

## PROVINCE OF NEW BRUNSWICK

## Report on Examination of Accounts

—AT—

October 31st, 1916, and March 31st, 1917

PRICE, WATERHOUSE & CO.,  
Chartered Accountants,  
145 St. James Street,

Montreal, June 11, 1917.

The Honorable W. E. Foster, Premier of the Province of New Brunswick,  
Fredericton, N. B.

DEAR SIR,—In accordance with your instructions, we have made an examination of the books and accounts of the Province of New Brunswick for the purpose of preparing statements of its financial position at October 31, 1916, and March 31, 1917, and making such suggestions as appear necessary for the improvement of the present accounting system and methods. We have prepared and submit herewith the following accounts, viz.:

-EXHIBIT "A"—Balance Sheet of the Province at October 31, 1916, prepared in the form which we would recommend you to adopt.

EXHIBIT "B"—Statement showing in comparative form— (a) Balance Sheet at October 31, 1916, prepared from the published accounts before making any adjustments in respect of Assets and Liabilities omitted at that date; (b) Balance Sheet at October 31, 1916, adjusted in respect of Assets and Liabilities which were not taken into consideration in the Published Accounts; (c) Balance Sheet at March 31, 1917, which, however, does not include all revenue applicable to the five months ending that date, since the amount of the current year's revenue has not yet been determined.

EXHIBIT "C"—Statement showing under the head of each Department the Assets not taken up in the Published Accounts at October 31, 1916.

EXHIBIT "D"—Statement showing under the head of each Department the Liabilities not taken up in the Published Accounts at October 31, 1916.

EXHIBIT "E"—Summary of Capital and Special Expenditures at October 31, 1916.

EXHIBIT "F"—Statement of Deficit on Current Revenue Account at October 31, 1916.

Until within a comparatively recent period it has been the practice of Provinces and Municipalities in Canada to keep their accounts upon a basis of "Receipts and Expenditures" in place of a "Revenue" basis, and this practice has been followed by the Government of your Province. The Published Accounts of the Province show the monies actually received and expended in any fiscal year, but they do not show the liabilities for work done or services performed, interest accrued, etc., which are unpaid at the end of the year.

The principle of stating accounts on a "Revenue" basis is universally followed by financial and industrial companies and railroads, and it is now generally conceded that it is the proper basis for Provinces and Municipalities to adopt. This change of viewpoint has been brought about mainly from a realization of the fact that any statement of surplus or deficit for a fiscal year cannot reflect actual conditions, where only receipts and expenditure are taken into consideration, since it is obvious that if payment is not made of bills due at the close of the financial years, and if the amount thereof is not set up as a liability in the accounts, an apparent surplus for the year may be shown where an actual deficit has resulted.

We would strongly recommend you in future to prepare the accounts on a "Revenue" basis, so that at the end of each financial year you will be able to determine exactly whether the revenue has been sufficient to meet the various outlays and expenses of the year.

The Annual Published Accounts are not drawn up in a manner which readily affords information as to the Province's financial position, and we would recommend that the form in which they are presented should be entirely revised. In order to illustrate the necessity for this revision, it may perhaps be well to refer briefly to one or two specific instances wherein the accounts do not clearly show actual conditions.

Amongst the Assets shown on the Balance Sheet of the Province at October 31st, 1916, you will notice an item of \$520,837.18 under the head of "Consolidated Revenue Balance," which is the balance of Receipts over Expenditures to date, and is represented by Cash in Bank and on hand at October 31, 1916. The Consolidated Revenue Account includes all receipts on Revenue Account, and also on Capital Account, (such as the proceeds of Debentures and Bonds issued for permanent improvements and special expenditures), and information should therefore be given in the Published Accounts as to what portion of the Cash Balance of \$520,837.18 is available for ordinary revenue expenditures, and what portion is earmarked for specific purposes. As a matter of fact, the balance of Cash in question is represented principally by monies received from bonuses on timber licenses, by the unex-