,597,506)</u>
	<u>16,486,135</u>	<u>17,001,528</u>
	<u>\$ 20,664,477</u>	<u>\$ 21,730,330</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,847,154	\$ 1,465,654
Due to the Province of Nova Scotia	502,221	561,065
Event deposits	615,765	497,166
Deferred revenue	<u>84,647</u>	<u>16,443</u>
	3,049,787	2,540,328
Shareholder's equity:		
Capital stock:		
Authorized: 1,000,000 common shares without par value		
Issued and outstanding: 100 common shares	100	100
Contributed surplus (note 4)	45,173,101	45,173,101
Deficit	<u>(27,558,511)</u>	<u>(25,983,199)</u>
	<u>17,614,690</u>	<u>19,190,002</u>
	<u>\$ 20,664,477</u>	<u>\$ 21,730,330</u>

Commitments (note 5)
Contingencies (note 6)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

**Consolidated Statement of Operations and Deficit
Year ended March 31, 2002, with comparative figures for 2001**

	2002	2001
Revenues:		
Convention Centre	\$ 4,440,049	\$ 5,122,152
Office Tower	2,114,593	2,124,192
Exhibition Park	1,558,984	1,479,383
World Trade Centre and Windows	585,926	659,149
Halifax Regional Municipality Convention Centre Subsidy (note 7)	473,341	471,925
	9,172,893	9,856,801
Expenses:		
Event expenses	3,563,690	3,795,727
Salaries, wages and benefits	1,931,959	2,084,013
Administration	551,801	648,779
Advertising and marketing	650,022	652,359
Maintenance	760,761	857,844
Energy	716,312	810,856
Taxes and insurance	1,003,980	896,967
	9,178,525	9,746,545
Income (loss) before other items	(5,632)	110,256
Other income:		
Gain on disposal of assets	---	5,440
Interest income on short-term investments	72,854	160,985
	72,854	166,425
	67,222	276,681
Other expenses:		
Depreciation and amortization	1,642,534	1,548,705
Loss for the year	(1,575,312)	(1,272,024)
Deficit, beginning of year	(25,983,199)	(24,643,701)
Change in accounting policy (note 1 (h))	---	(67,474)
Deficit, end of year	\$ (27,558,511)	\$ (25,983,199)

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

**Consolidated Statement of Cash Flows
Year ended March 31, 2002, with comparative figures for 2001**

	2002	2001
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (1,575,312)\$	(1,272,024)
Items not involving cash:		
Depreciation and amortization	1,642,534	1,548,705
Gain on disposal of assets	---	(5,440)
Change in non-cash operating working capital	<u>366,964</u>	<u>(48,539)</u>
	434,186	222,702
Investments:		
Proceeds on disposal of furniture and equipment	10,927	10,511
Purchase of property and equipment	<u>(1,138,068)</u>	<u>(545,234)</u>
	(1,127,141)	(534,723)
Decrease in cash and cash equivalents	<u>(692,955)</u>	<u>(312,021)</u>
Cash and cash equivalents, beginning of year	2,690,170	3,002,191
Cash and cash equivalents, end of year	<u>\$ 1,997,215</u>	<u>\$ 2,690,170</u>

See accompanying notes to consolidated financial statements.

TRADE CENTRE LIMITED

**Notes to Financial Statements
Year ended March 31, 2002**

The Trade Centre Limited is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre, leasing of office and commercial space and the operation of Exhibition Park. Trade Centre Limited is a government business-type enterprise as defined by Public Sector Accounting and Assurance Recommendations.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Trade Centre Limited and those of Maritime Fall Fair Association (the "Association"). Trade Centre Limited exercises control over the Association by virtue of its ability to control the Association's Advisory Board. The Association was incorporated under the Nova Scotia Societies Act on December 22, 1999 and its principal activity is the operation of the annual agricultural fair located at Exhibition Park.

(b) Divisional operations:

The Trade Centre Limited consists of four divisions: the Convention Centre, the Office Tower, Exhibition Park and the World Trade Centre. Revenue and expenses are recorded on the accrual basis.

(c) Cash and cash equivalents:

Cash and cash equivalents include amounts on deposit with financial institutions and investments with maturities of 90 days or less.

(d) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(e) Property and equipment:

Property and equipment is stated at cost, net of government assistance. Depreciation and amortization is provided on the straight-line basis over the following terms:

Asset	Rate
Buildings	15 to 30 years
Furniture and equipment	3 to 5 years
Tenant leaseholds	Lease term

(f) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These significant estimates include the provision for the settlement of the Atlantic Winter Fair liabilities assumed upon taking over management of Exhibition Park. Actual results could differ from these estimates.

(g) Employee future benefits:

(i) Public service award:

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of six months salary. Management recognizes compensation expense on an accrual basis.

(ii) Pension Plan:

Full time employees of the Trade Centre Limited are members of the Nova Scotia Public Service Superannuation Plan. Accrued benefit obligations are recognized in the financial statements of the Province of Nova Scotia.

(h) Change in accounting policy

Trade Centre Limited has implemented Section 3461 of the CICA Handbook, Employee Future Benefits ("Section 3461") and has reported the cumulative effect of this change in the consolidated statement of operations and deficit as an adjustment to opening deficit for the year ended March 31, 2001. The change in accounting policy is for Public Service Awards, which were previously recognized as an expense when paid to retiring employees.

The cumulative effect of this change for Public Service Awards of \$67,474 is determined as of April 1, 2000 and is reported separately in the consolidated statement of operations and deficit as a restatement of the opening balance.

2. Accounts receivable:

	2002	2001
Halifax Metro Centre	\$ 665,854	\$ 675,941
Due from Halifax Regional Municipality	---	471,925
Convention Centre events	445,756	404,161
Exhibition Park events	306,438	158,218
Events Halifax funding	205,522	183,717
World Trade Club	39,770	34,438
Other	40,180	19,669
Office Tower rents	135,739	---
	<u>1,839,259</u>	<u>1,948,069</u>
Less allowance for doubtful accounts	<u>(34,264)</u>	<u>(78,763)</u>
	<u>\$ 1,804,995</u>	<u>\$ 1,869,306</u>

3. Property and equipment:

	Cost	Accumulated depreciation and amortization	2002 Net	2001 Net
Land	\$ 213,113	\$ ---	\$ 213,113	\$ 213,113
Building	34,617,376	18,769,448	15,847,928	16,170,193
Furniture and equipment	3,389,929	3,037,089	352,840	339,564
Tenant leaseholds	1,505,758	1,433,504	72,254	278,658
	<u>\$ 39,726,176</u>	<u>\$ 23,240,041</u>	<u>\$ 16,486,135</u>	<u>\$ 17,001,528</u>

4. Contributed surplus:

	2002	2001
Government of Canada	\$ 2,750,000	\$ 2,750,000
Halifax Regional Municipality	1,500,000	1,500,000
Province of Nova Scotia	40,923,101	40,923,101
	<u>\$ 45,173,101</u>	<u>\$ 45,173,101</u>

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

5. Commitments:

(a) Trade Centre Limited is committed to payments under operating leases with terms expiring between 2002 and 2004. Annual payments are as follows:

2003.....	\$	52,018
2004.....		27,019

(b) Trade Centre Limited has entered into a contract in which they have guaranteed a minimum profit in the amount of \$3,000,000 to the Canadian Hockey Association in connection with the hosting of the world Junior Hockey Championship by the Halifax Metro Centre in 2003.

As of March 31, 2002, advance ticket sales had exceeded \$3,000,000.

6. Contingencies

(a) Trade Centre Limited is in a dispute with the Halifax Regional Municipality regarding an obligation to pay property taxes and grant-in-lieu of business occupancy taxes for Exhibition Park.

The Halifax Regional Municipality has billed Trade Centre Limited approximately \$530,000 in property taxes for Exhibition Park relating to fiscal years 2002 and 2001 in the amounts of \$264,000 and \$266,000, respectively. No amount has been accrued as it is management's position that, as a crown corporation, Trade Centre Limited is exempt from these items.

(b) As of March 31, 2002 there are a number of claims against Trade Centre Limited and the Halifax Regional Municipality for events which have arisen in the normal course of carrying on the operations of Trade Centre Limited. It is not possible at this time to determine the amounts that may be assessed against either party, or the impact to the Trade Centre Limited financial statements, with respect to these claims.

7. Halifax Regional Municipality Convention Centre Subsidy:

Pursuant to the Financing Agreement of May 14, 1982, the Halifax Regional Municipality makes an annual contribution to the operating deficit of the Convention Centre. In this respect, the Trade Centre Limited has recognized the contribution relating to the 2002 fiscal year in these consolidated financial statements.

TRANSPORTATION TRUST FUND

Continuity of Transportation Trust Fund
for the year ended March 31, 2002

	2002	2001
Balance, beginning of year \$	--- \$	---
<i>Add:</i> Revenue collected during year	39,044,896.00	35,629,724.00
	<u>39,044,896.00</u>	<u>35,629,724.00</u>
 <i>Deduct:</i> Refund of Payments	 2,389,645.00	 8,073,506.00
Department of Transportation and Public Works Expenditures (Schedule 1)	31,077,552.85	23,458,818.78
Transfer to consolidated Fund	5,577,698.15	4,097,399.22
	<u>39,044,896.00</u>	<u>35,629,724.00</u>
Balance - end of year \$	<u>--- \$</u>	<u>---</u>

Transportation Trust Fund Expenditures
for the year ended March 31, 2002

Highway	2002	2001
101 \$	7,876,050.58 \$	3,652,383.69
102	4,701,522.72	4,576,798.11
103	1,779,996.75	1,221,732.75
104	5,264,786.86	5,791,201.59
105	7,844,833.02	3,188,878.48
106	---	157,966.05
107	233,532.46	160,000.00
111	1,019,226.00	297,368.21
113	78,428.26	500,000.00
118	3,500.00	---
125	1,443,060.20	3,840,319.80
Misc	832,616.00	72,170.10
Total Expenditure \$	<u>31,077,552.85 \$</u>	<u>23,458,818.78</u>

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the balance sheet of Upper Clements Family Theme Park Limited as at March 31, 2002, and the statement of income and deficit for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2002 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Halifax, Nova Scotia
June 21, 2002

**PROVINCE OF NOVA SCOTIA
UPPER CLEMENTS FAMILY THEME PARK LIMITED**

**Balance Sheet
as at March 31, 2002**

	2002	2001
ASSETS		
Current		
Cash	\$ <u>---</u>	\$ <u>107</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	\$ <u>1,000</u>	\$ <u>4,680</u>
	<u>1,000</u>	<u>4,680</u>
Equity		
Capital stock	1	1
Contributed surplus (Note 3)	5,667,174	5,667,174
Deficit	<u>(5,668,175)</u>	<u>(5,671,748)</u>
	<u>(1,000)</u>	<u>(4,573)</u>
	\$ <u>---</u>	\$ <u>107</u>
Contingency (Note 5)		

**Statement of Income and Deficit
for the year ended March 31, 2002**

	2002	2001
Revenue		
Contributions from the Province (Note 4)	\$ <u>4,994</u>	\$ <u>31,700</u>
	<u>4,994</u>	<u>31,700</u>
Expenses		
Professional fees	1,050	2,000
Workers' compensation (Note 2)	179	32,037
Dues and fees	85	85
Miscellaneous	<u>107</u>	<u>79</u>
	1,421	34,201
Less: Adjustment to workers' compensation benefits (Note 2)	---	7,569
	<u>1,421</u>	<u>26,632</u>
Net Income	<u>3,573</u>	<u>5,068</u>
Deficit, beginning of year	<u>(5,671,748)</u>	<u>(5,676,816)</u>
Deficit, end of year	\$ <u>(5,668,175)</u>	\$ <u>(5,671,748)</u>

See accompanying notes to financial statements.

**PROVINCE OF NOVA SCOTIA
UPPER CLEMENTS FAMILY THEME PARK LIMITED**

**Notes to Financial Statements
March 31, 2002**

1. Authority

The Upper Clements Family Theme Park Limited was created by Order-in-Council #88-17 for the purpose of assisting in the establishment and operation of a family theme park. On April 6, 1994 the Company transferred all of its fixed assets to its shareholder, the Province of Nova Scotia.

The Province has subsequently entered into leasing arrangements with third parties to continue the operations of the park, the latest effective February 1, 1997 to January 31, 2007. Revenue and costs associated with the lease arrangements are included in the accounts of the Province.

The Company's affairs are being managed by staff of the Department of Tourism and Culture, and it is not actively involved in the operation of the family theme park.

2. Significant Accounting Policies

(a) Basis of Financial Statement Presentation

These financial statements have been prepared in accordance with generally accepted accounting principles. A statement of cash flow is not provided since disclosure in the balance sheet and income statement is considered adequate.

(b) Workers' Compensation Benefits

This balance represents management's best estimate of the present value of the future payments required for workers' compensation benefits of a former employee. An adjustment to workers' compensation benefits occurs when changes are made to the assumptions used in estimating the long-term liability. During the 2001 fiscal year, a settlement was accepted by the individual receiving benefit payments which eliminated the long-term liability.

3. Contributed Surplus

The contributed surplus balance represents the Province of Nova Scotia's investment in the fixed assets of the park when it was created net of a reduction made in 1994 when the fixed assets were transferred to the Province. No gain or loss was realized on the transfer.

4. Economic Dependence and Related Party Transactions

The Province of Nova Scotia is a related party of the Company. The Company is economically dependent on contributions from the Province of Nova Scotia to continue operating. The extent to which this assistance will be received in the future has not been determined. Details of any transactions between the related parties are separately disclosed in the financial statements.

5. Contingent Liability

An individual, who incurred injuries while working at the park and was receiving workers' compensation benefits, received a lump sum settlement in the 2001 fiscal year. At some point in the future, if the individual's condition becomes worse, additional workers' compensation benefits would be payable by the Company.

VICTIMS' ASSISTANCE FUND

Balance Sheet
as at March 31, 2002

ASSETS

	2002	2001
Cash	\$ 410,982.14	\$ 292,274.87
Investments	498,870.29	747,187.27
	<u>\$ 909,852.43</u>	<u>\$ 1,039,462.14</u>

LIABILITIES

Fund	<u>\$ 909,852.43</u>	<u>\$ 1,039,462.14</u>
------------	----------------------	------------------------

Continuity of Fund
for the year ended March 31, 2002

	2002	2001
Balance, beginning of year	\$ 1,039,462.14	\$ 1,075,163.90
Receipts:		
Investment income	27,715.90	37,311.33
Bank interest	10,098.16	19,392.77
Deposits	778,270.34	843,542.69
	<u>816,084.40</u>	<u>900,246.79</u>
Disbursements	(945,694.11)	(935,948.55)
Balance, end of year	<u>\$ 909,852.43</u>	<u>\$ 1,039,462.14</u>

Note to the Financial Statements
March 31, 2002

Investments at March 31, 2002 consisted of the following:

\$499,789.88 TD Bank Banker's Acceptance	
2.04% March 13, 2002 to April 15, 2002	<u>\$ 498,870.29</u>

AUDITORS' REPORT

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 2002 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002, and the results of its operations and cash flows for the year ended in accordance with Canadian generally accepted accounting principles.

GRANT THORNTON LLP
Chartered Accountants

Halifax, Nova Scotia
May 10, 2002

WATERFRONT DEVELOPMENT CORPORATION LIMITED

**Statement of Earnings and Retained Earnings
Year Ended March 31, 2002**

	2002	Restated 2001
Revenue		
Rents	\$ 3,005,302	\$ 2,790,989
Recoveries	87,057	1,778
Interest income	84,261	11,327
Other income	104,526	25,941
Gain on sale of properties	8,335	307,484
Grant revenue	115,000	
	<u>3,404,481</u>	<u>3,137,519</u>
Property Expenses		
Property taxes	21,193	47,635
Operating	549,757	538,984
Depreciation and amortization	287,136	248,067
	<u>858,086</u>	<u>834,686</u>
Income before other items	<u>2,546,395</u>	<u>2,302,833</u>
Corporate expenses		
Directors fees and expenses	30,517	21,798
Doubtful accounts	---	3,519
Office operations	55,753	51,945
Professional fees		
Audit	15,574	12,050
Consultants	61,318	14,502
Planning study	21,885	72,321
Legal (recovery)	(9,042)	15,066
Salaries, contracts and benefits	402,284	341,110
Waterfront promotions and public relations	27,833	8,229
	<u>606,122</u>	<u>540,540</u>
Loan interest	421,646	805,126
Depreciation on facilities for public access	82,741	79,511
Contribution to non-owned infrastructure	47,588	6,136
	<u>551,975</u>	<u>890,773</u>
Net earnings before unusual item	1,388,298	871,520
Unusual item (Note 14)	240,000	---
Net earnings	\$ <u>1,148,298</u>	\$ <u>871,520</u>
Retained earnings, beginning of year, as previously reported	\$ 971,056	\$ 826,047
Amalgamation of BWDCL (Note 1)	---	123,489
Retained earnings, restated	971,056	949,536
Net earnings	1,148,298	871,520
Transfer to General Development Reserve (Note 7)	(450,000)	(450,000)
Transfer to Infrastructure Renewal Fund (Note 8)	(400,000)	(400,000)
Retained earnings, end of year	\$ <u>1,269,354</u>	\$ <u>971,056</u>

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

**Balance Sheet
March 31, 2002**

	2002	Restated 2001
ASSETS		
Receivables - trade	\$ 453,835	\$ 809,448
Notes receivable (Note 3)	74,438	112,176
Mortgage receivable	---	1,400,000
Prepays	6,319	24,420
Real estate and development projects (Note 4)	27,724,045	27,902,580
Deferred costs	22,006	11,791
	<u>\$ 28,280,643</u>	<u>\$ 30,260,415</u>

LIABILITIES

Bank indebtedness (Note 5 and 9)	\$ 277,055	\$ 17,430
Payables and accruals	199,625	503,737
Deferred dock recovery	15,000	15,000
Loan payable (Note 5)	<u>10,155,364</u>	<u>13,255,363</u>
	<u>10,647,044</u>	<u>13,791,530</u>

SHAREHOLDER'S EQUITY

Capital stock (Note 6)	3	3
Contributed surplus	13,747,826	13,747,826
General Development Reserve (Note 7)	1,800,000	1,350,000
Infrastructure Renewal Fund (Note 8)	816,416	400,000
Retained Earnings	<u>1,269,354</u>	<u>971,056</u>
	<u>17,633,599</u>	<u>16,468,885</u>
	<u>\$ 28,280,643</u>	<u>\$ 30,260,415</u>

Commitments (Note 10)
Contingency (Note 13)

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

**Statement of Cash Flows
Year Ended March 31, 2002**

	2002	Restated 2001
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	\$ 1,148,298	\$ 871,520
Gain on sale of property	(8,335)	(307,484)
Depreciation and amortization	369,877	327,578
	<u>1,509,840</u>	<u>891,614</u>
Change in non-cash operating working capital (Note 9)	1,459,388	45,206
	<u>2,969,228</u>	<u>936,820</u>
Financing		
Interest earned on Infrastructure Renewal Fund	16,416	---
Decrease in notes receivable, net.	37,738	36,645
Decrease in loan payable	(3,100,000)	(2,500,000)
	<u>(3,045,846)</u>	<u>(2,463,355)</u>
Investing		
Purchase of		
Equipment	(10,117)	(5,050)
Real estate and construction projects, net	(181,790)	(498,842)
Proceeds from sale of property	8,900	2,224,571
	<u>(183,007)</u>	<u>1,720,679</u>
Net (decrease) increase in cash and cash equivalents	(259,625)	194,144
Bank indebtedness, net of cash and cash equivalents		
Beginning of year	(17,430)	(211,574)
End of year	<u>\$ (277,055)</u>	<u>\$ (17,430)</u>

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

**Notes to the Financial Statements
March 31, 2002**

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax, Dartmouth and Bedford waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

On April 1, 2001 the Waterfront Development Corporation amalgamated with the Bedford Waterfront Development Corporation Limited (BWDCL). The amalgamation has been accounted for as a pooling of interests and accordingly the assets, liabilities, net earnings and cash flow from operations of the predecessor companies have been combined in the amalgamated company. The amalgamation has been accounted for retroactively and the comparative amounts for 2001 have been restated to include operations of BWDCL as follows:

	Increase (Decrease)
Receivables and prepaids	\$ 2,029,692
Real estate and development projects	1,158,528
Payables, accruals and indebtedness	(90,632)
Loan payable	3,155,363
Retained earnings	123,489

2. Summary of significant accounting policies

Capitalization

All expenditures directly related to acquisition, renovation and development are included in the cost of real estate. Revenue generated as a result of property development is applied as a reduction in the cost.

Government assistance

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs are accounted for as grant revenue.

Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

Depreciation

Building and equipment

Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease

The cost of the lease referred to in Note 4 is amortized over its term.

Development costs

Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

Use of estimates

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

Bank indebtedness and cash equivalents

Bank indebtedness is comprised of cash on hand, cash held in banks and an operating line of credit.

3.	Notes receivable	2002	2001
	Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of \$1,712, maturing June 2006.	\$ 60,236	\$ 82,389
	Note receivable bearing interest at 9%, repayable in blended monthly payments of \$253, maturing April 2008.	14,202	15,910
	Note receivable repaid during the year	---	13,877
		<u>\$ 74,438</u>	<u>\$ 112,176</u>

4.	Real estate and development projects		2002	2001
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	Facilities for public access	\$ 6,416,566	\$ 1,281,928	\$ 5,134,638
	Real estate and development projects	<u>26,518,692</u>	<u>3,929,285</u>	<u>22,589,407</u>
		<u>\$ 32,935,258</u>	<u>\$ 5,211,213</u>	<u>\$ 27,724,045</u>
			<u>\$ 27,902,580</u>	

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options. Current year additions of real estate and development projects are recorded net of revenues, in the amount of \$446,704.

5. Credit facility

(i) The Corporation has available a combined credit facility of \$18,100,000, of which \$14,500,000 is secured by a guarantee of the Province of Nova Scotia, bearing interest at prime, less 0.95 percent. The additional \$3,600,000 is available at the Bank's prime rate to be secured by a negative pledge regarding its real property.

(ii)	Loan payable	2002	2001
	Capital projects	\$ 8,400,000	\$ 10,100,000
	Department of Economic Development	<u>1,755,364</u>	<u>3,155,363</u>
		<u>\$ 10,155,364</u>	<u>\$ 13,255,363</u>

The loan from the Department of Economic Development is secured by a charge over specific real property and is to be repaid from excess funds generated from sales of real estate development.

6. Capital stock

	2002	2001
Authorized		
5,000 shares without nominal or par value		
Issued:		
3 shares	\$ <u>3</u>	\$ <u>3</u>

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

7. General development reserve

	2002	2001
Beginning balance.....	\$ 1,350,000	\$ 900,000
Transfer from operations	<u>450,000</u>	<u>450,000</u>
Ending balance.....	\$ <u>1,800,000</u>	\$ <u>1,350,000</u>

The Board of Directors has established this reserve for future development and promotional projects. Contributions to and expenditures from this reserve will be decided by the Board of Directors.

8. Infrastructure Renewal Fund

The infrastructure renewal fund shall be used for the renewal or replacement of public use facilities such as wharves, boardwalks, and parks, when such work is required as a result of aging. In general, the fund will not be used for ordinary repairs necessitated by other causes, or for repair/replacement of minor portions of such assets. Exceptions may be made when deemed appropriate by management in consultation with the Board. Interest has been allocated to the fund based on the interest rate paid on the credit facility. This fund will be funded from the current credit facility.

	2002	2001
Beginning balance.....	\$ 400,000	\$ ---
Transfer from operations.....	400,000	400,000
Interest earned.....	<u>16,416</u>	<u>---</u>
Ending balance.....	\$ <u>816,416</u>	\$ <u>400,000</u>

9. Supplemental cash flow information

Change in non cash operating working capital

	2002	2001
Receivables	\$ 1,755,614	\$ 72,060
Deferred dock recovery	---	15,000
Prepays	18,101	(3,067)
Payables and accruals	(304,112)	(39,693)
Deferred costs	<u>(10,215)</u>	<u>906</u>
	\$ <u>1,459,388</u>	\$ <u>45,206</u>

Bank indebtedness and cash equivalents are comprised of the following:

Cash in bank account and on hand	\$	38,009	\$	170,860
Line of credit		(315,064)		(188,290)
		<u>\$ (277,055)</u>		<u>\$ (17,430)</u>
Interest paid	\$	<u>421,646</u>	\$	<u>805,126</u>

10. Commitments

The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2002	1,016
2003	1,016
2004	1,016
2005	1,016
2006	1,016

11. Financial instruments

The fair values of cash and receivables approximate their carrying amounts because of their short term to maturity. The fair value of loans receivable approximate their carrying amounts because of variable interest rates and an insignificant fluctuation in the interest rates for those with fixed rates.

The fair values of payables and accruals and note payable approximate their carrying amounts because of their short term to maturity and variable interest rate.

12. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required the payment costs for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

The most recent actuarial valuation of this plan was completed as at December 31, 1999 and includes pension assets of \$2,881,300,000, and pension liabilities of \$2,723,800,000, resulting in a pension surplus of \$157,500,000. This surplus has resulted in a pension holiday for its participants. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only five employees.

13. Contingency

Waterfront Development Corporation is a defendant in an action brought forward, claiming specific performance of an alleged Agreement of Purchase and Sale for Parcel 4.5, lands of WDCL. This site has subsequently been sold, under which the agreement of purchase and sale required the Corporation to enter into an indemnity agreement to protect the purchaser against possible legal expenses and claims arising from this action. The outcome is undeterminable at this time and no amounts have been accrued in these financial statements. Should the outcome be unfavourable, the Province will reimburse the Corporation for the amount settled.

14. Unusual item

During the year the Corporation settled a lawsuit for \$240,000. This lawsuit was previously disclosed in the financial statements of Bedford Waterfront Development Corporation Limited. The Corporation is party to a suit against a third party in an attempt to recover certain of the funds paid.

AUDITORS' REPORT

To the Members of the Board of Directors Workers' Compensation Board of Nova Scotia

We have audited the statement of financial position of the Workers' Compensation Board of Nova Scotia (the "WCB") as at December 31, 2001 and 2000 and the statements of operations and unfunded liability and cash flows for the years then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young, LLP
Chartered Accountants

Halifax, Nova Scotia
March 5, 2002

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

**Statement of Financial Position
as at December 31, 2001**

	2001		2000
	(in thousands)		
ASSETS			
Cash	\$ 9,108	\$	8,122
Receivables (Note 3)	16,321		20,168
Investments (Note 4 and 13)	690,352		621,035
Property and equipment (Note 5)	13,167		12,574
Other assets (Note 6)	1,950		2,100
	<u>\$ 730,898</u>	\$	<u>663,999</u>

LIABILITIES			
Payables and accruals	\$ 13,768	\$	13,641
Employee future benefits (Notes 2e, 7 and 17)	3,490		3,143
Benefits liabilities (Note 8)	<u>1,002,978</u>		<u>955,004</u>
	1,020,236		971,788
Unfunded liability	<u>(289,338)</u>		<u>(307,789)</u>
	<u>\$ 730,898</u>	\$	<u>663,999</u>

Commitments (Note 15)
Contingencies (Note 16)

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

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

**Statement of Operations and Unfunded Liability
Year Ended December 31, 2001**

	2001	2000
	(in thousands)	
Revenue		
Assessments (Note 9 and 13)	\$ 189,914	\$ 194,260
Net investment income (Note 13)	48,616	62,103
	<u>238,530</u>	<u>256,363</u>
Claims costs incurred (Note 8 and 13)		
Short-term disability	34,788	28,892
Long-term disability	54,028	52,777
Survivor benefits	5,305	6,022
Health care	22,776	18,263
Rehabilitation	2,289	1,693
	<u>119,186</u>	<u>107,647</u>
Growth in present value of benefits liabilities and		
actuarial experience adjustments (Note 8)	69,306	82,278
Administration costs (Notes 10 and 13)	24,524	25,466
Legislated obligations (Note 11)	7,063	7,269
	<u>220,079</u>	<u>222,660</u>
Excess of revenue over expenses applied to reduce the unfunded		
liability	18,451	33,703
Unfunded liability, beginning of year	<u>(307,789)</u>	<u>(341,492)</u>
Unfunded liability, end of year	\$ <u><u>(289,338)</u></u>	\$ <u><u>(307,789)</u></u>

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

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

**Statement of Cash Flows
Year Ended December 31, 2001**

	2001	2000
	(in thousands)	
Operating Activities		
Cash received from:		
Employers, for assessments	\$ 191,830	\$ 181,877
Net investment income	48,616	62,103
	<u>240,446</u>	<u>243,980</u>
Cash paid to:		
Claimants or third parties on their behalf.	(138,667)	(123,979)
Suppliers, for administrative and other goods and services.	(28,609)	(26,318)
	<u>(167,276)</u>	<u>(150,297)</u>
Deferred Charges (Note 18)	---	923
Net cash provided by operating activities.	<u>73,170</u>	<u>94,606</u>
Investing Activities		
Increase in investments	(69,317)	(87,716)
Cash paid for:		
Purchases of equipment	(2,867)	(3,975)
Net cash used in investing activities.	<u>(72,184)</u>	<u>(91,691)</u>
Net increase in cash	986	2,915
Cash, beginning of year	8,122	5,207
Cash, end of year	\$ <u>9,108</u>	\$ <u>8,122</u>

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

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

Notes to the Financial Statements Year Ended December 31, 2001 (thousands of dollars)

1. NATURE OF OPERATIONS

The Workers' Compensation Board of Nova Scotia ("the WCB") was established by the Nova Scotia Legislature in 1917, under the Workers' Compensation Act (the "Act"), and as such is exempt from income tax. The WCB is responsible, in accordance with the provisions of the Act, for administering the payment of benefits to injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and investing funds held for future benefit payments.

A new Act received Royal Assent on February 6, 1995. The Act contains several provisions dealing with retroactive entitlement for permanent disability. Permanent injuries incurred before March 23, 1990, will be compensated according to the worker's level of physical impairment. Permanent injuries incurred on or after this date are primarily compensated according to the earnings loss resulting from the injury.

Amendments to the Act received Royal Assent on April 16, 1999. The amendments contained a number of provisions including:

- Establishment of the level of benefits for certain workers with chronic pain whose accidents occurred after March 23, 1990 and before February 1, 1996;
- Reinstatement of Amended Interim Earnings Loss Benefits;
- Reinstatement of certain survivor benefits to survivors who remarried prior to 1992;
- Extension of survivor pensions for life rather than to age 65, where a compensable death occurs after February 1, 1996 as a result of injuries prior to February 1, 1996.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Assessments Receivable

Assessments receivable and assessment revenue include a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

b) Investments

Fixed-term investments are recorded at amortized cost. Gains or losses realized on disposal of fixed-term investments are amortized on a straight-line basis over a five-year period.

Equity investments are stated at moving average market value. Under this method unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of equities during the year, are deferred and amortized on a straight-line basis over a five-year period.

Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write down is included in the income of the year in which it occurs.

c) Property and Equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight-line basis over a period of 40 years for the building, 5 to 10 years for furniture and facilities, and equipment and hardware. Amortization is charged on a straight-line basis over a period from 5 to 10 years for software and process development and on a declining balance basis at an annual rate of 30 percent for software purchases. In the year of acquisition, a half-year's amortization is taken.

d) Other Assets

Other assets are stated at cost, less accumulated amortization, which is charged on a straight-line basis over 25 years.

e) Employee Future Benefits

Effective January 1, 2000, the WCB retroactively adopted an accounting policy to record its liability for employee future benefits. The main components of this change were as follows:

- Costs for employee future benefits other than pensions are accrued over the periods in which the employees render services in return for these benefits. The costs associated with non-pension future benefits were previously expensed as incurred.
- The cumulative effect of this accounting policy change as of January 1, 2000 was an increase to the employee future benefits of \$2,735 and an increase to the unfunded liability for the same amount.
- Actuarial gains and losses are amortized on a straight-line basis over the employee's average remaining service life.

f) Benefits Liabilities

An independent actuary completes a valuation of the Benefits Liabilities of the WCB at each year-end. The Benefits Liabilities represent the actuarial present value of all future benefits payments expected to be made for accidents which occurred in the current fiscal year or in any prior year. The Benefits Liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims. No provision has been made for future claims related to occupational disease or for future expenses of administration of existing claims (see also Note 8).

g) Foreign Currency Translation

Investments denominated in foreign currencies are converted to Canadian dollars at rates of exchange prevailing at the balance sheet date. The resulting translation adjustment is deferred and amortized on a straight-line basis over a five-year period, consistent with the accounting policy for Investments.

h) Measurement Uncertainty

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

i) Financial Instruments

The carrying values of WCB's financial instruments, other than investments, approximate fair values because of their short-term maturity and normal credit terms. Investments are recorded as described in note 2b.

The WCB's accounts receivable do not represent significant concentration of credit risk because the accounts are owed by a large number of employers on normal credit terms. At year-end the WCB did not have any exposure relating to derivative instruments.

j) Comparative Figures

Certain 2000 comparative figures have been reclassified to conform with the 2001 presentation.

3. RECEIVABLES

	2001	2000
	(in thousands)	
Assessments	\$ 14,944	\$ 18,762
Self-insured employers (Note 12)	<u>4,365</u>	<u>4,457</u>
Assessments receivable	19,309	23,219
Self-insured employers - deposits (Note 12)	(4,001)	(4,001)
Harmonized Sales Tax rebate	396	465
Other	<u>617</u>	<u>485</u>
	<u>\$ 16,321</u>	<u>\$ 20,168</u>

Assessments receivable are net of allowance for doubtful accounts of \$1,687 in 2001 (2000 -\$1,251). Other receivables are net of allowance for doubtful accounts of \$99 in 2001 (2000 - \$72).

4. INVESTMENTS

	2001	2000
	(in thousands)	
Money Market	\$ 56,455	\$ 86,567
Fixed-term investments	231,708	243,992
Equities	440,358	336,429
Accrued interest	<u>2,757</u>	<u>3,247</u>
	731,278	670,235
Deferred investment and foreign exchange gains	<u>(40,926)</u>	<u>(49,200)</u>
Total	<u>\$ 690,352</u>	<u>\$ 621,035</u>

The market value of the investments at December 31, 2001 is \$731,704 (2000 - \$707,476).

5. PROPERTY AND EQUIPMENT

	2001		
	Cost	Accumulated Amortization	Net Book Value
	(in thousands)		
Land	\$ 155	\$ ---	\$ 155
Building	3,380	1,300	2,080
Furniture and facilities	1,994	557	1,437
Equipment and computer hardware	2,881	1,717	1,164
Software and process development	<u>14,593</u>	<u>6,262</u>	<u>8,331</u>
	<u>\$ 23,003</u>	<u>\$ 9,836</u>	<u>\$ 13,167</u>

	2000		
	Cost	Accumulated Amortization	Net Book Value (in thousands)
Land	\$ 155	\$ ---	\$ 155
Building	3,279	1,215	2,064
Furniture and facilities	1,719	504	1,215
Equipment and computer hardware	3,120	1,794	1,326
Software and process development	13,016	5,202	7,814
	<u>\$ 21,289</u>	<u>\$ 8,715</u>	<u>\$ 12,574</u>

6. OTHER ASSETS

	2001	2000
	(in thousands)	
Cost	\$ 3,750	\$ 3,750
Accumulated amortization	<u>(1,800)</u>	<u>(1,650)</u>
	<u>\$ 1,950</u>	<u>\$ 2,100</u>

During 1990, the WCB paid \$3,750 to the Province of Nova Scotia for the exclusive right to utilize a 16-bed unit at the Queen Elizabeth II Health Sciences Centre for a period of 25 years.

7. EMPLOYEE FUTURE BENEFITS

The WCB has provided for employee future benefits other than pensions consisting of retirement allowances, and post employment life insurance, dental and medical programs.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations are as follows:

	Benefit Plans Other Than Pension	
	2001	2000
Discount rate	6.75%	6.75%
Expected health care costs trend rate	9% decreasing annually by 1% increments to an ultimate rate of 5%	10% decreasing annually by 1% increments to an ultimate rate of 5%
Drug claim increases trend rate	11% decreasing annually by 1% increments to an ultimate rate of 6%	12% decreasing annually by 1% increments to an ultimate rate of 6%
Retirement age assumption	59 years.	59 years.

The current year's net expense incurred for future employee benefits is \$452 (2000 - \$452).

8. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Total 2001 2000 (in thousands)	
Balance, beginning of year.	\$ 51,170	\$ 697,363	\$ 121,984	\$ 76,329	\$ 8,158	\$ 955,004	\$ 890,546
Growth in present value of benefits liabilities	3,838	52,302	9,149	5,725	612	71,626	63,684
Actuarial experience adjustments	13,282	(35,779)	2,733	15,165	2,279	(2,320)	18,594
	<u>17,120</u>	<u>16,523</u>	<u>11,882</u>	<u>20,890</u>	<u>2,891</u>	<u>69,306</u>	<u>82,278</u>
Claims costs incurred	34,788	54,028	5,305	22,776	2,289	119,186	107,647
Claims payments made	(39,376)	(57,239)	(13,501)	(27,383)	(3,019)	(140,518)	(125,467)
Balance, end of year	<u>\$ 63,702</u>	<u>\$ 710,675</u>	<u>\$ 125,670</u>	<u>\$ 92,612</u>	<u>\$ 10,319</u>	<u>\$ 1,002,978</u>	<u>\$ 955,004</u>

Adjustment to Benefits Liabilities

The WCB's independent actuaries, in their report of February 28, 2002, have noted that limited claims experience is yet available in respect of the effect of the earnings-loss procedures upon aggregate benefits liabilities, as the earnings-loss system was only introduced in 1995. The portion of the WCB's recorded benefits liabilities which is subject to earnings-loss procedures is \$291,000.

Recorded benefits liabilities are based upon the best estimation techniques presently available to the WCB. However, it is possible that subsequent independent actuarial estimates may vary based upon the more extensive experience and data under the new earnings-loss procedures that will become available over time. The probability and the magnitude of such a variance, which could be material, is presently undeterminable.

9. ASSESSMENTS

	2001	2000
	(in thousands)	
Classes	\$ 155,340	\$ 160,241
Self-insured employers (Note 12)	32,401	31,031
Premium adjustment charge	692	1,330
Assessment and reporting penalties	<u>1,481</u>	<u>1,658</u>
	<u>\$ 189,914</u>	<u>\$ 194,260</u>

Assessment revenue is shown net of bad debt expense of \$666 in 2001 (2000 - \$798).

10. ADMINISTRATION COSTS

	2001	2000
	(in thousands)	
Salaries and staff expense	\$ 16,837	\$ 16,824
Amortization	2,406	2,099
Building operations	1,313	1,278
Services contracted	1,150	1,096
Supplies	732	873
Communications	631	611
Travel and accommodations	579	585
Professional fees	499	1,298
Training and development	329	750
Equipment rental	31	29
Miscellaneous	<u>17</u>	<u>23</u>
	<u>\$ 24,524</u>	<u>\$ 25,466</u>

11. LEGISLATED OBLIGATIONS

	2001	2000
	(in thousands)	
Occupational Health and Safety	\$ 4,035	\$ 3,995
Workers' Compensation Appeals Tribunal	1,208	1,971
Workers' Advisers Program	1,502	1,303
Workers' Compensation Review Committee	<u>318</u>	<u>---</u>
	<u>\$ 7,063</u>	<u>\$ 7,269</u>

The WCB is required by the Act to reimburse the Government of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Department of Labour.

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. The WCB is required by the Act to absorb the operating costs of the WCAT.

The Workers' Advisers Program (WAP) offers legal advice and assistance to eligible injured workers on workers' compensation matters. The WAP operates autonomously from the WCB. The WCB is required by the Act to absorb the operating costs of the WAP.

The Workers' Compensation Review Committee is appointed pursuant to the Act to review, report on and make recommendations to the Governor in Council in accordance with the terms of reference established by the Governor in Council. The WCB is required by the Act to absorb the operating costs of the Workers' Compensation Review Committee.

12. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers (federal and provincial government bodies and former bodies) who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

	2001	2000
	(in thousands)	
Revenue.	\$ <u>32,401</u>	\$ <u>31,031</u>
Claims costs incurred		
Short-term disability.	\$ 4,882	\$ 4,500
Long-term disability.	15,457	14,976
Survivor benefits.	3,270	3,556
Health care.	3,992	3,674
Rehabilitation.	<u>272</u>	<u>139</u>
	27,873	26,845
Administration costs.	<u>4,528</u>	<u>4,186</u>
	\$ <u>32,401</u>	\$ <u>31,031</u>

The benefits liabilities related to self-insured employers have not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

As of January 1, 2002, two former federal government bodies ceased to be self-insured and began to pay assessment premiums. The employers and the WCB are continuing to negotiate the transitional arrangements related to benefits liabilities for accidents existing on or before December 31, 2001.

13. RELATED PARTY TRANSACTIONS

Pursuant to various legislative amendments to the Act, the Province of Nova Scotia reimburses the WCB for certain claims costs incurred. These claims payments are billed to and recovered on a monthly basis. Total recoveries for 2001 were \$988 (2000 - \$1,177). Claims payments and costs incurred indicated in Note 8 are shown net of these amounts.

In addition, the WCB provides self-insured coverage to provincial government agencies and departments. The Province, as a self-insured employer, reimburses the WCB for their own incurred claims and a share of administration costs. The amounts included in Note 12 for the Province of Nova Scotia are as follows:

	2001	2000
	(in thousands)	
Revenue.	\$ <u>3,706</u>	\$ <u>2,879</u>
Claims costs incurred.	\$ 3,052	\$ 2,369
Administration charges.	<u>654</u>	<u>510</u>
	\$ <u>3,706</u>	\$ <u>2,879</u>

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balances due to and due from related parties are non-interest bearing and under normal credit terms. At December 31, 2001, the amount receivable from the Province of Nova Scotia was \$717 (2000 - \$830).

The WCB invests short-term funds in promissory notes of the Province of Nova Scotia. Interest earned on these investments totalled \$1,526 in 2001 (2000 - \$4,560). Total funds invested in notes due from the Province as at December 31, 2001 were \$18,000 (2000 -\$40,000).

14. INDUSTRY LEVIES

As a result of Orders-in-Council, the WCB has levied a surcharge against the industries listed below to fund a portion of the operating costs of safety and health training programs conducted by the industries. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these industries are not those of the WCB, they have not been included as revenue or costs in the Statement of Operations and Unfunded Liability.

Industry	Payee		2001 (in thousands)		2000
Construction	Nova Scotia Construction Safety Association	\$	861	\$	898
Forestry	Forestry Safety Society	\$	279	\$	291
Trucking	Nova Scotia Trucking Safety Association	\$	220	\$	183
Retail Gasoline	Retail Gasoline Dealers' Association	\$	24	\$	19

15. COMMITMENTS

The WCB has committed to the following operating lease payments, for office premises and equipment, over the next five years and in aggregate:

	(in thousands)
2002	\$ 745
2003	\$ 642
2004	\$ 511
2005	\$ 63
2006	\$ ---
	\$ 1,961

16. CONTINGENCIES

On January 31, 2000, the Workers' Compensation Appeals Tribunal issued two decisions indicating certain provisions of the Act and Regulations were unconstitutional. This decision was overturned by the Nova Scotia Court of Appeal on November 8, 2000. The Appellants have now been granted leave to appeal to the Supreme Court of Canada. It is expected that the Supreme Court of Canada will hear oral arguments in this matter in 2002 with a decision in 2002 or 2003. The provisions affected by the decisions relate specifically to the eligibility of workers to receive benefits for chronic pain. Unresolved issues surrounding this ruling have the potential to increase the liabilities relating to chronic pain benefits. The probability and magnitude of such an increase are currently undeterminable.

17. EMPLOYEE PENSION PLAN

Employees of the WCB participate in the Public Service Superannuation Fund, (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the plan are required by both employees and the WCB. Total employer contributions for 2001 were \$813 (2000 - \$755) and are recognized as an expense in the period. The WCB is not responsible for any unfunded liability, nor does the WCB have any access to any surplus that may arise in this Plan.

18. DEFERRED CHARGES

During 1999, the WCB entered into an agreement with the Nova Scotia Department of Business and Consumer Services on the establishment of the Nova Scotia Business Registry (now called Service Nova Scotia and Municipal Relations, SNSMR). The WCB invested \$923 to assist with the startup costs of the Registry. Initially, the deferred charge was to be amortized to expense over five years at a rate equivalent to the savings in transaction fees. The agreement was revised in 2000 to completely recover the initial investment as a reduction in the contribution to the project costs during 2000.