Public Accounts

of the Province of

Prince Edward Island

Volume I

Consolidated Financial Statements

For the Year Ended March 31st

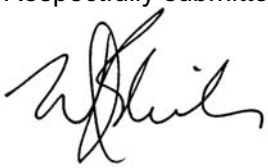
2011

To His Honour
The Honourable H. Frank Lewis
Lieutenant-Governor of the Province of
Prince Edward Island

May It Please Your Honour:

The undersigned has the honour to submit herewith the Public Accounts Volume 1 of the Province of Prince Edward Island for the fiscal year ended March 31, 2011.

Respectfully submitted,



Hon. Wes Sheridan
Minister of Finance and Municipal Affairs

Department of Finance and Municipal Affairs
Charlottetown, Prince Edward Island

To the Honourable Wes Sheridan
Minister of Finance and Municipal Affairs

Sir:

I have the honour to submit herewith the Public Accounts Volume 1 of the Province of Prince Edward Island for the fiscal year ended March 31, 2011.

Respectfully submitted,

K. Scott Stevens, C.G.A.
Comptroller

Office of the Comptroller
Charlottetown, Prince Edward Island

Province of Prince Edward Island

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For the Fiscal Year Ended March 31, 2011

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Introduction

The Consolidated Financial Statements of the Province of Prince Edward Island are presented through the publication of the Public Accounts, Volume I. These statements consolidate the financial statements of the Province's Operating Fund with the financial statements of Agencies, and Crown Corporations owned or controlled by the Province of Prince Edward Island.

The Consolidated Financial Statements, and Operating Fund financial statements, are prepared on the accrual basis of accounting in accordance with Canadian generally accepted accounting principles for the public sector. Other significant accounting policies used by the Province are described in the Notes to the Consolidated Financial Statements. The Consolidated Financial Statements are prepared by the Comptroller and are audited by the Auditor General, who presents an annual report to the Legislative Assembly on the results of his audit.

The Public Accounts for the Year Ended March 31, 2011 consists of two volumes:

Volume I – Consolidated Financial Statements presents the audited Consolidated Financial Statements of the Provincial reporting entity as described in Note 1 to the consolidated financial statements.

Volume II – Operating Fund Financial Statements, Details of Revenues and Expenses and Financial Statements of Agencies, Boards and Crown Corporations presents the unaudited financial statements of the Operating Fund, the unaudited details of revenues and expenses of the Operating Fund and a reproduction of the available audited financial statements of the Agencies, Boards and Crown Corporations owned or controlled by the Province.

The Public Accounts of the Province are tabled in the Legislative Assembly in accordance with Section 61 of the *Financial Administration Act*.

Internet Address – Volumes I and II of the Public Accounts are available in PDF format on the Province's website and they can be ordered through the website at:

www.gov.pe.ca/publications

Financial Statement Discussion and Analysis

Glossary of Terms

Accumulated Deficit:	Liabilities of the Province net of assets acquired by the Province. It represents the accumulated balance of annual surpluses and deficits arising from operations of the Province.
Annual Surplus/Deficit:	The difference between the Province's revenue and expense. This measure shows the extent to which revenues raised in the year were sufficient or insufficient to cover expenses in the year.
Debt Charges:	Interest charges on debt is the amount required to service the Province's debt.
Financial Assets:	Assets (such as cash, receivables and investments) which could provide resources to discharge existing liabilities or finance future operations.
Gross Domestic Product:	A measure of the value of the goods and services produced in the Province in a year. The Province's GDP is measured and reported by Statistics Canada.
Net Debt:	Liabilities of the Province net of financial assets.
Non-Financial Assets:	Assets (such as buildings, equipment and inventories) consumed in the delivery of government services. They do not normally provide resources to discharge existing liabilities.
Total Debt:	The amount owed by the Province. It includes outstanding debentures, pension obligations, accounts payable and other liabilities.

Financial Highlights of the Consolidated Financial Statements

These financial highlights are based on information from the Consolidated Financial Statements for 2011, as presented on pages 21-74 of this publication.

2010-2011 Highlights

- In 2010-2011, the Province's revenues increased by $39.2 million to $1,546.0 million, a 2.6 percent increase from the previous year. The increase was due to a $30.5 million increase in taxes, a $4.7 million increase in Government Business Enterprises (GBE) earnings and a $4.0 million increase in Sinking Fund Earnings.

- In 2010-2011, the Province's expenses increased by $17.3 million, to $1,598.5 million, a 1.0 percent increase from the previous year. The increase was due to a $28.3 million increase in Health and Wellness, a $5.9 million increase in Innovation and Advanced Learning, and a $10.6 million increase in Education and Early Childhood Development. These increases were offset by a $23.2 million decrease in Finance and Municipal Affairs, a $7.8 million decrease in Transportation and Infrastructure Renewal and an $8.4 million decrease in Agriculture.

- The Province spent $129.5 million on the development of tangible capital assets in 2010-2011, which was an 11.2 percent decrease from the previous year. The Province received $16.2 million to offset the cost of this development from the Government of Canada and $5.1 million from hospital foundations. The Province invested $108.3 million of its own resources in Tangible Capital Assets.

- The preliminary gross domestic product (GDP) figures for the calendar year 2010 indicate Prince Edward Island's GDP increased by 2 percent. Prince Edward Island's unemployment rate of 11.2 percent for 2010 continues to be above the national average of 8.0 percent.

Summary Financial Information

The table below shows a summary of key financial measures for the Province for the years ending 2010 and 2011.

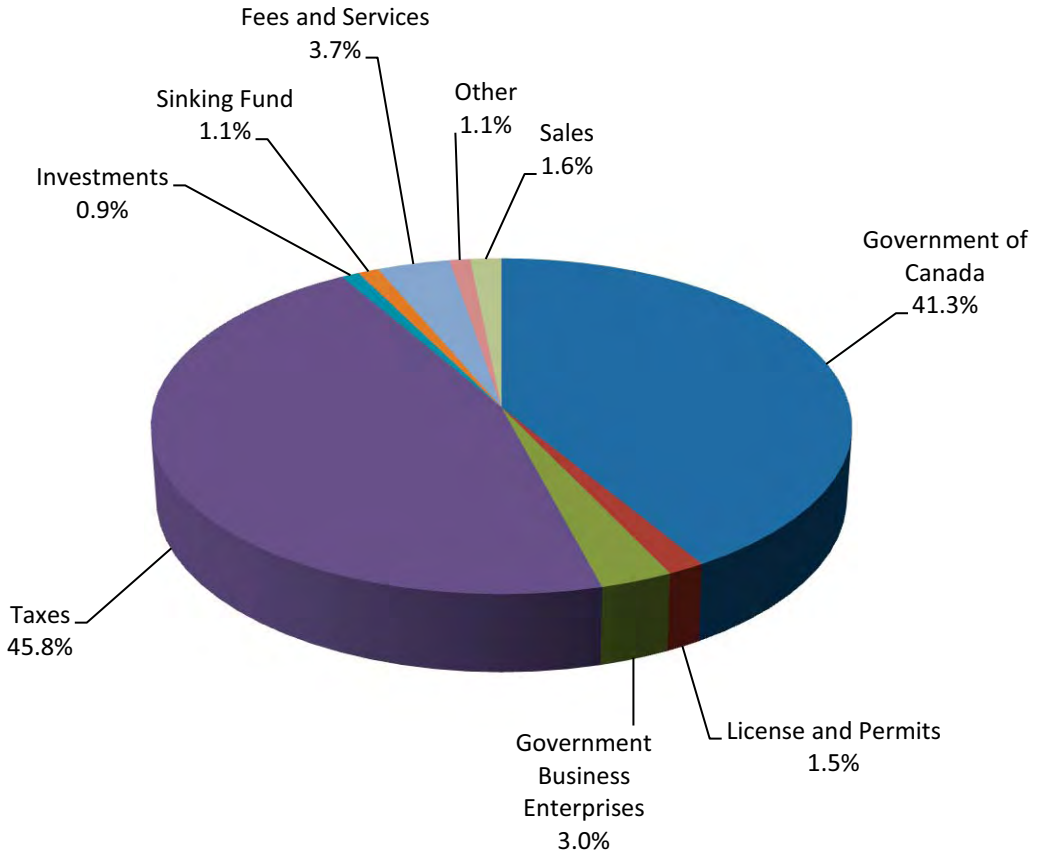
PROVINCE OF PRINCE EDWARD ISLAND
SUMMARY FINANCIAL INFORMATION
(Millions)

Consolidated Statement of Financial Position		
	2011	**2010**
Financial Assets	734.5	709.7
Liabilities	2,430.1	2,291.1
Net Debt	**$ 1,695.6**	**$ 1,581.4**
Net Tangible Capital Assets	810.9	720.0
Other Non Financial Assets	18.8	19.1
Total Non Financial Assets	**$ 829.7**	**$ 739.1**
Accumulated Deficit	**$ 865.9**	**$ 842.3**

Consolidated Statement of Operations		
	2011	**2010**
Revenue-Provincial Sources	907.6	867.9
Revenue-Federal Sources	638.4	638.8
Total Revenue	**$ 1,546.0**	**$ 1,506.7**
Expenses	1,598.5	1,581.1
Annual Deficit	**$ (52.5)**	**$ (74.4)**

Consolidated Statement of Net Debt		
	2011	**2010**
Opening Net Debt	**$ 1,581.4**	**$ 1,416.2**
Annual Deficit	52.5	74.4
Increase (Decrease) in Tangible Capital Assets	62.0	91.5
Increase (Decrease) in Other Non-Financial Assets	(0.3)	(0.7)
Total Change in Net Debt	**$ 114.2**	**$ 165.2**
Ending Net Debt	**$ 1,695.6**	**$ 1,581.4**

Revenues



Revenues of the Province for the years ending 2010 and 2011 are shown in the table below.

(Millions)

	2011	2010
Provincial Sources		
Taxes	707.6	677.1
Fees and Services	57.8	57.8
Other	142.2	133.0
Total Provincial Sources	**$ 907.6**	**$ 867.9**
Federal Sources		
Equalization	329.8	339.9
Canada Health and Social Transfers	156.4	148.9
Other	152.2	150.0
Total Federal Sources	**$ 638.4**	**$ 638.8**
Total Revenue	**$ 1,546.0**	**$ 1,506.7**

Total revenue for the Province in 2010-2011 was $1,546.0 million, an increase of $39.2 million over the previous year. Explanations of the major variances are below.

Taxes

Taxes increased by $30.5 million over the previous year, due to:

- Personal Income Taxes increased by $14.0 million due to rises in employment and personal incomes in the province,
- Corporate Income Taxes increased by $6.1 million due to a rise in corporate profits. The small business tax rate was reduced by 1.1 percentage points, and
- Real Property Tax increased $4.6 million as a result of increased assessments on non-residential properties and an increase in the total value of residential properties.

Government of Canada

Government of Canada decreased by $0.4 million due to:

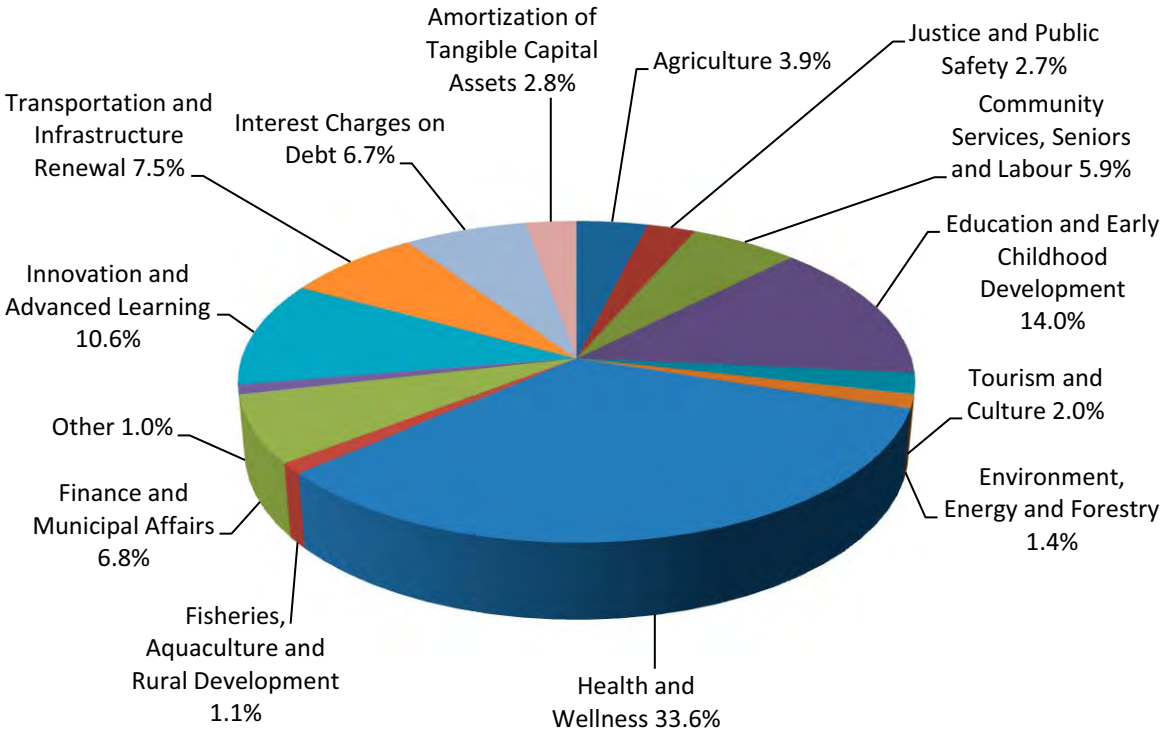
- Equalization declined by $10.1 million due to combined effects of the artificial ceiling on the total amount of the Equalization program and the province of Ontario qualifying for a significantly larger entitlement in 2010-11. The increase in Ontario's entitlement was financed through reductions in other province's entitlements. The combined impacts reduced P.E.I.'s Equalization by $27 million from what it would have otherwise been,
- Canada Health Transfer increased by $6.0 million which reflects the annual escalator for the program's funding,
- Canada Eco-Trust for Clean Air and Climate Change decreased by $5.0 million due to the fact that 2009-10 was the final year of the scheduled revenue for this program,
- Labour Market Agreement increased by $10.3 million. Devolution of these programs from the Government of Canada to the Province occurred in October 2009. The 2009-10 funding represented a partial year under the Labour Market Development Agreement and Labour Market Agreement. In 2010-11, funding for a full year was provided under these agreements. The increase in revenues is offset by increases in program expenditures.

Government Business Enterprises

Revenue from Government Business Enterprises increased by $4.7 million due primarily to the following 2010-11 financial results:

- Island Investment Dev. Inc. $18.7 million (2010 - $11.3 million)- Increase of $7.4 million,
- P.E.I. Energy Corporation $3.1 million (2010- $4.9 million)- Decrease of $1.8 million,
- P.E.I. Lotteries Commission $9.3 million (2010- $10.5 million)- Decrease of $1.2 million.

Expenses by Ministry



Expenses for the Province for the years ending 2010 and 2011 are shown in the table below.

(Millions)

	2011	2010
Expenses		
Program Expenses	$ 1,446.1	$ 1,437.4
Interest Charges on Debt	107.7	104.0
Amortization (Net of Capital Contributions)	44.7	39.7
Total	**$ 1,598.5**	**$ 1,581.1**

Total expenses for the Province in 2010-11 were $1,598.5 million, an increase of $17.3 million over the prior year. Explanations of the major variances are described below.

Department of Agriculture
Expenses decreased by $8.4 million due to:

- Agricultural Insurance Corporation paid $9.7 million fewer indemnities to producers as a result of improved crops during the 2010 growing season. This was offset by higher administrative costs.

Department of Education and Early Childhood Development
Expenses increased by $10.6 million due primarily to increases in salaries and benefits.

Department of Finance and Municipal Affairs
Expenses decreased by $23.2 million due to:

- Employee Benefits expenditures decreased by $21.7 million as a result of the change in government pension obligations and worker's compensation coverage changing from self-insured to premium-based coverage (see Note 10 (c)).

Department of Health and Wellness
Expenses increased by $28.3 million due to:

- Increase in salaries of $15.9 million attributable to collective agreements and new health initiatives,
- Increase in materials, supplies and services of $5.1 million as a result of increased costs for medical and surgical supplies, utilities, laboratory supplies, food and drugs, and
- Increase of $5.6 million in subsidies for provincial drug programs, ambulance services and private nursing homes.

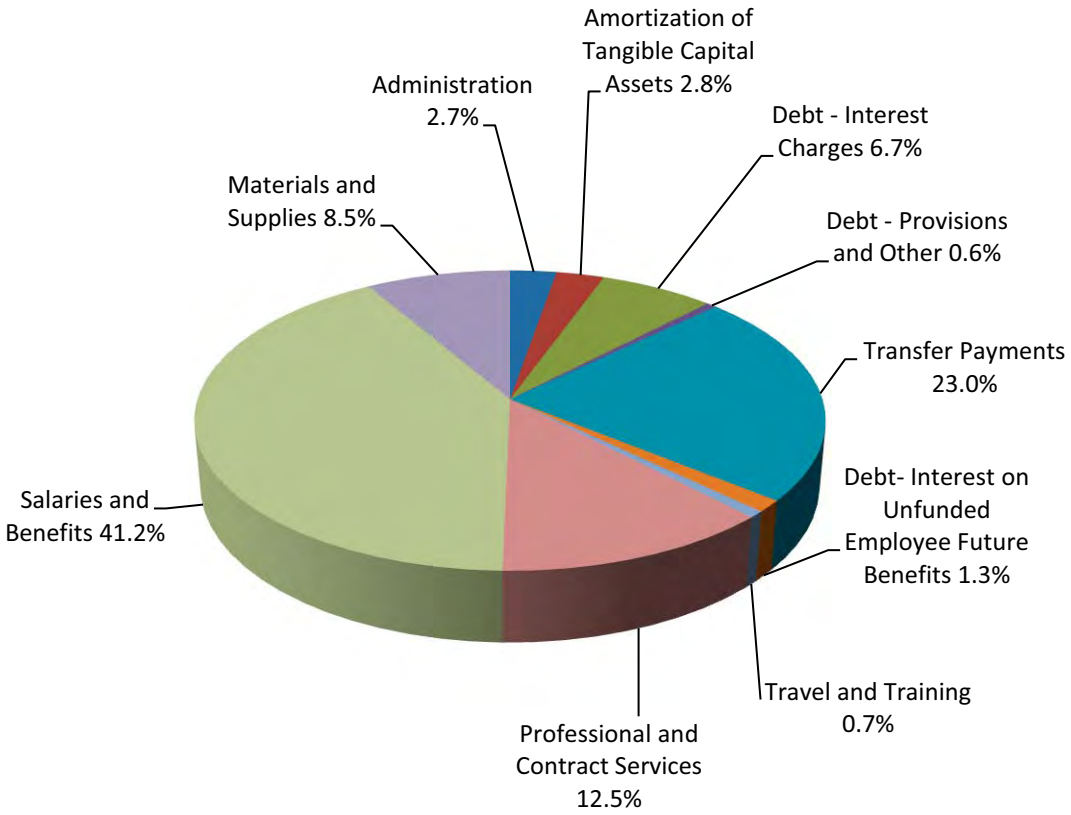
Department of Innovation and Advanced Learning
Expenses increased by $5.9 million due to:

- Increase of $14.5 million for post secondary grants and SkillsPEI program expenditures. Devolution of these programs from the Government of Canada to the Province occurred in October 2009. The 2009-10 programs represented a partial year under the Labour Market Development Agreement and Labour Market Agreement. In 2010-11, expenditures for a full year were incurred under these agreements. The increase in program expenditures is partially offset by increases in federal revenues.

Department of Transportation and Infrastructure Renewal
Expenses decreased by $7.8 million due to:

- Decrease in infrastructure expenditures.

Expenses by Object

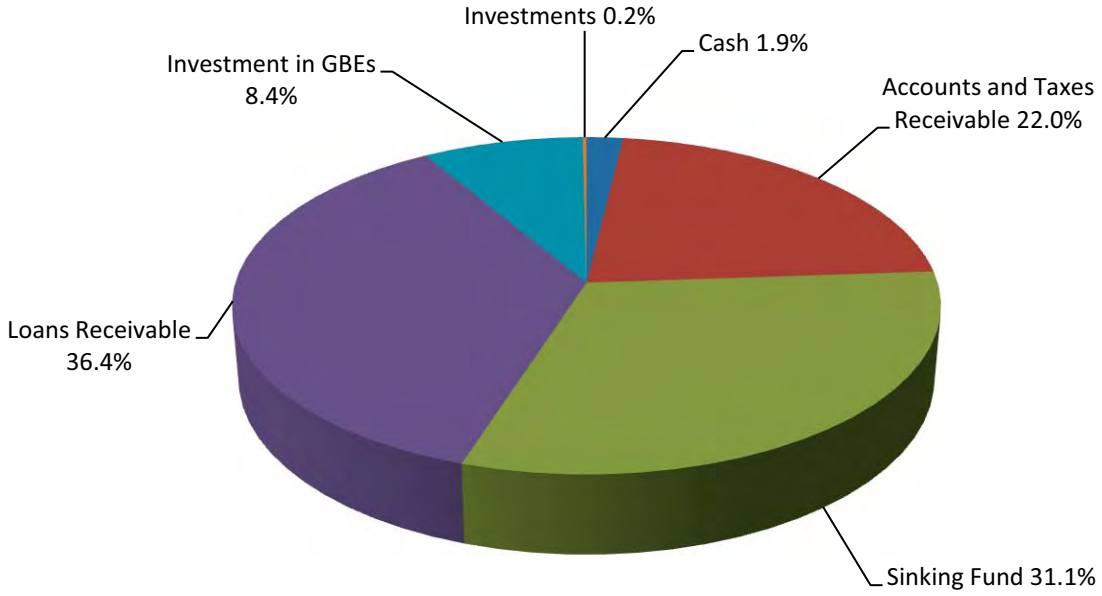


Total expenses for the Province in 2010-11 were $1,598.5 million, an increase of $17.3 million over the previous year. Increases were mainly in Salaries and Benefits of $20.5 million and Administration of $7.1 million. These increases were offset by decreases in Interest on Unfunded Employee Future Benefits of $11.8 million and Professional and Contract Services of $8.6 million.

Assets

Financial Assets

Financial Assets at March 31, 2011 consist of the following:



Total financial assets held by the Province at March 31, 2011 were $734.5 million, an increase of $24.8 million over the previous year. Explanations of the major variances are below.

Cash and Short Term Investments

Cash and Short Term Investments decreased by $42.6 million due to:

- Operating Fund cash decreased by $37.1 million, and
- Consolidated Agencies and Crown Corporations decreased by $5.5 million.

Accounts and Taxes Receivable

Accounts and Taxes Receivable increased by $13.9 million due to:

- Receivables from the Government of Canada increased by $9.5 million,
- Other Receivables increased by $6.0 million,
- Taxes Receivable increased by $4.9 million, and
- Receivables from agencies and crown corporations decreased by $4.1 million.

Government Business Enterprises

Investment in Government Business Enterprises increased by $22.1 million due to surpluses from the following:

- Island Investment Development Inc. $18.7 million, and
- P.E.I. Energy Corporation $3.1 million.

Sinking Fund

The Province's Sinking Fund increased by $5.4 million. Sinking Fund earnings were $16.5 million for the year, $11.1 million of which was used to redeem debentures.

Loans Receivable

Loans Receivable increased $25.8 million due to:

- Mortgages and Loans due to P.E.I. Lending Agency increased by $18.9 million,
- Student loans assumed during the year by the P.E.I. Student Financial Assistance Corporation were $25.6 million,
- Mortgages and Loans due to Innovation PEI decreased by $6.7 million, and
- An increase of $6.1 million in Provision for Doubtful Accounts reduced Loans Receivable.

Non-Financial Assets

Tangible Capital Assets account for 98 percent of Non-Financial Assets. In 2010-11, the Province made the following investment in Tangible Capital Assets:

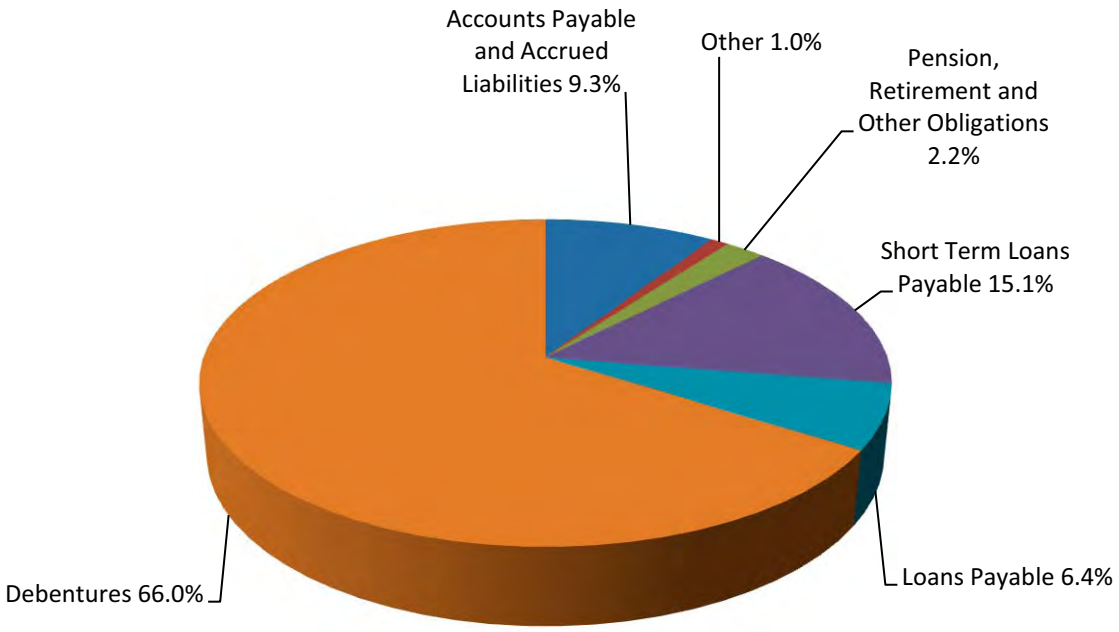
(Millions)

Opening Balance, April 1, 2010	$ 790.0
Add: Investment during the year	129.5
Adjustment to land values	28.9
Less: Disposal and write-downs	(1.6)
Amortization	(54.1)
Ending Balance, March 31, 2011	**$ 892.7**

Of the $129.5 million invested in Tangible Capital Assets during the year, $54.7 million was on roads and bridges, $41.6 million was on buildings and $20.2 million was on equipment.

Liabilities

Liabilities at March 31, 2011 consist of the following:



Total Liabilities held by the Province at March 31, 2011 were $2,430.1 million, an increase of $139.0 million over the previous year. Explanations of the major variances are below.

Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabiliies decreased by $43.2 million due to:

- Goods and Services Payable decreased by $26.7 million,
- Goods and Services Payable by Consolidated Agencies and Crown Corporations decreased by $5.3 million, and
- Wage and Benefits Payable decreased by $4.5 million.

Short Term Loans Payable

Short Term Loans Payable increased by $117.0 million due to:

- Treasury Notes Payable held by the Operating Fund increased by $125.0 million, and
- Short Term Notes Payable held by Innovation PEI decreased by $8.0 million.

Pension, Retirement and Other Obligations

- The amounts due for future employee benefits increased by $8.4 million. Notes 10 (b) and 10 (c) provide detailed information on these liability balances at March 31, 2011.

Loans Payable

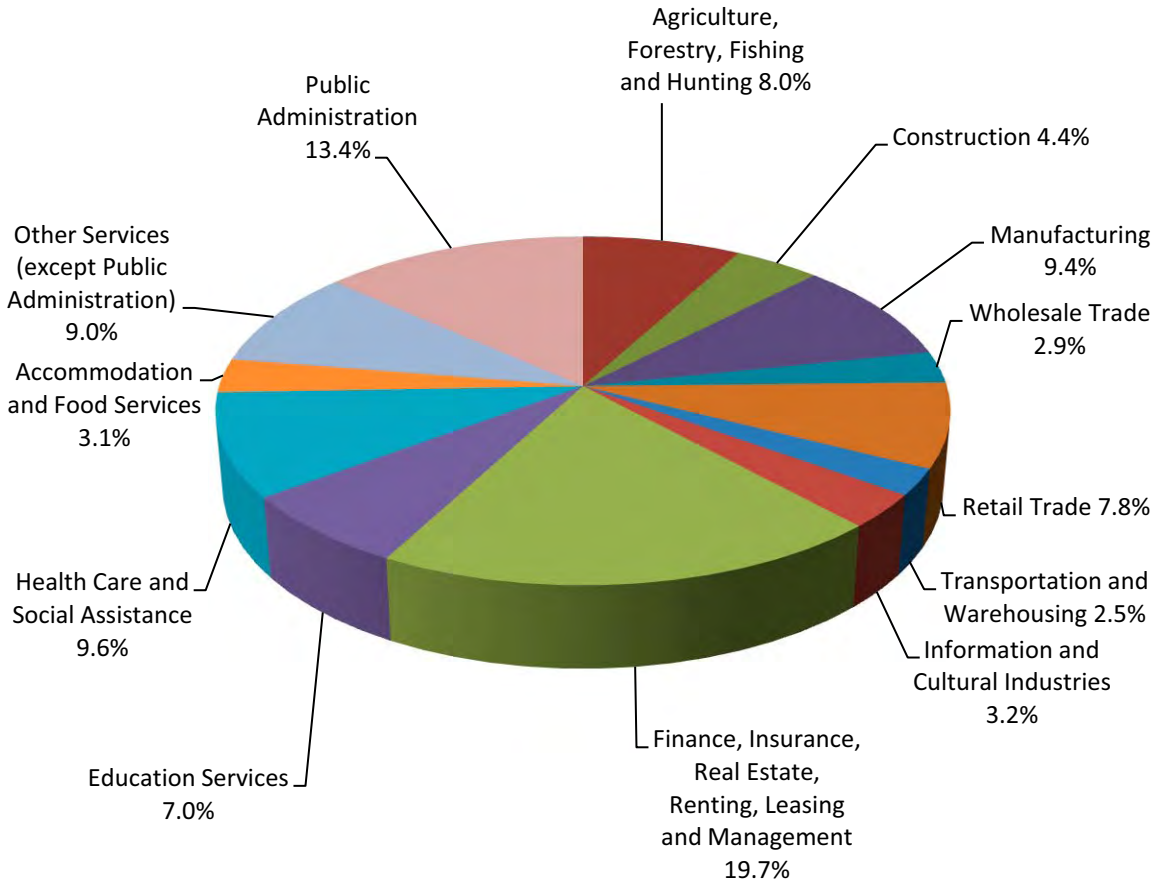
Loans Payable decreased by $26.8 million due primarily to payments on the following:

- Loan Payable to the Teacher's Superannuation Fund of $16.0 million, and
- Loan Payable to the Civil Service Superannuation Fund of $5.2 million.

Debentures

Debentures increased by $88.3 million. Schedule 21 provides details of debentures issued and matured. Debentures issued were $90.0 million higher than those matured. An increase in debenture discounts of $1.7 million offset the overall increase.

Gross Domestic Product Distribution-2010



This information was provided by the Department of Finance and Municipal Affairs from data provided by Statistics Canada.

Indicators of Financial Health

This section provides indicators of the Province's financial condition and follows Canadian Institute of Chartered Accountants (CICA) guidelines, using information provided in the Province's consolidated financial statements as well as other standard socio-economic indicators such as nominal Gross Domestic Product (GDP) data from Statistics Canada.

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

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

- Changing global economic conditions such as energy prices, commodity prices, investment valuation and inflation,
- Changes to international financial conditions that impact interest rates, currency fluctuations or availability of credit,
- Changes to federal transfers or programs,
- Emergencies such as floods, forest fires and pandemics, and
- Developments affecting agencies that are reflected on the province's books.

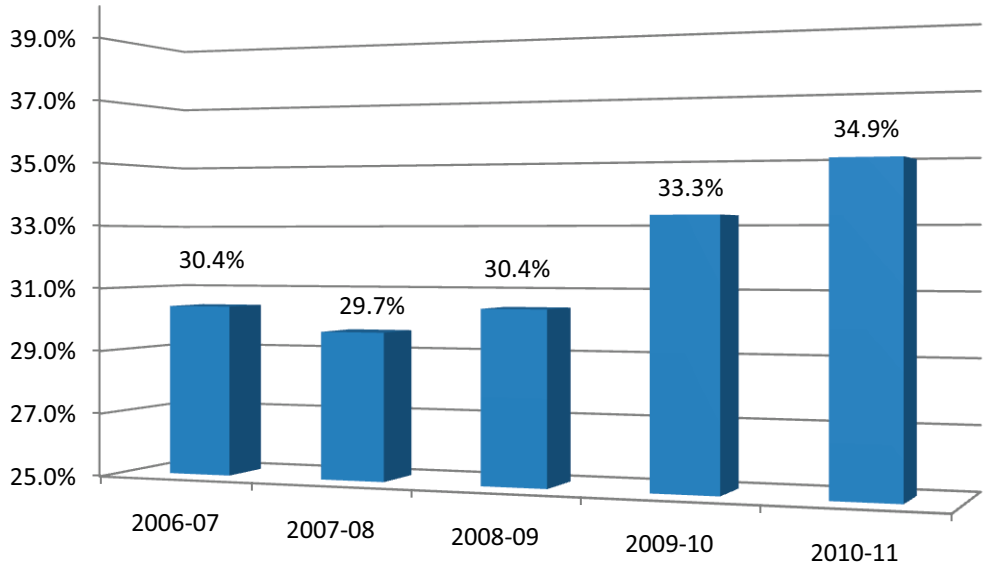
Sustainability

Sustainability is defined by the CICA as the degree to which a government can maintain and meet existing creditor requirements without increasing the debt burden on the economy. One measure of sustainability is net debt as a proportion of GDP which is measured below.

Net Debt as a Proportion of GDP

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

Net Debt as a Percentage of GDP



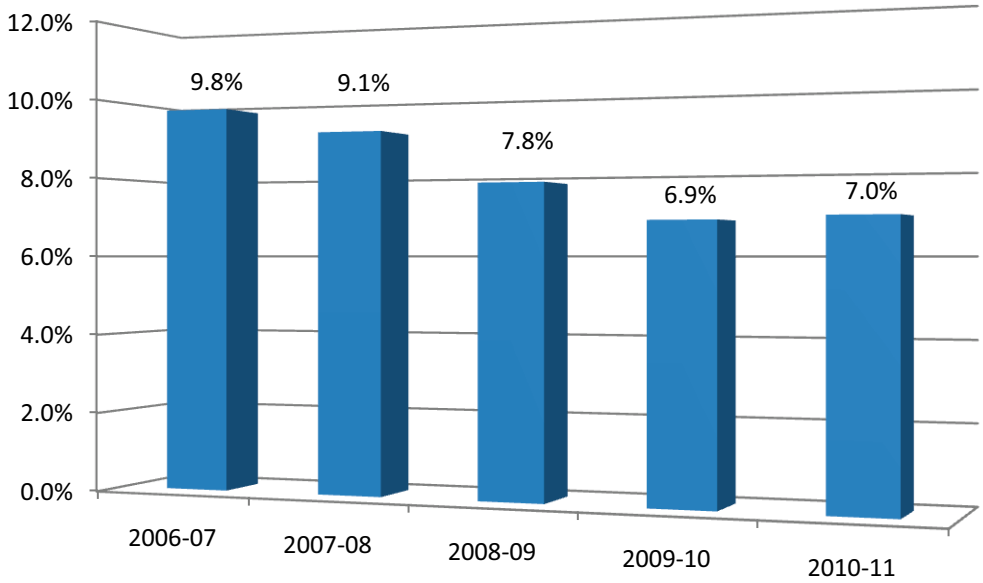
The net debt to GDP ratio has increased over the last five years. The increase in the last two years is due to an acceleration of capital expenditures and deficits that were incurred as part of stimulus actions to support the economy during the global economic and financial downturn.

Flexibility

Flexibility is defined as the degree to which a government can increase its financial resources to respond to its commitments. One measure of flexibility is the cost of debt as a percentage of total revenue.

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

Interest Costs as a Percentage of Revenue



The Province's proportion of debt service costs to revenue declined steadily over the past five years. The decline is primarily the result of lower interest rates as the stock of interest bearing debt increased by 24 percent compared to total revenue growth of 26 percent over the period. A decrease in this ratio indicates that debt service costs are a smaller financial burden on the Provinces finances, allowing for a greater proportion of financial resources to provide public programs and services.

Vulnerability

Vulnerability is defined as the degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international. A common measurement of vulnerability is federal government transfers as a proportion of revenue.

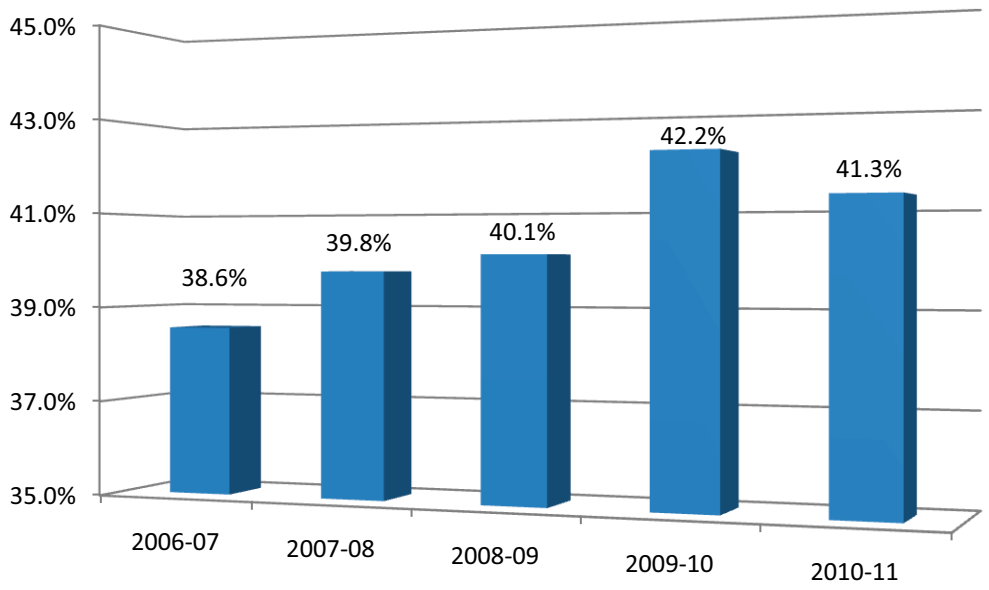
Revenue from federal sources is comprised of conditional and unconditional grants from the federal government, including:

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

Federal transfer payments can be affected by both federal fiscal policy decisions, as well as the normal annual estimate process that guides federal payments under the Equalization Program and Canada Health and Social Transfers. Both of these factors can contribute to year-to-year changes in the level of transfers.

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

Federal Government Transfers as a Proportion of Total Revenue



The dependence of the Province on federal revenues has increased from 38.6 percent in 2007 to 41.3 percent in 2011. The increased dependency from 2006-07 to 2009-10 was due to rises in federal revenues that outpaced rises in provincial revenues. The decline in dependency in 2010-11 was a result of a $0.4 million decline in total federal revenues and a $39.7 million increase in provincial source revenues.

Government of the Province of Prince Edward Island

Statement of Responsibility

Responsibility for the integrity, objectivity and fair presentation of the consolidated financial statements of the Province of Prince Edward Island rests with the Government. The financial statements are prepared by the Comptroller in accordance with the stated accounting policies of the Government as described in Note 2 of the consolidated financial statements.

These financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficit, a Consolidated Statement of Changes in Net Debt, a Consolidated Statement of Cash Flow and notes and schedules integral to the statements. Together, they present fairly, in all material respects the Province's financial position at the fiscal year-end and results of operations for the year ended March 31, 2011. More detailed information regarding the Province's financial position and operating results can be found in other sections of either Volume I or Volume II.

The Government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained.

On behalf of the Government

Hon. Wes Sheridan
Minister of Finance and Municipal Affairs

August 2011

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To Members of the Legislative Assembly
Province of Prince Edward Island

Report on the Consolidated Financial Statements

I have audited the consolidated financial statements of the **Province of Edward Island** which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting as disclosed in note 2 to the consolidated financial statements applied on a basis consistent with that of the preceding year and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2011, and the results of its consolidated operations, changes in net debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

Report on Legal and Regulatory Requirements

As required by Section 16 of the *Audit Act*, I report that in my opinion, Canadian generally accepted accounting principles for the public sector have been applied on a basis consistent with that of the preceding year.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
August 25, 2011

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Financial Position
as at March 31, 2011

Schedule		2011 ($000)	2010 ($000)
	FINANCIAL ASSETS		
1	Cash and Short Term Investments (Note 4)	13,893	56,475
2	Accounts and Taxes Receivable	161,438	147,564
3	Investments	1,408	1,186
4	Investment in Government Business Enterprises (Note 1)	61,370	39,256
5	Sinking Fund (Note 5)	228,205	222,842
6	Loans Receivable	268,222	242,408
	Total Financial Assets	**734,536**	**709,731**
	LIABILITIES		
7	Deferred Revenue and Credits	20,751	25,129
8	Accounts Payable and Accrued Liabilities	225,276	268,497
9	Short Term Loans Payable	366,999	249,999
10	Obligation Under Capital Leases	3,049	3,454
11	Pension, Retirement and Other Obligations (Note 10)	54,788	46,373
12	Loans Payable	156,554	183,305
13	Debentures	1,602,707	1,514,384
	Total Liabilities	**2,430,124**	**2,291,141**
	NET DEBT	**1,695,588**	**1,581,410**
	NON-FINANCIAL ASSETS		
14	Tangible Capital Assets	892,709	789,952
15	Deferred Capital Contributions	(81,812)	(70,019)
	Investment in Tangible Capital Assets	810,897	719,933
16	Inventories and Property Holdings	13,330	15,074
17	Prepaid and Deferred Charges	5,482	4,059
	Total Non-Financial Assets	**829,709**	**739,066**
	ACCUMULATED DEFICIT	**865,879**	**842,344**

Supplementary Information (see schedules)

18 Trust Funds
19 Guaranteed Debt

(The accompanying notes and schedules are an integral part of these consolidated financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Operations and Accumulated Deficit
for the year ended March 31, 2011

Schedule		2011 Unaudited Estimates Restated ($000)	2011 Actual ($000)	2010 Actual ($000)
	REVENUES			
22	Taxes	712,682	707,569	677,054
23	Licenses and Permits	21,504	23,842	22,514
24	Fees and Services	58,781	57,798	57,751
25	Sales	23,751	24,678	26,131
26	Investment	14,597	14,157	14,983
27	Other	10,638	16,441	15,134
28	Government of Canada	634,358	638,397	638,820
4	Government Business Enterprises	44,551	46,623	41,883
5	Sinking Fund Earnings	14,875	16,474	12,476
	Total Revenues	**1,535,737**	**1,545,979**	**1,506,746**
	EXPENSES			
29	Agriculture	63,996	62,223	70,577
	Auditor General	1,701	1,624	1,491
30	Community Services, Seniors and Labour	88,497	94,860	90,722
31	Education and Early Childhood Development	223,561	223,164	212,551
32	Environment, Energy & Forestry	23,045	22,848	26,056
	Executive Council	3,971	3,750	3,712
33	Finance and Municipal Affairs	115,064	109,247	132,450
34	Fisheries, Aquaculture and Rural Development	19,072	18,142	17,421
35	Health and Wellness	529,799	536,595	508,311
36	Innovation and Advanced Learning	161,127	168,766	162,909
37	Justice and Public Safety	42,099	42,436	40,748
	Legislative Assembly	4,920	4,724	4,533
	Public Service Commission	5,623	5,535	5,573
38	Tourism and Culture	32,054	32,696	33,093
	Transportation and Infrastructure Renewal	122,332	119,508	127,292
	Total Program Expenses	**1,436,861**	**1,446,118**	**1,437,439**
	Interest Charges on Debt	112,329	107,693	104,041
14	Amortization of Tangible Capital Assets	48,603	54,132	51,020
15	Amortization of Deferred Capital Contributions	(7,165)	(9,479)	(11,365)
	Total Expenses	**1,590,628**	**1,598,464**	**1,581,135**
	ANNUAL SURPLUS (DEFICIT)	**(54,891)**	**(52,485)**	**(74,389)**
	Accumulated Surplus (Deficit), Beginning of Year		(842,344)	(767,955)
	Accounting Change (Note 3)		28,950	-
	ACCUMULATED SURPLUS (DEFICIT) END OF YEAR		**(865,879)**	**(842,344)**

(The accompanying notes and schedules are an integral part of these consolidated financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Changes in Net Debt
for the year ended March 31, 2011

	2011 Unaudited Estimates Restated ($000)	2011 Actual ($000)	2010 Actual ($000)
NET DEBT, BEGINNING OF YEAR	**1,581,410**	**1,581,410**	**1,415,233**
Presentation Change (Note 16)	-	-	982
Restated Net Debt, Beginning of Year	**1,581,410**	**1,581,410**	**1,416,215**
Changes in Year			
Annual Deficit	54,891	52,485	74,389
Acquisition of Tangible Capital Assets	154,724	129,554	145,986
Amortization of Tangible Capital Assets	(48,603)	(54,132)	(51,020)
Net Book Value of Tangible Capital Asset Disposals	-	(1,615)	(1,801)
Capital Revenue Received	(25,351)	(21,272)	(13,020)
Amortization of Deferred Capital Contributions	7,165	9,479	11,365
Increase (Decrease) in Inventories and Property Holdings	-	(1,744)	5,621
Increase (Decrease) in Prepaid and Deferred Charges	-	1,423	(6,325)
Increase in Net Debt	**142,826**	**114,178**	**165,195**
NET DEBT, END OF YEAR	**1,724,236**	**1,695,588**	**1,581,410**

(The accompanying notes and schedules are an integral part of these consolidated financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Cash Flow
for the year ended March 31, 2011

	2011 ($000)	2010 ($000)
Operating Activities		
Surplus (Deficit) for the year	(52,485)	(74,389)
Amortization of Tangible Capital Assets	54,132	51,020
Amortization of Deferred Capital Contributions	(9,479)	(11,365)
Changes in:		
Accounts and Taxes Receivable - (Increase) Decrease	(13,874)	37,776
Prepaid and Deferred Charges - (Increase) Decrease	(1,423)	6,325
Inventories and Property Holdings - (Increase) Decrease	1,744	(5,621)
Deferred Revenue and Credits - Increase (Decrease)	(4,378)	(12,671)
Accounts Payable and Accrued Liabilities - Increase (Decrease)	(43,221)	25,312
Pension, Retirement and Other Obligations - Increase (Decrease)	8,415	(10,570)
Cash Provided by (Used for) Operating Activities	**(60,569)**	**5,817**
Investing Activities		
Changes in:		
Loans Receivable - (Increase) Decrease	(25,814)	(3,859)
Investments - (Increase) Decrease	(222)	136
Investment in Gov't Business Enterprises - (Increase) Decrease	(22,114)	(16,391)
Cash Provided by (Used for) Investing Activities	**(48,150)**	**(20,114)**
Capital Activities		
Acquisition of Tangible Capital Assets	(129,554)	(145,986)
Capital Contributions Received	21,272	13,020
Disposal of Tangible Capital Assets	1,615	1,801
Cash Provided by (Used for) Capital Activities	**(106,667)**	**(131,165)**
Financing Activities		
Debentures Issued	209,603	210,544
Debentures Matured / Called	(119,603)	(10,544)
Changes in:		
Short Term Loans Payable - Increase (Decrease)	117,000	38,001
Loans Payable - Increase (Decrease)	(26,751)	(15,674)
Debenture Discount - (Increase) Decrease	(1,677)	(3,249)
Obligation Under Capital Leases - Increase (Decrease)	(405)	(375)
Sinking Fund - (Increase) Decrease	(5,363)	(40,271)
Cash Provided by (Used for) Financing Activities	**172,804**	**178,432**
Increase (Decrease) in Cash and Short Term Investments	(42,582)	32,970
Cash and Short Term Investments, Beginning of Year	56,475	23,505
Cash and Short Term Investments, End of Year	**13,893**	**56,475**

(The accompanying notes and schedules are an integral part of these consolidated financial statements.)

PROVINCE OF PRINCE EDWARD ISLAND

Notes to the Consolidated Financial Statements
As at March 31, 2011

1 Reporting Entity

The financial position of the Province is presented by a Consolidated Statement of Financial Position combining the Statement of Financial Position of the Operating Fund and the balance sheets of such agencies, crown corporations and boards as determined under Section 61 (2) of the *Financial Administration Act.*

The following agencies, crown corporations and boards are included in the Consolidated Statement of Financial Position using the consolidation method of accounting. Under the consolidation method of accounting inter-organizational balances and transactions are eliminated. This method reports the organizations as if they were one organization.

Eastern School District
French Language School Board
Western School Board
Employment Development Agency
Harness Racing P.E.I. Inc.
Health PEI
Innovation PEI
- F.T.C. Enterprises Limited
- Atlantic Technology Centre Inc.
- 100417 P.E.I. Inc.
- P.E.I. Biocommons Inc.

P.E.I. Agricultural Insurance Corporation
P.E.I. Aquaculture and Fisheries Research Initiative Inc.
P.E.I. Crown Building Corporation
P.E.I. Grain Elevators Corporation
P.E.I. Housing Corporation
P.E.I. Human Rights Commission
P.E.I. Lending Agency
P.E.I. Museum and Heritage Foundation
P.E.I. Regulatory and Appeals Commission
P.E.I. Self-Insurance and Risk Management Fund
P.E.I. Student Financial Assistance Corporation
Summerside Regional Development Corporation
Tourism PEI

The Province owns 75% of Summerside Regional Development Corporation. The Corporation has been included in the governmental unit on a proportionate consolidation basis.

The Eastern, Western and French Language School Boards have a fiscal year end of June 30th. Unaudited financial information as of March 31, 2011 has been used for consolidation purposes.

Harness Racing P.E.I. Inc. has a fiscal year end of January 31, 2011.

The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2010.

All other agencies, crown corporations and boards have a fiscal year end of March 31, 2011.

Certain provincial agencies, crown corporations and boards are included in the Consolidated Statement of Financial Position using the modified equity method of accounting. This method is used for government business enterprises which are defined as those agencies, crown corporations and boards which, (i) have the power to contract in their own name, (ii) have the financial and operating authority to carry on a business, (iii) sell goods and services to customers outside the provincial reporting entity as their principal activity and source of revenue, and (iv) are able to maintain their operations and meet their liabilities from revenues received from sources outside the provincial reporting entity. The modified equity method reports the percentage of a government business

enterprise's net assets owned by the Province as an investment in the Province's Consolidated Statement of Financial Position. Inter-organizational balances and transactions are not eliminated. Schedule 4 presents condensed financial information of the following government business enterprises:

Charlottetown Area Development Corporation
- Harbourside Management Services Inc.

Island Investment Development Inc.
- Prince Edward Island Century 2000 Fund Inc.

Island Waste Management Corporation
- Environmental Industrial Services Inc.

P.E.I. Energy Corporation
- P.E.I. Renewable Energy Corporation

P.E.I. Liquor Control Commission

P.E.I. Lotteries Commission

The Consolidated Statement of Financial Position does not include the financial position of the Workers' Compensation Board of Prince Edward Island. The Board as at, December 31, 2010, had assets of $166.5 million (2009 - $133.9 million) and liabilities of $146.4 million (2009 - $129.0 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

2 Significant Accounting Policies

(a) Basis of Accounting

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector. The Province complies with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) wherever applicable. PSAB standards are supplemented, where appropriate, by other CICA accounting pronouncements.

(b) Financial Assets

Financial assets are those assets on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations.

Cash and Short Term Investments represents the cash position including bank balances and short term investments. The Province has an available credit facility with a financial institution in the amount of $20 million for the General Account. The credit facility expires December 31, 2011.

Accounts Receivables are recorded for all amounts due for work performed and goods or services supplied in the fiscal year. A provision for loss is established for doubtful accounts.

Investments are recorded at the lower of cost or net realizable value with the exception of investments in private companies that are considered to be concessionary, which are recorded at one-half of cost, and net investment in leases, which are recorded at the net present value of minimum lease payments receivable. A provision for loss is established.

Investment in Government Business Enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described in Note 1.

Sinking Fund assets are recorded at cost plus accrued interest. A portion of the Sinking Fund assets are externally restricted.

Loans Receivable are recorded at cost less adjustments for impairment in value and concessionary terms. Where concessionary terms apply loans are reported at their net present value. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules. A provision for loss is established for doubtful accounts. Interest revenue is recognized on an accrual basis until such time that the collectability of either principal or interest is not reasonably assured.

(c) Liabilities

Deferred Revenue and Credits represent amounts received but not earned.

Payables, Accruals and Other Liabilities are recorded for all amounts due for work performed, goods or services received and other charges incurred in the fiscal year.

Short Term Loans are recorded at cost, which approximates market value.

Obligation Under Capital Leases represents the liability recorded for contractual arrangements which are deemed to be capital leases. Establishment of a capital lease recognizes the lease contract as a financing tool to acquire an asset.

Pension, Retirement and Other Obligations represent the Province's net liability for future employee benefit obligations as calculated using an accrued benefits actuarial method on an accounting basis. The net liability represents the present value of accrued benefits less the market value of assets plus or minus deferred gains or losses to be amortized.

Loans Payable are recorded at face value less adjustments for concessionary terms.

Debentures represent the gross funded debt of the Province of P.E.I. public debenture issues and Canada Pension Plan debenture issues less unamortized discounts.

(d) Net Debt

The Province's consolidated financial statements are presented so as to highlight net debt as the measure of financial position. The net debt of the Province is determined as its liabilities less its financial assets.

(e) Non-Financial Assets

Non-Financial Assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities. They are normally employed to deliver government services and may be consumed in the normal course of operations.

Tangible Capital Assets are recorded at historical cost, or estimated cost where historical cost information is not available. Amortization is calculated using the straight line and the declining balance method at the following rates:

Land Improvements	5 - 12 years
Buildings and Improvements	10 - 40 years
Leasehold Improvements	Based on length of lease
Roads	10 - 20 years
Bridges	20 - 40 years
Motor Vehicles	3 - 10 years
Equipment	1 - 20 years
Other	5 - 40 years

Tangible Capital Assets do not include works of art and historical treasures because a reasonable estimate of the future benefits associated with such property cannot be made. Works of art and historic property consist mainly of paintings, drawings, prints, artifacts, and photographs. The cost of works of art and historic property are expensed in the fiscal year in which they are acquired.

Deferred Capital Contributions are revenues received for the purchase or construction of tangible capital assets. Capital contributions are recorded as a deferred credit when received and recognized as revenue over the same period of time that the asset acquired is amortized.

Inventories consist of items on hand which were purchased for consumption or use by the Province in the course of its operations. They are recorded at cost and expensed as they are consumed. Inventories consist of medical and drug supplies, fuel, repair parts, highway materials, textbooks etc.

Property Holdings are recorded at the lower of cost or net realizable value. A provision for loss is established.

Prepaid and Deferred Charges are goods and services purchased which will provide economic benefits in future periods and includes premiums and discounts on short term borrowings.

(f) Accumulated Deficit

Accumulated Deficit is the net debt of the Province less non-financial assets. It represents the accumulated balance of annual surpluses and deficits arising from operations of the Province.

(g) Revenues

Revenues are recorded on an accrual basis. Revenue from the Government of Canada, under Federal–Provincial fiscal arrangements (equalization, health and social transfers, etc), are based on estimated entitlements received which are adjusted against future years' revenues when actual results or new information become available.

Transfers from the Government of Canada are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met. Supplementary funding received for special purposes is recorded as deferred revenue and recognized as revenue over the term of the project or projects funded.

Income taxes are collected by the Government of Canada on behalf of the Province under a tax collection agreement and are remitted to the Province monthly net of credits. The remittances are based on the Government of Canada's Department of Finance's best estimates for the taxation year, which are periodically adjusted until the income tax assessments for the year are finalized. The Government recognizes income tax revenues based on estimates made by the Government of Canada, adjusted for known factors. Any adjustments upon finalization are recorded in the year they are identified.

Sales, fuel and tobacco tax revenues are recorded based on returns which are filed by collectors and taxpayers. Returns filed or estimated for prior periods, adjustments and audit assessments are recognized as revenue in the period during which the return is filed or estimated, or the amount is determined.

Property tax revenues are recorded based on a pro-ration of actual property tax billings for each of the calendar years that comprise the fiscal year. Adjustments recorded subsequent to fiscal year end, due to adjustments to property assessments or provincial tax credits, are recognized as revenue adjustments in the period in which the adjustments are determined.

(h) Expenses

Expenses are recorded on an accrual basis.

Capital expenditures are incurred in the acquisition, development and/or construction of tangible capital assets. They do not include operational expenses. The acquisition of tangible capital assets are not reported as expenses in the year the assets are acquired. Tangible capital assets are included in the Province's Consolidated Statement of Financial Position as non-financial assets and their cost is amortized over their estimated useful life.

Transfer payments are transfers of money to individuals, organizations or other governments for which the government making the transfer does not receive any goods or services directly in return. Transfer payments are recognized by the Province as expenses in the period during which both the payment is authorized and any eligibility criteria are met.

Provisions are made for probable losses or impairments in the value of the asset on certain loans, investments, loan guarantees and accounts receivable when it is likely that impairment in the value of the asset or a liability exists and the amount can be reasonably determined. These provisions are updated at least annually as estimates are revised.

3 Accounting Change

Land – Increase in Historical Cost

In the fiscal year 2010-2011 a review of properties owned by the Province was completed and the decision was made to place an estimated value on a number of properties which previously had been recorded at one dollar or at zero value. An adjustment in the amount of $28.9 million has been made at March 31, 2011 increasing the historical cost of Tangible Capital Assets (land) and reducing Accumulated Deficit by the same amount. This change has had no impact on the current deficit or on Net Debt and has not been applied retroactively.

4 Cash and Short Term Investments

As at March 31, 2011 cash and short term investments of $5.6 million (2010 - $18.3 million) have been restricted for designated purposes by external parties. Restricted cash includes, $3.5 million for the Cable Replacement Fund, $1.6 million for the Labour Market Development Agreement and $0.5 million for three other trust funds.

5 Sinking Fund

(a) Description of Sinking Fund

The Province of Prince Edward Island Sinking Fund was established to reserve funds to meet future debt retirement. Earnings on Sinking Funds are reflected as current revenue.

Certain funds in the Sinking Fund designated for debentures are externally restricted and as a result cannot be used for other purposes. Installment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund and as such are not treated as an expense. The installment payments for the next five years are:

	($000)
2011-2012	13,750
2012-2013	12,225
2013-2014	12,225
2014-2015	12,225
2015-2016	11,100

(b) P.E.I. Issues Held by the Sinking Fund

As at March 31, 2011 Sinking Fund investments include P.E.I. issues held but not cancelled in the amounts of:

		($000)		($000)
Debentures	Par Value	94,026	Book Value	104,614
Residuals	Par Value	82,512	Book Value	46,370

6 Solid Waste Landfill Closure and Post-Closure Liability

The collection and disposal of all solid waste generated in Prince Edward Island is included in the mandate of Island Waste Management Corporation (IWMC). IWMC is responsible for liabilities related to the closure and post-closure costs of the East Prince Landfill Site, which was in use at March 31, 2011. IWMC is also responsible for monitoring and administering post-closure issues at four landfill sites and approximately one hundred smaller community dumps which were closed prior to 2003. The Province is responsible for the costs associated with the closure and decommissioning of the sites closed prior to 2003.

IWMC has included in its liabilities at March 31, 2011 an obligation associated with the retirement, closure and post-closure costs of the East Prince Landfill Site in the amount of $2.4 million (2010 - $1.9 million). The Province recognizes its responsibility regarding landfill sites closed prior to 2003 but at this time is unable to estimate the costs involved due to the absence of a formal action plan. A provisional amount of $0.35 million, established in 2003 to deal with future costs, is included in accounts payable and accrued liabilities.

7 Contractual Obligations

The Province has entered into a number of multiple-year contracts for the delivery of services. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Significant obligations for the next five years and beyond include:

	2012 ($000)	2013 ($000)	2014 ($000)	2015 ($000)	2016 ($000)	2017 onward ($000)	Total ($000)
Operating Fund							
Highway Maintenance and Safety	13,490	2,496	1,795	1,724	1,724	424	21,653
Infrastructure	575	575		-	-	-	1,150
Highway Capital	23,545	-	-	-	-	-	23,545
Public Works and Planning	54,528	11,578	2,142	2,115	2,115	21,154	93,632
Building Leases	4,777	4,200	3,603	3,503	3,447	27,054	46,584
Provincial Policing Service Agreement	11,620	-	-	-	-	-	11,620
Holland College and University of Prince Edward Island [1]	17,963	10,502	10,440	10,377	9,934	102,168	161,384
Early Years Centres	7,200	-	-	-	-	-	7,200
Community Care Facilities	7,613	1,925	-	-	-	-	9,538
Telephone Services	1,800	1,800	1,800	1,800	1,800	-	9,000
Training, Recruiting, Life Works Programs	1,400	1,400	1,575	1,875	833	-	7,083
Other Significant Obligations	1,293	1,033	1,033	1,033	1,033	3,797	9,222
Agencies and Crown Corporations							
Health PEI	23,658	22,706	7,036	6,963	6,420	5,639	72,422
Island Waste Management Corporation	5,541	4,630	2,714	508	384	-	13,777
P.E.I. Liquor Control Commission	745	684	581	488	367	390	3,255
Total	**175,748**	**63,529**	**32,719**	**30,386**	**28,057**	**160,626**	**491,065**

[1] The Province has various commitments to make debt service payments to Holland College and the University of Prince Edward Island (UPEI). The aggregate of these commitments of $161.4 million. The commitments for the next five years are:

	Holland College ($000)	UPEI ($000)	Total ($000)
2011-2012	4,472	13,491	17,963
2012-2013	5,072	5,430	10,502
2013-2014	5,072	5,368	10,440
2014-2015	5,072	5,305	10,377
2015-2016	4,672	5,262	9,934

8 Commitments

The nature of the Province's activities results in commitments against future appropriations. Payments are subject to the approval of the Legislature through the annual budget process. Significant financial commitments at March 31, 2011 include:

(a) Loans

	2011 ($000)	2010 ($000)
Loans approved but not disbursed at March 31:		
Innovation PEI	1,200	9,898
Island Investment Development Inc.	44,331	37,693
P.E.I. Lending Agency	1,201	9,722
	46,732	57,313

(b) Innovation PEI

The agency has committed to disbursing $22.6 million (2010 - $23.2 million) for labour rebate program assistance, $6.8 million (2010 - $6.7 million) for enriched investment tax credits, $1.1 million (2010 - $1.5 million) in industry chair program assistance, $0.7 million (2010 – $1.4 million) for specialized labour rebates and $0.2 million (2010 - $0.07 million) for share purchase tax credit, over the next four years provided the companies meet their eligibility requirements.

(c) Island Waste Management Corporation

The Corporation has entered into a waste processing agreement dated August 8, 1995 to supply P.E.I. Energy Systems with a minimum annual guaranteed amount of 30,617 metric tonnes of waste. The 30 year agreement, expiring in August 2025, provides for the payment by IWMC of a $45 per metric tonne quarterly fee adjusted for consumer price index fluctuations. Any shortage is the responsibility of IWMC. Current annual costs for the waste processing are estimated at $1.92 million (2010 - $1.89 million).

(d) Maritime Electric Company Ltd.

As part of an overall cost savings and price stabilization initiative, the Province entered into a multi-action agreement with Maritime Electric Company Ltd (MECL) resulting in future commitments as follows:

(i) The Province, through its agency the P.E.I. Energy Corporation, will assist in financing the debt associated with the shutdown of Point Lepreau. The Province agrees that commencing March 1, 2011 and until such time as Point Lepreau is to return to service it will assume responsibility for the cost of securing replacement energy as well as the operating and maintenance charges for the period of refurbishment subsequent to March 1, 2011 related to MECL's entitlement pursuant to the Point Lepreau Unit Participation Agreement entered into by MECL with New Brunswick Power. In the event Point Lepreau does not return to service by the fall of 2012, the Province reserves the right to cease monthly payments. Monthly payments are expected to be in the range of $2.0 million. All costs borne by the Province will ultimately be recovered from rate payers, beginning in 2013, over an expected term of 25 to 30 years.

(ii) The Province, through its agency the P.E.I. Energy Corporation, agrees to pay all costs associated with MECL exiting from the Dalhousie Unit Participation Agreement. The one-time costs associated with exiting the Dalhousie agreement are expected to be in the range of $9.0 - $13.0 million. Under the agreement, the Province will finance these costs over a ten year period and recover all of its costs from rate payers beginning in 2013.

9 Contingent Liabilities

(a) Claims Outstanding

The Province is subject to legal actions arising in the normal course of business. At March 31, 2011 there were a number of outstanding claims arising from legal action in progress against the Crown.

The cost, if any, of most of the claims outstanding will be paid through the P.E.I. Self-Insurance and Risk Management Fund. The P.E.I. Self-Insurance and Risk Management Fund was established in 1988 under Part II of the *Financial Administration Act*. The Fund provides general liability insurance, errors and omissions insurance, primary property and crime insurance, and automobile liability insurance. At March 31, 2011, Fund reserves were $4.9 million (2010 - $6.1 million). Claims amounting to $3.3 million were settled in the current year (2010 - $3.0 million). The estimated amount for claims outstanding at March 31, 2011 is $4.0 million (2010 - $2.6 million). The Fund carries an excess liability policy limiting the liability of the Fund.

At March 31, 2011 a loss provision of $1.4 million (2010 - $3.0 million) has been recorded for legal action claims not covered through the Self-Insurance and Risk Management Fund.

No loss provision has been made for costs, if any, relating to claims of abuse at the former Mt. Herbert Orphanage, which are not covered through the Self-Insurance and Risk Management Fund. The cost to the Province resulting from legal actions cannot be determined because the outcome of these actions is uncertain.

(b) Credit Union Deposit Insurance Corporation

The *Credit Unions Act* states that the Province shall ensure that the obligations of the Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits within established limits held by P.E.I. credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. The Province holds two director positions on the CUDIC Board of Directors. At December 31, 2010 the CUDIC had an equity balance of $10.2 million (2009 - $9.5 million).

Deposits insured by CUDIC, on the basis of returns received from its member institutions, as at December 31, 2010, were $606.3 million (2009 - $596.1 million). The Province's contingent liability, if any, is offset by equity held by the CUDIC, Credit Union Central of Prince Edward Island and the ten credit unions on P.E.I.

(c) P.E.I. Energy Corporation

During the year, the Corporation entered into an irrevocable stand-by letter of credit in the amount of $11.84 million on behalf of a wind energy company.

The Corporation has entered into a contract with the Department of Natural Resources (NRCan) under the Wind Power Production Incentive program. In the event that revenue from the sale of production of the Wind Farm exceeds the standardized market value of that production, the incentives received must be repaid to NRCan. During the year, revenue was not in excess of the standardized market value and consequently, no liability must be recognized.

(d) Guaranteed Debt

The Province has guaranteed the repayment of a variety of types of loans. Guarantees amounting to $252.7 million (2010 - $254.7 million) are reported in Schedule 19.

10 Pension, Retirement and Other Obligations

(a) Basis of Accounting for Obligations

The Province has adopted the recommendations of the Public Sector Accounting Board (PSAB) in accounting for its pension and other retirement obligation liabilities. Assumptions used in the valuation of these benefits and obligations are developed on two criteria; for funding purposes and for accounting purposes. The Province uses assumptions developed for accounting purposes.

(b) Pension Funds

Civil Service Superannuation Fund

Employees of the Province, and some of its entities, are entitled to receive pension benefits pursuant to the provisions of a pension plan under the *Civil Service Superannuation Act*. Pension benefits are based on the number of years of service times 2 percent of the best three years' average salary. The plan provides for inflation protection to a maximum of 6 percent.

The plan is operated within the Civil Service Superannuation Fund which is not part of the Operating Fund of the Province. Investments of the Fund are held within the Province of Prince Edward Island Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Minister of Finance and Municipal Affairs. The plan is funded by employee contributions equal to 7.09 percent of the portion of their salary up to the Year's Maximum Pensionable Earnings (YMPE) and 8.75 percent on the portion of their salary that is in excess of the YMPE, with the Province matching those contributions. By Act, the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due. In addition, a funding policy has been adopted which requires the Province to make special contributions when the Fund's funding level declines below 90 percent. As a result of an unfunded liability at April 1, 2005, the Province made a special contribution through the signing of a $52 million promissory note. The note, which is held by the Fund, is receivable in ten equal installments of $5.2 million beginning October 15, 2006. Interest on the note is accrued at a rate of 4.41 percent per annum and is receivable semi-annually on April 15 and October 15. Prior to October 15, 2015 any monies owing may be suspended on six months prior notice if the Minister of Finance and Municipal Affairs deems the funding level of the Fund, excluding any outstanding balances on promissory notes, to be at a level of 90 percent on a going concern basis as defined in the Province of Prince Edward Island Funding Policy for Government Sponsored Registered Pension Plans. Interest will be accrued to the date of any suspension implemented. Any monies suspended prior to and including October 15, 2015 are no longer due and owing. Provided no further monies are payable, the promissory note shall be deemed paid in full.

The most recent going concern actuarial valuation for funding purposes, dated April 1, 2008, determined an unfunded liability of $126.9 million. At this date, after taking into account the outstanding balance on the promissory note and the present value of excess contributions as stipulated in the Funding Policy, the funding level was above 90 percent. Therefore, no additional special contributions were required.

Teachers' Superannuation Fund

The *Teachers' Superannuation Act* established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. Pension benefits are based on the number of years of service times 2 percent of the best five years' average salary. The plan provides for inflation protection to a maximum of 4 percent.

The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. Investments of the Fund are held within the Province of Prince Edward Island Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Minister of Finance and Municipal Affairs. The plan is funded by employee contributions equal to 7.3 percent of the portion of their salary up to the Year's Maximum Pensionable Earnings (YMPE) and 9 percent on the portion of their salary that is in excess of the YMPE, with the Province matching those contributions. By Act, the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due. In addition, a funding policy has been adopted which requires the Province to make special contributions when the Fund's funding level declines below 90 percent. As a result of an unfunded liability at July 1, 2005, the Province made a special contribution through the signing of a $160 million promissory note. The note, which is held by the Fund, is receivable in ten equal installments of $16 million beginning April 15, 2005. Interest on the note is accrued at a rate of 4.345 percent per annum and is receivable semi-annually on April 15 and October 15. Prior to April 15, 2014, any monies owing may be suspended on six months prior notice if the Minister of Finance and Municipal Affairs deems the funding level of the fund, excluding any outstanding balances on promissory notes, to be at a level of 90 percent on a going concern basis as defined in the Province of Prince Edward Island Funding Policy for Government Sponsored Registered Pension Plans. Interest will be accrued to the date of any suspension implemented. Any monies suspended prior to and including April 15, 2014 are no longer due and owing. Provided no further monies are payable, the promissory note shall be deemed paid in full.

The most recent going concern actuarial valuation for funding purposes, dated July 1, 2008, determined an unfunded liability of $130.5 million. At this date, after taking into account the outstanding balance on the promissory note and the present values of excess contributions as stipulated in the Funding Policy, the funding level was 81 percent. As a result, the Province made a special cash contribution of $53 million to the Fund on March 12, 2010 to bring the funding level, including the outstanding balance on the promissory note, to 90 percent.

Pension Plan for Members of the Legislative Assembly

The *Legislative Assembly Act* provides for an Indemnities and Allowances Commission to review and determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, Speaker, Deputy Speaker, Leader of the Opposition, Government House Leader, Opposition House Leader, Government Whip, and Opposition Whip. The Commission established the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" and designated the Minister of Finance and Municipal Affairs as Administrator having responsibility for the day-to-day operation and administration of the plan. Pension benefits are based on criteria which differ depending on the period of service. The criteria for the different periods are as follows:

(i) For the period up to and including June 30, 1994, annual members' pensions are equal to the lesser of 75 percent of contributions and the average annual indemnity during the last five years of service. Annual Ministers' pensions are equal to the lesser of 75 percent of contributions and one half of the highest annual salary as a Minister.

(ii) For the period July 1, 1994 to March 31, 2001, benefits are based on the number of years of service times 2 percent of the best thirty-six consecutive months' average indemnity and salary earned by the member.

(iii) For the period on or after April 1, 2001, benefits are 25 percent of the required contributions made by the participant commencing after April 1, 2001, indexed annually by the percentage increase in the Consumer Price Index, subject to a maximum increase of 8 percent per annum.

The plan provides a pre-retirement inflation protection equal to the increase in the Consumer Price Index to a maximum of 8 percent. Post-retirement inflation protection is the increase in the Consumer Price Index minus 2 percent, to a maximum of 8 percent.

A plan amendment effective January 1, 2010 provides that if after the deaths of the participant and the eligible survivors, the sum of all payments made to those parties is less than two times the participant's contributions plus interest, the difference will be paid in a cash lump sum to the participant's estate or children. The plan was also amended effective January 1, 2010 to change the pre-retirement death benefit for participants elected for the first time on or after January 1, 2009 from the present value of the earned pension to two times the contributions plus interest.

This plan operates within the Pension Plan for Members of the Legislative Assembly of Prince Edward Island Fund and is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 percent of their salary. Investments of the Fund are held within the Province of Prince Edward Island Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Minister of Finance and Municipal Affairs. The Province is required to make contributions to the Fund to ensure that there is sufficient money to cover the cost of current service accruals as well as provide for the proper amortization of any unfunded liability. The plan text and tax legislation require that an employer contribution holiday must be taken while the plan is in a surplus position.

Pension Plan for Members of the Legislative Assembly (Supplementary)

The supplementary to the Pension Plan for Members of the Legislative Assembly was established effective April 1, 1999. The plan provides a pension which is supplementary to the benefits provided under the Pension Plan for Members of the Legislative Assembly. Supplementary benefits are provided for service rendered subsequent to June 30, 1994 and the amount of benefit is approximately equal to those benefits provided under the Pension Plan for Members of the Legislative Assembly of Prince Edward Island. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 8 percent.

Senior Compensation Program

An executive compensation plan is provided to the senior management of the Province. The plan provides a pension which is supplementary to the benefits provided under the *Civil Service Superannuation Act*. Pension benefits are based on the number of years' participation in the Senior Compensation Program to a maximum of 5 years times 2 percent of the best three years' average salary. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 6 percent.

Pension Plan for Judges – Old

The *Provincial Court Act* provides a pension plan for Provincial Court judges who were appointed before April 1, 1997. Pension benefits are based on two thirds of the salary payable to the judge at the time of retirement. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 8 percent.

Pension Plan for Judges – New

The *Provincial Court Act* established a Judicial Remuneration Review Commission which reviews salary, benefits and expenses paid to judges. In February 2002, the Commission approved the establishment of a pension plan for judges appointed after March 31, 1997 which is supplementary to the benefits provided under the *Civil Service Superannuation Act*. Pension benefits are based on the number of years' service times 3 percent of the best three years' average salary less benefits received under the Civil Service Superannuation Plan. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 6 percent.

Summary of Plan Membership, Contributions and Payments

	31-Mar-11	31-Mar-10
Civil Service Superannuation Fund		
Number of Active Members	6,767	6,579
Employee Current Service Contributions	$24.0 million	$22.9 million
Number of Retirees	2,942	2,817
Benefit Payments	$45.8 million	$43.3 million
Teachers' Superannuation Fund		
Number of Active Members	1,844	1,772
Employee Current Service Contributions	$8.7 million	$8.3 million
Number of Retirees	1,448	1,460
Benefit Payments	$38.7 million	$37.5 million
Pension Plan for Members of the Legislative Assembly		
Number of Active Members	26	27
Employee Current Service Contributions	$193.0 thousand	$199.0 thousand
Number of Retirees	83	84
Benefit Payments	$1.29 million	$1.30 million
Pension Plan for Members of the Legislative Assembly (Supplementary)		
Number of Active Members	26	27
Number of Retirees	43	42
Benefit Payments	$273.6 thousand	$270.3 thousand
Senior Compensation Program		
Number of Active Members	31	32
Number of Retirees	41	38
Benefit Payments	$463.6 thousand	$534.3 thousand
Pension Plan for Judges – Old		
Number of Active Members	1	1
Number of Retirees	4	4
Benefit Payments	$388.4 thousand	$387.3 thousand

Pension Plan for Judges – New		
Number of Active Members	2	2
Number of Retirees	0	0

Actuarial Valuations / Estimates

Actuarial valuations of the Province's pension funds are carried out every three years. An estimated update, which is a calculation based on an extrapolation of the most recent valuation, is calculated by the Province at the end of each fiscal year.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group, which is 5 years for MLAs and 14 years for all other groups.

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The assumptions for the most recent valuations are as follows:

	MLA 1-Apr-09	CSSF/TSF 1-Apr-08
Expected Inflation Rate	2.50%	2.50%
Discount Rate Used to Determine Accrued Obligation	7.88%	7.37%
Expected Rate of Return on Plan Assets	7.88%	7.37%

Pension fund assets are valued at market values. The actual return on plan assets was 10.2 percent in 2011 (2010 – 22.1 percent)

The following are the most recent actuarial valuations for the Province's three pension funds:

	Civil Service Fund	Teachers' Fund	MLA Fund
Date of Valuation	01-Apr-08	01-Apr-08	01-Apr-09
	($000)	**($000)**	**($000)**
Actuarial Liability	912,334	571,631	14,830
Fund Assets	866,541	493,264	16,933
Unfunded Liability (Surplus)	**45,793**	**78,367**	**(2,103)**

For the fiscal year 2010-2011, formal actuarial projections were performed for the Civil Service Fund and Teachers' Fund to reflect changes to the discount rate and expected rate of return assumptions. Assumptions used in the projections were as follows:

Expected Inflation Rate	2.50%
Discount Rate Used to Determine Accrued Obligation	7.63%
Expected Rate of Return on Plan Assets	7.63%

At April 1, 2011, adjustments were made to reflect changes to the discount rate assumptions. The assumptions used in the projections were as follows:

Civil Service Pension Fund	7.37%
Teachers' Pension Fund	7.37%
MLA Pension Plan	7.37%
MLA Plan (Supplementary)	4.68%
Senior Compensation Pension Plan	4.47%
Judges Pension Plan (Old)	4.68%
Judges Pension Plan (New)	4.72%

During the year, changes to the expected rate of return on plan assets and discount rate assumptions resulted in a $23.1m decrease in pension obligations and a decrease of $11.7m in related interest expense.

The following are the actuarial estimates at March 31, 2011, which include the impact of the April 1, 2011 discount rate changes:

	Gross Pension Obligation	Pension Assets	Unamortized Actuarial Adjustments	Net Pension Obligation	Net Pension Obligation
	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-10
	($000)	**($000)**	**($000)**	**($000)**	**($000)**
Civil Service Pension Fund	1,107,680	967,745	(166,640)	(26,705)	(36,918)
Teachers Pension Fund	628,598	540,154	(102,064)	(13,620)	(24,834)
MLA Pension Fund	16,080	19,961	(2,372)	(6,253)	(6,880)
MLA Plan (Supplementary)	9,581		(2,831)	6,750	6,289
Senior Comp. Pension Plan	15,901		(5,109)	10,792	9,986
Judges Pension Plan (Old)	3,677		109	3,786	4,065
Judges Pension Plan (New)	1,149		(425)	724	606
Totals	**1,782,666**	**1,527,860**	**(279,332)**	**(24,526)**	**(47,686)**

(c) Retirement and Other Benefits

Retirement Pay

Employees of the Civil Service, Health and Education sectors are entitled to retirement allowances, based on the number of years of service and the pay rate in effect at the retirement date, as provided for under collective agreements and terms of employment. These benefits are unfunded.

Death Benefits

A post-retirement death benefit in the form of life insurance coverage of $5,000 is provided to regular, health and senior compensation members of the CSSF. MLAs also receive coverage in the amount of $50,000 until age 65, reducing to $25,000 at age 65 and then remaining at that level for life. MLAs who served as a Minister, Premier, or Leader of the Opposition are entitled to $75,000 coverage until they are 65 instead of $50,000. These benefits are funded by a $50,000 contribution made annually by the Province and the assets are held in a separate reserve account of the Public Sector Group Insurance Plan.

Workers' Compensation

Workers' compensation benefits include medical services, wage loss replacement and rehabilitation costs paid in the event that an employee is injured while on the job. Prior to the 2010-2011 fiscal year, workers compensation benefits were provided on an unfunded self-insured basis to the Civil Service, Instructional Education, and former Health Sector employees.

During the year, the Province entered into an agreement with the Workers' Compensation Board to become an assessed employer effective January 1, 2011, which resulted in the Province changing its method of paying for workers compensation benefits from a self-insurance to a premium basis. Under this agreement, the Province paid the Workers' Compensation Board a lump sum of $14.1 million to assume its workers' compensation liability for all employee groups except volunteer firefighters and emergency measures organization volunteers. Due to the complexity involved in calculating the lump sum, the Province and the Workers' Compensation Board have agreed that a revaluation shall take place as of December 31, 2013 and any resulting payables or receivables shall be settled by June 30, 2014. Based on the advice of its actuary, the Province has concluded that a future payment, as a result of the revaluation, is likely. The Province has thus accrued a contingent liability of $1.6 million, which is approximately equal to one year of premiums. The gain recorded by the Province on the disposition of the liability at January 1, 2011, net of the contingent liability accrual, was $6.6 million.

The agreement with the Workers Compensation Board also required a comparison between the self-insured amounts paid by the Province and the payments that would have been required under the premium basis for the period January 1, 2009 to December 31, 2010. The excess paid by the Province of $0.6 million was deducted from its 2011 calendar premiums.

Summary of Payments

	31-Mar-11	31-Mar-10
Retirement Pay	$5.8 million	$6.2 million
Death Benefits	$0.1 million	$0.1 million
Workers' Compensation	$0.1 million	$1.8 million

Workers compensation benefit payments for the year ended March 31, 2011 include only those in respect of volunteer firefighters and emergency measures organization volunteers.

Actuarial Valuations / Estimates

The Province obtains actuarial calculations of its liability for future employee benefits. An estimated update, which is a calculation based on an extrapolation of the most recent valuation, is calculated by the Province at the end of each fiscal year.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group which is 5 years for MLAs and 14 years for all other groups.

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The assumptions for the most recent valuations are as follows:

	Retirement Pay	Death Benefits (MLA)	Death Benefits (Civil & Health)	Workers' Compensation
Date of Valuation	01-Apr-08	01-Apr-09	01-Apr-08	01-Apr-06
Discount Rate Used to Determine Obligation	4.84%	5.13%	4.84%	5.50%
Expected Salary Increase	2.50%	N/A	N/A	N/A
Expected Inflation Rates				
Temporary Wage Loss	N/A	N/A	N/A	2.75%
Medical Aid & Hospital	N/A	N/A	N/A	4.75%
Pension & Extended Wage Loss	N/A	N/A	N/A	2.06%

The market value of death benefit assets at the beginning of the year was $1.3 million.The expected rate of return on death benefit assets is 4.84 percent. The actual return on assets was 1.0 percent in 2011 (2010 - 0.6 percent).

At April 1, 2011, adjustments were made to reflect changes to the discount rate assumptions. The assumptions used for the adjustments were as follows:

Retirement Pay	4.47%
Death Benefits	4.69%

The following are the actuarial estimates of future commitments to employees at March 31, 2011, which include the impact of the April 1, 2011 discount rate changes:

	Gross Benefit Obligation	Benefit Asset	Unamortized Actuarial Adjustments	Net Benefit Obligation	Net Benefit Obligation
	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-11	31-Mar-10
	($000)	**($000)**	**($000)**	**($000)**	**($000)**
Retirement Pay	85,257	-	(13,926)	71,331	66,253
Death Benefits	9,111	1,285	(2,212)	5,614	4,773
Workers Compensation	2,268	-	101	2,369	23,033
Totals	**96,636**	**1,285**	**(16,037)**	**79,314**	**94,059**

(d) Cost of Pension, Retirement and Other Obligations

The following schedule presents the costs of future employee benefits for the year ended March 31, 2011:

	Current Service Cost	Net Interest Cost	Employee and Other Contributions	Amortization of Actuarial Adjustments	Net Cost
	($000)	**($000)**	**($000)**	**($000)**	**($000)**
Civil Service Pension Fund	34,626	9,175	(37,974)	14,529	20,356
Teachers Pension Fund	12,200	5,732	(8,714)	10,676	19,894
MLA Pension Fund	384	(323)	(193)	759	627
MLA Plan (Supplementary)	440	452	-	(157)	735
Senior Comp. Pension Plan	528	763	-	(22)	1,269
Judges Pension Plan (Old)	39	201	-	(130)	110
Judges Pension Plan (New)	65	48	-	4	117
Total Pension	48,282	16,048	(46,881)	25,659	43,108
Retirement Pay	5,659	3,812	-	1,437	10,908
Death Benefits	263	344	-	285	892
Workers Compensation	36	36	(5,270)	(15)	(5,213)
Total Other	5,958	4,192	(5,270)	1,707	6,586
Totals	**54,240**	**20,240**	**(52,151)**	**27,366**	**49,694**

(e) Other Pension Plans

Health PEI

Salaried physicians maintain their own personal RRSP accounts to which Health PEI makes contributions in accordance with the Master Agreement between the Medical Society of Prince Edward Island and the Province of Prince Edward Island. Health PEI's contributions are equivalent to the pension contributions the employer would have otherwise made had the physician been eligible to participate in the pension plan as defined by the *Civil Service Superannuation Act*. Health PEI's liability is limited to its required contributions in accordance with the agreement.

School Boards

Support employees of the three school boards are part of the P.E.I. Education Sector Pension Plan (ESPP). The pension plan has both defined benefit and defined contribution components. Contributions to the defined contribution component ceased on June 30, 2007 and the plan became a fully defined benefit plan for service after this date. Members who made contributions to the defined contribution component before June 30, 2007, who are still employed, would still have accounts with SunLife Financial. According to the most recent funding actuarial report, dated January 1, 2010, the plan had an unfunded liability in the amount of $11.8 million. For the ESPP, the Province records expenses equal to the employer contributions. It is the obligation of the Province to contribute the employer's portion as per the provisions of the plan text. It is the responsibility of the Pension Committee to ensure that the contributions are sufficient to fund the benefits provided. If the Plan's financial position is insufficient to fully fund future and accrued benefits then the Pension Committee is responsible for amending the Plan to decrease the benefits proportionately to such amounts as are required to ensure that the members' and employer's contributions are sufficient to fully fund the benefits. Subsequent to the valuation, a plan amendment related to indexing was approved.

P.E.I. Human Rights Commission

The employees of the Commission participate in a defined contribution pension plan. The Commission makes contributions amounting to 6.95 percent on that part of the salary on which Canada Pension Plan contributions are made and 8.75 percent on salary when Canada Pension Plan contributions are not required. Employees are not required to match or contribute to the plan.

P.E.I. Grain Elevators Corporation

Two employees of the Corporation participate in a defined contribution plan. The Corporation matches the employee contributions to a maximum of 5 percent of the employees' salary.

(f) Sick Leave

Union agreements provide for the accumulation of sick leave benefits by employees. However, there is no obligation for the Province to settle these amounts with cash payments upon termination or retirement of the employee. A liability has not been calculated by the Province and no accrual has been recorded in these financial statements for accumulated sick leave benefits.

11 Supplementary Funding Provided by the Government of Canada

The Province has been receiving, from the Government of Canada, supplementary funding for health care and for other purposes. The Government of Canada has set up trust funds to administer some of these special transfers. The Province is recording the supplementary funding as follows:

Patient Wait Times Guarantee

2007-2008	$4.0 million
2008-2009	$4.1 million
2009-2010	$4.0 million
Total	$12.1 million

New Deal for Cities and Communities

2005-2006	$2.1 million
2006-2007	$4.4 million
2007-2008	$6.5 million
2008-2009	$9.1 million
2009-2010	$12.7 million
2010-2011	$16.1 million
Deferred Revenue March 31, 2011	$1.6 million
Total	$52.5 million

Affordable Housing Trust

2006-2007	$0.02 million
2007-2008	$0.58 million
2008-2009	$0.71 million
2009-2010	-
2010-2011	-
Deferred Revenue March 31, 2011	$2.08 million
Total	$3.39 million

Canada Eco Trust for Clean Air and Climate Change

2007-2008	$5.0 million
2008-2009	$5.0 million
2009-2010	$5.0 million
Total	$15.0 million

HPV Immunization Trust

2007-2008	$0.42 million
2008-2009	$0.42 million
2009-2010	$0.42 million
Total	$1.26 million

Community Development Trust

2008-2009	$4.6 million
2009-2010	$4.6 million
2010-2011	$4.5 million
Total	$13.7 million

Police Officers Recruitment Fund

2008-2009	$0.32 million
2009-2010	$0.32 million
2010-2011	$0.32 million
Deferred Revenue March 31, 2011	$0.64 million
Total	$1.6 million

12 Government Restructuring

Effective January 13, 2010 Executive Council announced a major government restructuring which impacted the operations of a number of departments. These changes did not take effect until April 1, 2010 for financial reporting purposes. At March 31, 2010 expenses for 2009-2010 were reported as per the former organizational structure. At March 31, 2011 expenses for 2009-2010 have been restated for comparative purposes with the new organizational structure.

13 Future Accounting Pronouncements

The Canadian Institute of Chartered Accountants (CICA) announced in February 2008 that the Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Further the CICA's Public Sector Accounting Board has ruled that Government Business Enterprises (GBEs) are deemed to be publicly accountable enterprises. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Province's six GBEs for the fiscal year ending March 31, 2012.

14 Use of Estimates and Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used it is possible that there could be a material

variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements in the accruals for such items as future pension, retirement and other obligations, environmental remediation obligations, various federal and provincial revenues and provisions for losses on loans and accounts receivable. The nature of uncertainty in the accruals for pension, retirement and other obligations arises because actual results may differ significantly from the province's various assumptions about plan members and economic conditions in the market place. Uncertainty exists for environmental remediation obligations because the actual extent of remediation activities required may differ significantly based on the actual extent of site contamination and the chosen remediation process. Uncertainty related to federal and provincial revenues arises because of the possible differences between the estimated and actual economic growth and other assumptions used to accrue these revenues. Uncertainty related to loan provisions arises due to assumptions on economic conditions in the market place and the financial health of loan recipients. Measurement uncertainty also exists in the estimate of useful life of tangible capital assets.

15 Over Expenditure

In accordance with section 37 of the *Financial Administration Act* a special warrant may be obtained authorizing payment out of the Operating Fund for any payments over and above those amounts originally authorized by the Legislative Assembly. A special warrant made under this section is deemed to be an appropriation for the fiscal year for which the warrant is made.

16 Prior Period Comparative Figures

Certain prior period comparatives have been restated to conform to the presentation format adopted in the current period.

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to Consolidated Financial Statements
for the year ended March 31, 2011

	2011 ($000)	2010 ($000)
1 Cash and Short Term Investments		
Operating Fund		
Cash (Bank Overdrafts)	(8,977)	28,071
Consolidated Agencies and Crown Corporations		
Cash	18,458	27,222
Short Term Investments	4,412	1,182
	13,893	**56,475**

2 Accounts and Taxes Receivable		
Taxes	79,868	74,929
Government of Canada	51,095	41,616
Consolidated Agencies and Crown Corporations	16,375	18,970
Due from P.E.I. Liquor Control Commission	6,429	5,755
Due from Other Government Business Enterprises	-	4,744
Other	10,850	4,851
	164,617	**150,865**
Provision for Doubtful Accounts (Schedule 20)	(3,179)	(3,301)
	161,438	**147,564**

3 Investments		
Investments Held by Innovation PEI	2,786	2,904
Investments Held by Other Consolidated Agencies & Crown Corps	220	40
	3,006	2,944
Provision for Losses (Schedule 20)	(1,598)	(1,758)
	1,408	**1,186**

4 Investment in Government Business Enterprises

a) Description of the Province's Crown Agencies classified as Government Business Enterprises

Charlottetown Area Development Corporation
The Corporation was established to provide innovation, investment and expertise for individual projects of economic and social benefit that government or the private sector are not prepared to execute alone. The corporation is owned by the Province of Prince Edward Island, the City of Charlottetown and the Town of Stratford.

Island Investment Development Inc.
Island Investment Development Inc. is the corporate administrator of government-administered venture capital funds in the Province of Prince Edward Island with its purpose to invest in active business operations. The investments are made in typically new or expanding companies. The company also administers the Prince Edward Island Provincial Nominee Program on behalf of the Province of Prince Edward Island, and charges applicants under the program various fees to process the applications received.

Island Waste Management Corporation
The Corporation is responsible for the implementation and management of a province-wide waste management system. This includes the collection and disposal of solid waste generated in Prince Edward Island.

Prince Edward Island Energy Corporation
The Corporation is responsible for pursuing and promoting the development of energy systems and the generation, production, transmission and distribution of energy, in all its forms, on an economic and efficient basis.

Prince Edward Island Liquor Control Commission
The Commission is responsible for the administration of the *P.E.I. Liquor Control Act* and Regulations, along with the management of the importation, sale, and distribution of beverage alcohol in the province.

Prince Edward Island Lotteries Commission
The Province, through its ownership of the Prince Edward Island Lotteries Commission, is a shareholder in the Atlantic Lottery Corporation Inc. (ALC) and Interprovincial Lottery Corporation (ILC). ALC is jointly owned by the four Atlantic Provinces or their lottery agency and is responsible to develop, organize, undertake, conduct and manage lotteries in Atlantic Canada. ALC also markets and handles regionally the products of the ILC, which is jointly owned by the ten Canadian provinces. Net profits of ALC and ILC are distributed to the shareholders. An agreement between the Commission and the ALC provides for ALC to develop, organize, conduct, manage and operate gaming entertainment centres as agent for and on behalf of the Commission.

b) Supplementary Financial Information

	Charlottetown Area Development Corporation ($000)	Island Investment Development Inc. ($000)	Island Waste Management Corporation ($000)	P.E.I. Energy Corporation ($000)	P.E.I. Liquor Control Commission ($000)	P.E.I. Lotteries Commission ($000)	Total 2011 ($000)	Total 2010 ($000)
Cash & Marketable Securities	2,285	181,963	3,634	9,201	623	-	197,706	175,113
Accounts Receivable	925	3,316	1,221	1,966	912	573	8,913	9,217
Inventory	-	-	-	-	5,586	-	5,586	4,214
Loans Receivable	6,298	112,548	-	5,144	-	-	123,990	129,500
Tangible Capital Assets	27,499	-	23,846	47,135	4,588	-	103,068	103,159
Other Assets	9,267	7,986	490	5,546	111	-	23,400	22,797
Total Assets	46,274	305,813	29,191	68,992	11,820	573	462,663	444,000
Accounts Payable	3,087	1,071	1,569	3,127	2,072	573	11,499	14,529
Long-Term Debt	24,711	203,254	24,535	45,857	3,344	-	301,701	284,862
Other Liabilities	13,219	63,984	2,474	1,223	6,404	-	87,304	104,591
Total Liabilities	41,017	268,309	28,578	50,207	11,820	573	400,504	403,982
Equity	5,257	37,504	613	18,785	-	-	62,159	40,018
Total Liabilities and Equity	46,274	305,813	29,191	68,992	11,820	573	462,663	444,000
Percentage of Ownership	85%	100%	100%	100%	100%	100%		
Province of P.E.I.'s Equity	**4,468**	**37,504**	**613**	**18,785**	**-**	**-**	**61,370**	**39,256**
Revenues	2,036	27,198	22,575	3,655	66,128	13,210	134,802	146,188
Expenses	1,858	8,510	22,504	577	50,824	3,879	88,152	104,297
Net Income	178	18,688	71	3,078	15,304	9,331	46,650	41,891
Minority Interest in Net Income	(27)	-	-	-	-	-	(27)	(8)
Revenues From GBEs	**151**	**18,688**	**71**	**3,078**	**15,304**	**9,331**	**46,623**	**41,883**
Contribution of Assets	-	-	126	-	-	-	126	-
Revenue Transfers to Province	-	-	-	-	(15,304)	(9,331)	(24,635)	(25,492)
Province's Increase in Equity	151	18,688	197	3,078	-	-	22,114	16,391

Audited financial statements of government business enterprises are provided in Volume 2 of the Public Accounts of the Province.

c) Balances and Transactions with the Operating Fund

	Charlottetown Area Development Corporation ($000)	Island Investment Development Inc. ($000)	Island Waste Management Corporation ($000)	P.E.I. Energy Corporation ($000)	P.E.I. Liquor Control Commission ($000)	P.E.I. Lotteries Commission ($000)	Total 2011 ($000)
Government of P.E.I.:							
Accounts Receivable from	103	-	13	-	6,717	-	6,833
Loans receivable from	2,744	-	-	34,085	3,344	-	40,173
Accounts Payable to	-	340	171	72	77	573	1,233
Revenue from:							
Sales	-	-	-	-	15,304	9,331	24,635
Interest	428	-	-	1,205	186	-	1,819
Expenses to:							
Operating Grant	-	-	-	575	-	-	575

d) Long Term Debt of Government Business Enterprises to be Repaid in Each of the Next Five Years

	($000)
2011-2012	24,372
2012-2013	56,672
2013-2014	57,283
2014-2015	50,247
2015-2016	54,759

Charlottetown Area Development Corporation loans from external parties are secured by properties.

5 Sinking Fund

	2011 ($000)	2010 ($000)
FINANCIAL ACTIVITIES		
Sinking Fund Earnings:		
Investment Earnings	16,485	12,486
Bank Charges	(11)	(10)
Net Sinking Fund Earnings	**16,474**	**12,476**
Installments from the Operating Fund	14,375	14,500
Other payments from the Operating Fund	36,004	13,295
Debentures Redeemed	(61,490)	-
Increase in Sinking Fund	5,363	40,271
Sinking Fund, Beginning of Year	222,842	182,571
Sinking Fund, End of Year	**228,205**	**222,842**
FINANCIAL POSITION		
Assets		
Cash	108	5
Accrued Interest	1,885	1,883
	1,993	1,888
Investments, at cost [1]	226,215	220,957
Total Assets	**228,208**	**222,845**
Liabilities		
Accounts Payable	3	3
Sinking Fund Reserve	228,205	222,842
Total Liabilities and Fund Reserve	**228,208**	**222,845**

[1] Market value of investments $239.6 million (2010 - $237.7 million)

	2011 ($000)	2010 ($000)
6 Loans Receivable		
Operating Fund		
Charlottetown Area Development Corporation loans due in varying annual amounts to the year 2019 bearing interest rates ranging from 4.41% - 6.64%.	2,744	3,413
Communities 13 Inc. loan due 2021, bearing interest at 7.25%.	183	312
Community Development loans due in varying annual amounts to the year 2033 bearing interest rates ranging from 4.74%-6.00%.	1,444	2,718
P.E.I. Energy Corporation loans due in varying annual amounts to the year 2022 bearing interest rates ranging up to 4.87%.	34,085	35,521
P.E.I. Liquor Control Commission loans due in varying annual amounts to the year 2020 bearing interest rates ranging from 4.20% to 6.77%.	3,344	3,511
	41,800	45,475
Mortgages and Loans Issued by Agencies and Crown Corporations		
Innovation PEI Loans due in varying annual amounts to the year 2031 bearing interest rates ranging from 3.0% to 9.25%.	28,864	35,562
P.E.I. Housing Corporation loans due 2011, interest rates ranging from 6.25% -11.50%.	6	8
P.E.I. Lending Agency loans due in varying annual amounts to the year 2031 bearing interest rates ranging from prime rate plus 1% to 12.62%.	212,485	193,632
P.E.I. Student Financial Assistance Corporation loans due with various terms of repayment extending up to 12.5 years bearing variable interest rates of prime plus 2% or fixed interest rates of prime plus 4%.	25,623	-
	266,978	229,202
Other		
Employee Transition Advances - Non-interest bearing.	4,076	5,850
Employee Computer Purchase Loans- 3 year term, Interest 2.8%.	2	331
Employee Health Club Loans- 1 year term, Interest 1.62%.	31	93
Ocean Choice Seafood's Promissory Note due in annual payments of $750 thousand and a final lump sum payment of $6.0 million in 2014, non-interest bearing.	9,750	9,813
	13,859	16,087
Total Loans Receivable	322,637	290,764
Provision for Doubtful Accounts (Schedule 20)	(52,420)	(46,361)
Adjustment for Interest Concession - Ocean Choice Seafoods	(1,995)	(1,995)
	268,222	**242,408**

	2011 ($000)	2010 ($000)
7 Deferred Revenue and Credits		
Government of Canada - Affordable Housing Trust	2,082	2,082
- Community Development Trust	-	4,567
- Police Officers Recruitment Fund	640	960
- Labour Market Agreement	590	1,113
- New Deals for Cities and Communities	1,602	2,713
- Knowledge Infrastructure Program	1,247	708
Motor Vehicle Registry	6,421	6,151
Consolidated Agencies and Crown Corporations	6,612	4,853
Other	1,557	1,982
	20,751	**25,129**

8 Accounts Payable and Accrued Liabilities		
Goods and Services	40,939	67,653
Government of Canada	14,663	13,456
Interest	22,279	23,891
Wages and Benefits	52,205	56,666
Consolidated Agencies and Crown Corporations	80,380	85,716
Provision for Losses on Guarantees (Schedule 20)	332	3,897
Payments Due - LMDA Program and Social Services	2,017	1,931
Financial Corporation Capital	100	1,266
Other	12,361	14,021
	225,276	**268,497**

9 Short Term Loans Payable		
Operating Fund		
Treasury Notes, 1.01% to 1.10%, maturing April 7, 2011 to July 20, 2011.	360,000	235,000
Innovation PEI		
Demand Note Payable to Island Investment Development Inc. Interest is charged monthly at a rate equal to the Department of Finance and Municipal Affairs' short term lending rate.	6,999	14,999
	366,999	**249,999**

	2011 ($000)	2010 ($000)
10 Obligation Under Capital Leases		
Leasehold Improvement obligations payable monthly until the year 2019, with interest rates ranging from 6.64% - 8.50%.	3,037	3,373
Equipment lease obligation payable monthly until the year 2011, with imputed interest rate of 12.4%	12	81
	3,049	**3,454**

Interest expense related to capital lease obligations for the year was $225 thousand (2010 - $255 thousand).

Future minimum lease payments under the capital lease obligations are:

	($000)
2011-2012	567
2012-2013	554
2013-2014	554
2014-2015	496
2015-2016	379
Thereafter	1,359
Total minimum lease payments	3,909
Imputed interest	860
Net Obligation	3,049

At the conclusion of the term of the equipment lease in May 2011 the Combi Foss FC milk analyzer will be purchased by the Province at a cost of one dollar.

11 Pension, Retirement and Other Obligations		
Civil Service Superannuation Fund	(26,705)	(36,918)
Teachers' Superannuation Fund	(13,620)	(24,834)
Pension Plan for Members of the Legislative Assembly	(6,253)	(6,880)
Other Pension Plans	22,052	20,946
Retirement and Death Benefits	76,945	71,026
Workers Compensation	2,369	23,033
	54,788	**46,373**

	2011 ($000)	2010 ($000)
12 Loans Payable		
Operating Fund		
Government of Canada, non-interest bearing, maturing March 31, 2016, payable in monthly installments of $316,567.	18,994	22,793
Adjustment for Interest Concession.	(2,081)	(2,925)
	16,913	19,868
Teachers' Superannuation Fund, 4.35%, maturing April 15, 2014, with interest payable semi-annually and principal payments of $16.0 million payable annually.	64,000	80,000
Civil Service Superannuation Fund, 4.41%, maturing October 15, 2015, with interest payable semi-annually and principal payments of $5.2 million payable annually.	26,000	31,200
Consolidated Agencies and Crown Corporations		
Innovation PEI		
Bank of Nova Scotia, 6.62%, maturing August 30, 2017, payable in monthly installments of $40,333 plus interest.	7,946	8,430
Island Investment Development Inc., 4% Note Payable, due January 2013.	1,430	1,430
Island Investment Development Inc., 4% Note Payable, due March 1, 2015, with interest to be paid quarterly and principal due at maturity.	-	857
Island Investment Development Inc., 4% Note Payable, due January 2012.	557	557
Manulife Financial, 6.01% note payable, due December 2024, repayable $88,025 monthly including principal and interest.	9,912	10,365
Manulife Financial, 5.54% note payable, due December 2024, repayable $7,969 monthly including principal and interest.	923	966
The Manulife Financial notes payable are secured by a general security agreement covering certain property holdings.		
P.E.I. Grain Elevators Corporation		
Scotiabank, prime plus 0.25% line of credit, maturing May 16, 2013, repayable $12,500 monthly including principal and interest.	1,213	1,363
Scotiabank, interest at prime note payable, due July 30 2014, repayable $6,000 monthly plus interest.	655	721

	2011 ($000)	2010 ($000)
12 Loans Payable continued		
P.E.I. Housing Corporation		
Canada Mortgage and Housing Corp. - Mortgages Payable	19,171	20,543
- Debentures Payable	3,089	3,225
Interest rates range - 2.65% to 11%		
Maturity dates range - 2011 to 2029		
Loans and debentures are secured by properties.		
Summerside Regional Development Corporation		
P.E.I. Century 2000 Fund Inc, 4.00% note payable, due February 2013, repayment terms to be determined in December 2011.	2,292	2,204
P.E.I. Century 2000 Fund Inc, 4.00% note payable, due September 2014, repayment terms to be determined in December 2011.	1,640	1,576
P.E.I. Century 2000 Fund Inc, 4.00% note payable, due February 2016, repayment terms to be determined in December 2011.	449	-
P.E.I. Century 2000 Fund Inc, 4.00% note payable, due September 2014, repayable in monthly payments of principal and interest of $3,937.	364	-
As security for the notes payable the company has provided a first collateral mortgage on the Holman Centre.		
	156,554	**183,305**

Principal repayment requirements over the next five years on outstanding loans payable are as follows:

	($000)
2011-2012	34,545
2012-2013	31,079
2013-2014	30,686
2014-2015	29,900
2015-2016	11,720
	137,930

13 Debentures and Sinking Fund

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt ($000)	Sinking Fund ($000)	Net Funded Debt 2011 ($000)	Net Funded Debt 2010 ($000)
Public Issues:							
16-Aug-90	16-Aug-10	11.500%	20	-	-	-	27,224
14-Mar-91	14-Mar-11	11.000%	20	-	-	-	24,910
19-Sep-91	19-Sep-11	11.000%	20	50,000	26,318	23,682	25,841
17-Dec-92	17-Dec-12	9.750%	20	50,000	22,776	27,224	29,165
18-Mar-93	18-Mar-13	9.250%	20	60,000	31,513	28,487	31,194
12-Mar-09	02-Jun-14	3.200%	5	100,000	-	100,000	100,000
27-Oct-95	27-Oct-15	8.500%	20	75,000	29,793	45,207	48,050
15-Sep-09	24-Sep-19	4.250%	10	100,000	-	100,000	100,000
25-Aug-10	02-Sep-20	3.700%	10	100,000	-	100,000	-
15-Dec-93	15-Dec-23	8.500%	30	60,000	29,381	30,619	33,214
03-Sep-02	29-Jul-27	6.100%	25	100,000	13,064	86,936	88,932
21-Feb-00	21-Feb-30	6.800%	30	80,000	18,573	61,427	63,659
29-Jan-02	29-Jan-32	6.250%	30	100,000	17,693	82,307	84,776
12-Jun-03	21-Feb-34	5.600%	30	100,000	12,590	87,410	89,336
30-Sep-04	15-Jun-35	5.700%	30	100,000	9,176	90,824	92,599
10-Feb-05	19-May-36	5.300%	31	100,000	7,413	92,587	94,264
12-Sep-05	19-Nov-37	4.650%	32	100,000	7,189	92,811	94,438
17-Mar-10	19-Nov-37	4.650%	27	100,000	1,278	98,722	100,000
16-Mar-11	19-May-41	4.600%	30	100,000	-	100,000	-
				1,475,000	226,757	1,248,243	1,127,602
Canada Pension Plan Issues							
1990-91	2010-2011	10.846%	20	-	-	-	9,603
1991-92	2011-2012	9.919%	20	9,794	-	9,794	9,794
1992-93	2012-2013	9.368%	20	6,971	-	6,971	6,971
1998-99	2018-2019	5.930%	20	376	-	376	376
1999-00	2019-2020	6.347%	20	7,332	-	7,332	7,332
2000-01	2020-2021	6.681%	20	9,136	-	9,136	9,136
2001-02	2021-2022	6.593%	20	11,374	-	11,374	11,374
2002-03	2022-2023	6.285%	20	11,360	-	11,360	11,360
2003-04	2023-2024	5.728%	20	11,135	-	11,135	11,135
2004-05	2024-2025	5.659%	20	10,500	-	10,500	10,500
2005-06	2025-2026	5.212%	20	3,036	-	3,036	3,036
2005-06	2035-2036	4.772%	30	5,939	-	5,939	5,939
2006-07	2036-2037	4.879%	30	13,526	-	13,526	13,526
2007-08	2037-2038	4.851%	30	10,010	-	10,010	10,010
2008-09	2038-2039	4.970%	30	9,703	-	9,703	9,703
2009-10	2039-2040	5.092%	30	10,544	-	10,544	10,544
2010-11	2040-2041	4.818%	30	9,603	-	9,603	-
				140,339	-	140,339	140,339
				1,615,339	226,757	1,388,582	1,267,941
Debenture Discount				(12,632)	-	(12,632)	(10,955)
Unfunded (Over-funded) Portion of Fund				-	1,448	(1,448)	34,556
Total Debentures and Sinking Fund				**1,602,707**	**228,205**	**1,374,502**	**1,291,542**

13 Debentures and Sinking Fund Continued

The debentures listed on this schedule have been issued in Canadian dollars.

Canada Pension Plan debentures are callable in whole or in part before maturity at the option of the Minister of Finance and Municipal Affairs of Prince Edward Island.

Interest rates are calculated on a weighted average basis.

The unfunded (over-funded) portion of the Sinking Fund represents cash loaned to (borrowed from) the Province's Operating Fund.

Projected Payments
Projected payments for the next five years are:

	Total Repayments ($000)	Sinking Fund Requirements ($000)	Net Principal Repayments ($000)
2011-2012	59,794	26,318	33,476
2012-2013	116,971	54,289	62,682
2013-2014	-	-	-
2014-2015	100,000	-	100,000
2015-2016	75,000	29,793	45,207

Net principal repayments are comprised of the principal amount due less available designated sinking funds to retire the debenture.

14 Tangible Capital Assets

	Land and Improvements ($000)	Buildings and Improvements ($000)	Leasehold Improvements ($000)	Roads and Bridges ($000)	Motor Vehicles ($000)	Equipment ($000)	Other ($000)	Total 2011 ($000)	Total 2010 ($000)
Cost, beginning of year	43,573	605,983	7,152	879,394	57,883	209,639	81,931	1,885,555	1,747,792
Additions	4,839	41,586	-	54,650	6,624	20,159	1,696	129,554	145,986
Adjustments	28,950	-	-	-	-	-	-	28,950	-
Disposals	(368)	(1,153)	(343)	-	(2,112)	(856)	(645)	(5,477)	(8,223)
Cost, end of year	76,994	646,416	6,809	934,044	62,395	228,942	82,982	2,038,582	1,885,555
Accumulated Amortization, beginning of year	154	243,955	3,408	626,949	42,091	138,248	40,798	1,095,603	1,051,005
Amortization	11	12,109	323	17,370	4,270	17,066	2,983	54,132	51,020
Disposals / Adjustments	-	(911)	-	-	(2,042)	(806)	(103)	(3,862)	(6,422)
Accumulated Amortization, end of year	165	255,153	3,731	644,319	44,319	154,508	43,678	1,145,873	1,095,603
Net Book Value	**76,829**	**391,263**	**3,078**	**289,725**	**18,076**	**74,434**	**39,304**	**892,709**	**789,952**

Amortization is calculated using the straight line and declining balance methods (see Note 2 (e)).

Historical cost of land has been increased by $28.9 million based on estimated cost of properties previously recorded at $1 or nil (see Note 3).

The net book value of capital assets not being amortized because they are under construction or development is $64.5 million (2010 - $31.1 million).

No interest was capitalized during the year.

14 Tangible Capital Assets Continued

Leased capital assets are reported as part of the respective asset category. These leased assets are amortized on a straight line basis over the term or estimated economic life. The amortization expense for the year was $362 thousand (2010 - $362 thousand). The cost and accumulated amortization of leased capital assets that are included in the schedule of tangible capital assets are as follows:

	2011 ($000)	2010 ($000)
Leasehold Improvements (cost)	6,416	6,416
Less accumulated amortization	(3,662)	(3,357)
	2,754	3,059
Equipment (cost)	281	281
Less accumulated amortization	(253)	(197)
	28	84

	2011 ($000)	2010 ($000)
15 Deferred Capital Contributions		
Balance, beginning of year	70,019	68,364
Contributions Received	21,272	13,020
Amortized to Revenue During the Year	(9,479)	(11,365)
Balance, end of year	**81,812**	**70,019**
16 Inventories and Property Holdings		
Operating Fund		
Inventory- Department of Education and Early Childhood	1,230	1,319
Inventory- Department of Health and Wellness	595	285
Inventory- Dept. of Transportation and Infrastructure Renewal	4,401	4,531
Inventory- Miscellaneous	-	2
Property Holdings	313	258
Consolidated Agencies and Crown Corporations		
Inventory - Health PEI	5,463	7,120
Inventory-Other Consolidated Agencies and Crown Corporations	797	1,091
Property Holdings	1,123	783
	13,922	15,389
Provision for Losses on Property Holdings (Schedule 20)	(592)	(315)
	13,330	**15,074**
17 Prepaid and Deferred Charges		
Operating Fund	1,115	942
Consolidated Agencies and Crown Corporations	4,367	3,117
	5,482	**4,059**
18 Trust Funds		
Operating Fund		
Civil Service Superannuation Fund	967,745	876,163
Pension Plan for MLAs	19,961	19,115
Public Trustee	6,110	6,419
Supreme Court	750	580
Teachers' Superannuation Fund	540,154	492,774
Health PEI	360	370
Eastern School Board	-	5
Western School Board	241	448
P.E.I. Museum and Heritage Foundation	713	704
	1,536,034	**1,396,578**

19 Guaranteed Debt

		Outstanding 31-Mar-11 ($000)	Outstanding 31-Mar-10 ($000)
1	Lines of Credit / Demand Loans	49	40
2	Debentures / Capital Loans	249,805	226,227
3	Agencies and Crown Corporations	2,853	3,346
4	Student Loans	-	25,108
	Total Guaranteed Debt	**252,707**	**254,721**

	Maturity Date	Principal Guaranteed ($000)	Outstanding 31-Mar-11 ($000)	Outstanding 31-Mar-10 ($000)
1 Lines of Credit / Demand Loans				
Communities 13 Inc.	01-Aug-11	**100**	**49**	**40**
2 Debentures / Capital Loans				
Ch'town Area Dev. Corp.	15-May-13	11,800	5,837	6,477
Communities 13 Inc.	Aug-12 to Mar-18	288	178	196
Fathers of Confed. Building	30-Sep-20	1,000	953	-
Island Investment Dev. Inc.	Apr-11 to Apr-16	203,254	203,254	179,991
Island Waste Manage. Corp.	31-Dec-27	30,130	24,535	25,331
L.M.Montgomery Land Trust	30-Jun-14	1,570	1,342	-
PEI Energy Corporation	06-Mar-17	9,360	4,511	5,246
PEI Energy Savings Bonds	May-13 to Dec-16	20,000	8,362	8,089
Pownal Sports Centre	Mar-14 to Mar-24	1,085	833	897
		278,487	**249,805**	**226,227**

Both principal and interest are guaranteed for loan guarantees and debenture share issues. During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

3 Agencies and Crown Corporations	31-Mar-11 ($000)	31-Mar-10 ($000)
Innovation PEI	**2,853**	**3,346**

4 Student Loans

Effective August 1, 2001 and February 1, 2007 the Province entered into agreements with Credit Union Central of P.E.I. for the funding and delivery of the P.E.I. Student Loan Program. All provincial student loans issued under this program were guaranteed by the Province.

P.E.I. Student Financial Assistance Corporation, a Crown corporation, was established January 1, 2011 under the *Prince Edward Island Student Financial Assistance Act* with the primary function of administering the Prince Edward Island student loan portfolio. All loans previously under the administration of Credit Union Central of PEI were transferred to the P.E.I. Student Financial Assistance Corporation on March 21, 2011.

20 Continuity of Provision for Doubtful Accounts and Losses

	Provision 31-Mar-10 ($000)	Written Off During Year ($000)	Increase (Decrease) ($000)	Provision 31-Mar-11 ($000)	
Accounts and Taxes Receivable:					
Operating Fund					
Provincial Sales Tax	995	(232)	623	1,386	
Real Property Tax	170	(310)	240	100	
Transportation and Infrastructural Renewal	902	-	-	902	
Department of Health and Wellness	878	-	(878)	-	
Other Departments	48	-	4	52	
Health PEI	-	-	485	485	
Innovation PEI	286	-	(46)	240	
P.E.I. Grain Elevators Corp	19	-	(7)	12	
P.E.I. Housing Corporation	3	-	(1)	2	
	3,301	(542)	420	3,179	[1]
Investments:					
Innovation PEI	1,758	-	(160)	1,598	
	1,758	-	(160)	1,598	[2]
Loans Receivable:					
Operating Fund	1,000	-	-	1,000	
Innovation PEI	9,862	-	(205)	9,657	
P.E.I. Lending Agency	35,499	-	2,624	38,123	
P.E.I. Student Financial Assistance Corporation	-	-	3,640	3,640	
	46,361	-	6,059	52,420	[3]
Guarantees:					
Operating Fund					
Student Loans	3,565	-	(3,565)	-	
Sea Plant Quality Initiative	332	-	-	332	
	3,897	-	(3,565)	332	[4]
Property Holdings:					
Operating Fund	100	-	-	100	
P.E.I. Lending Agency	215	-	277	492	
	315	-	277	592	[5]
Totals	**55,632**	**(542)**	**3,031**	**58,121**	

[1] The Provisions for Doubtful Accounts for Accounts Receivable are deducted on Schedule 2.

[2] The Provisions for Losses on Investments are deducted on Schedule 3.

[3] The Provisions for Doubtful Accounts for Loans Receivable are deducted on Schedule 6.

[4] The Provisions for Losses on Loan Guarantees are included in Accrued Liabilities on Schedule 8.

[5] The Provisions for Losses on Property Holdings are deducted on Schedule 16.

21 Schedule of Debentures Issued and Matured

ISSUED

Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Price Received
Canada Pension Plan				
05-Apr-10	4.86%	05-Apr-40	1,726	100.00
03-May-10	4.98%	03-May-40	2,460	100.00
01-Jun-10	4.84%	01-Jun-40	2,891	100.00
05-Jul-10	4.74%	05-Jul-40	1,527	100.00
03-Aug-10	4.75%	03-Aug-40	87	100.00
01-Nov-10	4.29%	01-Nov-40	578	100.00
03-Dec-10	4.51%	03-Dec-40	334	100.00
			9,603	
Provincial Debentures				
25-Aug-10	3.70%	02-Sep-20	100,000	98.87
16-Mar-11	4.60%	19-May-41	100,000	98.60
			200,000	
Total Debentures Issued			**209,603**	

MATURED

Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Amount Matured ($000)	Redeemed by Operating Fund ($000)	Redeemed by Sinking Fund
Canada Pension Plan						
02-Apr-90	10.36%	02-Apr-10	1,726	1,726	1,726	-
01-May-90	10.81%	01-May-10	2,460	2,460	2,460	-
01-Jun-90	11.33%	01-Jun-10	2,891	2,891	2,891	-
03-Jul-90	10.47%	03-Jul-10	1,527	1,527	1,527	-
01-Aug-90	10.46%	01-Aug-10	87	87	87	-
01-Nov-90	11.04%	01-Nov-10	578	578	578	-
03-Dec-90	10.93%	03-Dec-10	334	334	334	-
				9,603	9,603	-
Provincial Debentures						
16-Aug-90	11.50%	16-Aug-10	60,000	60,000	25,171	34,829
14-Mar-91	11.00%	14-Mar-11	50,000	50,000	23,339	26,661
				110,000	48,510	61,490
Total Debentures Matured				**119,603**	**58,113**	**61,490**

	2011 Unaudited Estimates Restated ($000)	2011 Actual ($000)	2010 Actual ($000)
Revenues			
22 Taxes			
Personal Income Tax	266,686	259,063	245,066
Sales Tax	208,600	205,683	204,364
Real Property Tax	93,000	93,690	89,084
Gasoline Tax	41,700	41,841	40,021
Corporate Income Tax	38,596	36,090	29,990
Health Tax on Tobacco	33,200	35,266	34,573
Health Tax on Liquor	16,300	16,246	15,876
Insurance Premium Tax	8,200	10,137	9,674
Corporation Capital Tax	2,300	4,932	4,168
Real Property Transfer Tax	3,000	3,437	3,106
Other	1,100	1,184	1,132
	712,682	**707,569**	**677,054**
23 Licenses and Permits			
Motor Vehicle Registry	13,760	14,775	13,842
Securities	2,750	3,559	3,462
Security Brokers and Salesmen Licenses	1,150	1,550	1,258
Registration and Licensing	840	912	910
Consolidated Agencies and Crown Corporations	400	487	380
Other	2,604	2,559	2,662
	21,504	**23,842**	**22,514**
24 Fees and Services			
Patient Fees	17,185	18,200	17,372
Beverage Containers and Recycled Materials	6,500	6,638	6,460
Land Title and Registry Fees	2,400	2,301	2,376
Third Party Insurance	1,800	1,941	1,921
Fines and Penalties	735	951	769
R.C.M.P. Recoveries	837	863	904
Automated Property Registration	1,066	804	816
Consolidated Agencies and Crown Corporations	15,694	17,342	14,950
Other	12,564	8,758	12,183
	58,781	**57,798**	**57,751**
25 Sales			
P.E.I. Grain Elevators Corporation	13,223	11,263	11,752
Tourism PEI - Golf and Parks Operations	6,245	5,675	5,919
Harness Racing P.E.I.	-	3,978	4,869
Other	4,283	3,762	3,591
	23,751	**24,678**	**26,131**

	2011 Unaudited Estimates Restated ($000)	2011 Actual ($000)	2010 Actual ($000)
26 Investment Income			
Operating Fund	2,501	2,168	2,663
P.E.I. Lending Agency	10,395	10,222	10,148
Other Consolidated Agencies and Crown Corps	1,701	1,767	2,172
	14,597	**14,157**	**14,983**
27 Other Income			
School Boards	1,300	1,583	1,901
Innovation PEI	1,723	6,370	5,915
Tourism PEI	1,167	1,123	1,160
P.E.I. Housing Corporation	4,340	4,478	4,389
Other Consolidated Agencies and Crown Corps	2,108	2,887	1,769
	10,638	**16,441**	**15,134**
28 Government of Canada			
Equalization	329,827	329,827	339,919
Canada Health Transfer	109,866	109,670	103,685
Canada Social Transfer	46,638	46,726	45,240
Base Funding for Infrastructure	42,000	42,000	42,000
Labour Market Agreements	38,690	39,337	28,997
Infrastructure Programs	13,307	11,139	11,804
New Deals for Cities and Communities	10,250	10,362	11,069
Crop Insurance	6,000	8,418	11,645
Housing Programs	6,300	7,274	5,853
Knowledge Infrastructure Program	5,280	5,735	1,917
Community Development Trust	4,567	4,567	4,573
Agriculture Support Programs	3,652	3,450	2,317
Transfer Protection	3,304	3,304	-
Youth Justice Services	2,680	2,706	2,673
Official Languages in Education	2,622	2,640	3,297
Promotion of Official Languages	1,270	1,583	1,603
Rehabilitation Programs	1,376	1,376	1,375
Wait Times Funding	1,043	1,043	5,076
Maintenance of Aboriginal Children	-	1,020	1,004
Statutory Subsidy	679	679	679
Children-in-Care Special Allowance	400	484	406
Legal Aid	445	445	400
Police Officers Recruitment Fund	320	320	320
Disaster Financial Assistance Arrangements	915	163	2,279
Canada Eco-Trust for Clean Air and Climate Change	-	-	5,000
Trade Essentials Program	-	-	983
HPV Immunization Trust	-	-	418
Other	2,927	4,129	4,288
	634,358	**638,397**	**638,820**

	2011 Unaudited Estimates Restated ($000)	2011 Actual ($000)	2010 Actual ($000)
Expenses			
29 Agriculture			
Department of Agriculture	19,753	16,110	14,876
P.E.I. Agricultural Insurance Corporation	30,915	34,029	42,657
P.E.I. Agricultural Research Investment Fund Inc	-	-	1
P.E.I. Grain Elevators Corporation	13,328	12,084	13,043
	63,996	**62,223**	**70,577**
30 Community Services, Seniors and Labour			
Dept of Community Services, Seniors and Labour	76,968	82,992	79,470
Interministerial Women's Secretariat	436	440	433
P.E.I. Housing Corporation	11,093	11,428	10,819
	88,497	**94,860**	**90,722**
31 Education and Early Childhood Development			
Department of Education and Early Childhood Development	221,217	35,349	29,274
Eastern School District	-	112,821	109,772
French Language School Board	-	10,847	10,276
Western School Board	-	62,007	61,085
P.E.I. Regulatory and Appeals Commission	2,344	2,140	2,144
	223,561	**223,164**	**212,551**
32 Environment, Energy and Forestry			
Department of Environment, Energy and Forestry	22,470	22,273	25,472
P.E.I. Energy Corporation	575	575	584
	23,045	**22,848**	**26,056**
33 Finance and Municipal Affairs			
Department of Finance and Municipal Affairs	65,657	61,521	62,422
Council of Atlantic Premiers	192	192	196
General Government	7,103	1,724	3,011
Employee Benefits	18,534	17,376	27,232
Interest on Unfunded Employee Future Benefits	20,963	18,874	30,704
Harness Racing P.E.I. Inc.	-	4,341	5,237
P.E.I. Special Projects Fund	-	-	75
P.E.I. Self Insurance and Risk Management Fund	2,615	5,219	3,573
	115,064	**109,247**	**132,450**

	2011 Unaudited Estimates Restated ($000)	2011 Actual ($000)	2010 Actual ($000)
34 Fisheries, Aquaculture and Rural Development			
Department of Fisheries, Aquaculture and Rural Development	13,410	12,884	12,336
Employment Development Agency	5,433	5,133	5,053
P.E.I. Aquaculture and Fisheries Research Initiative	229	125	32
	19,072	**18,142**	**17,421**
35 Health and Wellness			
Department of Health and Wellness	13,818	13,166	12,047
Health PEI	515,981	523,429	496,264
	529,799	**536,595**	**508,311**
36 Innovation and Advanced Learning			
Department of Innovation and Advanced Learning	127,574	130,514	119,551
Innovation PEI	27,090	32,260	36,491
P.E.I. Lending Agency	5,768	5,222	6,402
Student Financial Assistance Corporation	-	89	-
Summerside Regional Development Corporation	695	681	465
	161,127	**168,766**	**162,909**
37 Justice and Public Safety			
Department of Justice and Public Safety	41,746	42,065	40,365
P.E.I. Human Rights Commission	353	371	383
	42,099	**42,436**	**40,748**
38 Tourism and Culture			
Department of Tourism and Culture	8,003	7,394	6,776
P.E.I. Museum and Heritage Foundation	1,431	1,593	1,234
Tourism PEI	22,620	23,709	25,083
	32,054	**32,696**	**33,093**
39 Expense by Object			
Administration		43,933	36,853
Amortization of Tangible Capital Assets		44,653	39,655
Debt - Interest Charges		107,693	104,041
Debt - Provisions and Other		9,299	9,150
Debt - Interest on Unfunded Employee Future Benefits		20,240	31,988
Materials and Supplies		135,564	136,922
Professional and Contract Services		200,247	208,854
Salaries and Benefits		658,476	637,989
Travel and Training		11,382	11,570
Transfer Payments		366,977	364,113
		1,598,464	**1,581,135**

40 Reconciliation of Consolidated Surplus (Deficit)

	2010-11 Surplus (Deficit) ($000)	Consolidation Adjustments ($000)	2010-11 Consolidated Surplus (Deficit) ($000)
Operating Fund	**(108,021)**	**23,364**	**(84,657)**
Consolidated Agencies and Crown Corporations			
Harness Racing P.E.I. Inc	24	-	24
Health PEI	-	(8,485)	(8,485)
Innovation PEI	2,821	(2,474)	347
P.E.I. Agricultural Insurance Corporation	4,131	-	4,131
P.E.I. Aquaculture and Fisheries Research Initiative Inc.	(28)	6	(22)
P.E.I. Crown Building Corporation	-	(24)	(24)
P.E.I. Grain Elevators Corporation	(61)	-	(61)
P.E.I. Housing Corporation	-	(353)	(353)
P.E.I. Human Rights Commission	(11)	-	(11)
P.E.I. Lending Agency	391	-	391
P.E.I. Museum and Heritage Foundation	40	(35)	5
P.E.I. Regulatory and Appeals Commission	233	-	233
P.E.I. Self Insurance and Risk Management	(1,212)	(573)	(1,785)
P.E.I. Student Financial Services Corporation	(4)	-	(4)
School Boards	(247)	(8,468)	(8,715)
Summerside Regional Development Corporation	(7)	-	(7)
Tourism PEI	-	(115)	(115)
Total Consolidated Agencies and Crown Corps.	**6,070**	**(20,521)**	**(14,451)**
Government Business Enterprises (Schedule 4)			**46,623**
Consolidated Surplus (Deficit)			**(52,485)**

Consolidation Adjustments

Operating Fund:	
Adjustment for capital funding provided to:	
School Boards	16,707
Health PEI	30,745
P.E.I. Housing Corporation	683
Adjustment for payment to Agencies not recorded by Agencies at March 31, 2010	(136)
Adjustments for revenues recorded in Agencies and also the Operating Fund in 2010-11	(24,635)
	23,364
School Boards:	
Amortization Expense	(8,681)
Amortization of Deferred Capital Revenue	213
	(8,468)

40 Reconciliation of Consolidated Surplus (Deficit) continued

Adjustments to Amortization Expense:	
P.E.I. Crown Building Corporation	(24)
Tourism PEI	(115)
Adjustments to Amortization of Capital Contributions	
Health PEI	(8,490)
Innovation PEI	(814)
P.E.I. Housing Corporation	(341)
Other Adjustments:	
Health PEI	5
Innovation PEI	(1,660)
P.E.I. Aquaculture and Fisheries Research Initiative	6
P.E.I. Housing Corporation	(12)
P.E.I. Museum and Heritage Foundation	(35)
P.E.I. Self Insurance and Risk Management Fund	(573)

41 Restatement of 2010-2011 Budget Estimates

	2010-2011 Budget per Estimates Book ($000)	Restatement ($000)		2011 Unaudited Restated Estimates ($000)
REVENUES				
Taxes	712,682	-		712,682
Licenses and Permits	21,104	400	1	21,504
Fees and Services	30,455	28,326	1/6	58,781
Sales	26,671	(2,920)	1/3	23,751
Investments	9,180	5,417	1	14,597
Government of Canada	627,317	7,041	1	634,358
Sinking Fund Earnings	14,875	-		14,875
Other Income	-	10,638	1/6	10,638
Government Business Enterprises	-	44,551	2/3	44,551
Net Surplus of Crown Entities	18,712	(18,712)	1/2	-
Total Revenues	**1,460,996**	**74,741**		**1,535,737**
EXPENSES				
Agriculture	30,589	33,407	1/4	63,996
Auditor General	1,682	19	4	1,701
Community Services, Seniors and Labour	89,342	(845)	1/4/6	88,497
Education and Early Childhood Development	221,813	1,748	1/4	223,561
Environment, Energy and Forestry	22,901	144	4	23,045
Executive Council	3,945	26	4	3,971
Finance and Municipal Affairs	116,574	(1,510)	1/4	115,064
Fisheries, Aquaculture and Rural Development	18,788	284	1/4	19,072
Health and Wellness	508,592	21,207	4	529,799
Innovation and Advanced Learning	155,687	5,440	1/4	161,127
Justice and Public Safety	41,746	353	4	42,099
Legislative Assembly	4,904	16	4	4,920
Public Service Commission	5,577	46	4	5,623
Tourism and Culture	24,548	7,506	1/4	32,054
Transportation and Infrastructure Renewal	121,731	601	1/4	122,332
Amortization Recorded in Crown Entities	(5,000)	5,000	5	-
Amortization Deferred Cap Contributions in Crowns	1,200	(1,200)	5	-
Total Program Expenses	**1,364,619**	**72,242**		**1,436,861**
Interest Charges on Debt	109,960	2,369	1	112,329
Amortization of Capital Assets	48,473	130	1/5	48,603
Amortization of Deferred Capital Contributions	(7,165)	-		(7,165)
Total Expenses	**1,515,887**	**74,741**		**1,590,628**
Consolidated Deficit	**54,891**			**54,891**

1 - Restatement of revenues and expenses to include consolidated agencies (per agency budgets).
2 - Presentation of estimated net surplus of the six Crown Entities classified as Gov't Business Enterprises.
3 - Transfer sales revenue (Liquor Control Act and Lottery) to Government Business Enterprises.
4 - Transfer budget for salary negotiations from Finance and Municipal Affairs to other departments.
5 - Adjust for Crown Entities amortization.
6 - Adjust for PEI Housing Corporation revenue and expenses included in Operating Fund Budget.

This schedule outlines the changes in the Province's 2010-2011 Budget to present, for comparative purposes, the inclusion of consolidated agencies on a line by line basis. The "Budget per Estimates Book" is taken from the Province of P.E.I. Estimates of Revenue and Expenditure 2010.