

# **Public Accounts**

of the province of

## **Prince Edward Island**

Volume I

Consolidated Financial Statements

For the Year Ended March 31st

# **2008**




**To Her Honour**  
**The Honourable Barbara A. Hagerman**  
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 of the Province of Prince Edward Island for the fiscal year ended March 31, 2008.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Wes Sheridan', written in a cursive style.

**Hon. Wes Sheridan**  
Provincial Treasurer

Office of the Provincial Treasurer  
Charlottetown, Prince Edward Island

**To the Honourable Wes Sheridan**  
Provincial Treasurer

**Sir:**

I have the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2008.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "K. Scott Stevens". The signature is written in a cursive style with a horizontal line underneath the name.

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

Office of the Comptroller  
Charlottetown, Prince Edward Island

**Province of Prince Edward Island**  
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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, Boards 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 Financial Statements. The 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, 2008 consists of two volumes:

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

**Volume II - Operating Fund Financial Statements, Details of Revenues and Expenditures and Financial Statements of Agencies and Crown Corporations** presents the audited financial statements of the Operating Fund, the unaudited details of revenues and expenditures 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:

***<http://www.gov.pe.ca/publications>***

**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 financial statements.

These financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Cash Flows and notes and schedules integral to the statements. Together, they present fairly, in all material respects the Government's financial position at the fiscal year end and results of operations for the year ended March 31, 2008. More detailed information regarding the Government'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

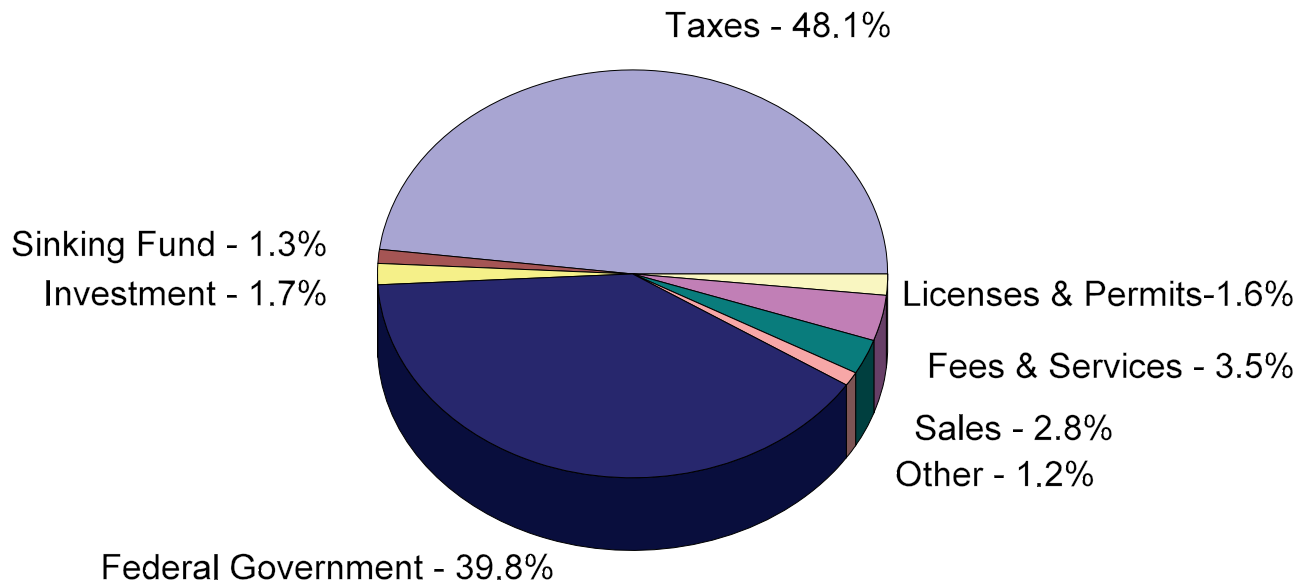


**Hon. Wes Sheridan**  
Provincial Treasurer

December, 2008

# Revenue

## Consolidated Financial Statements

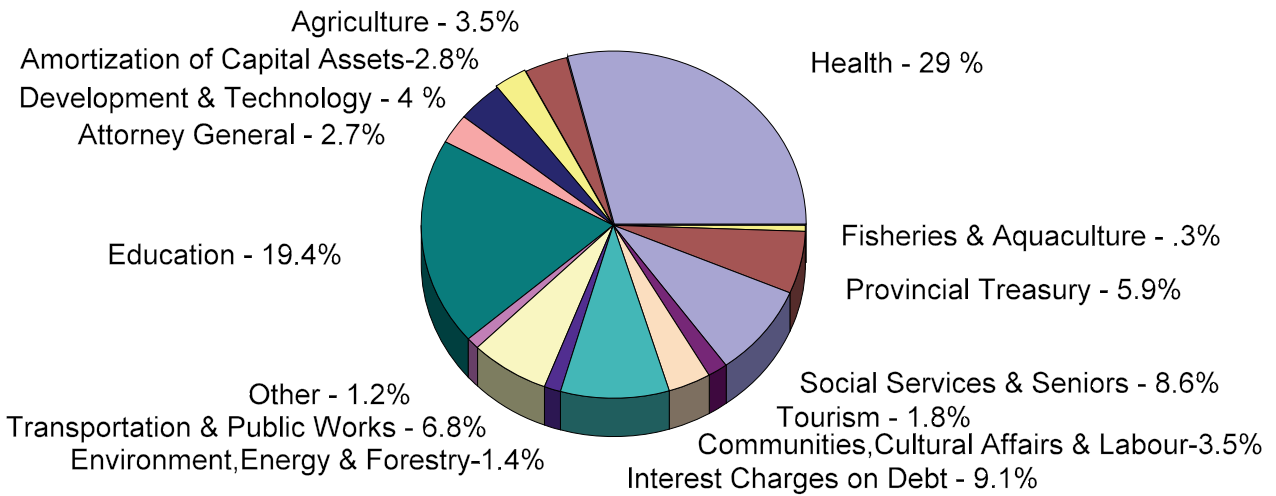


Total revenue for the Province in 2007-2008 was \$1.3 billion, an increase of \$70.4 million over the previous year.

Increases were mainly in Federal Government (\$43.5 million), Taxes (\$13.4 million) and Government Business Enterprises (\$5.9 million).

# Expense by Ministry

## Consolidated Financial Statements



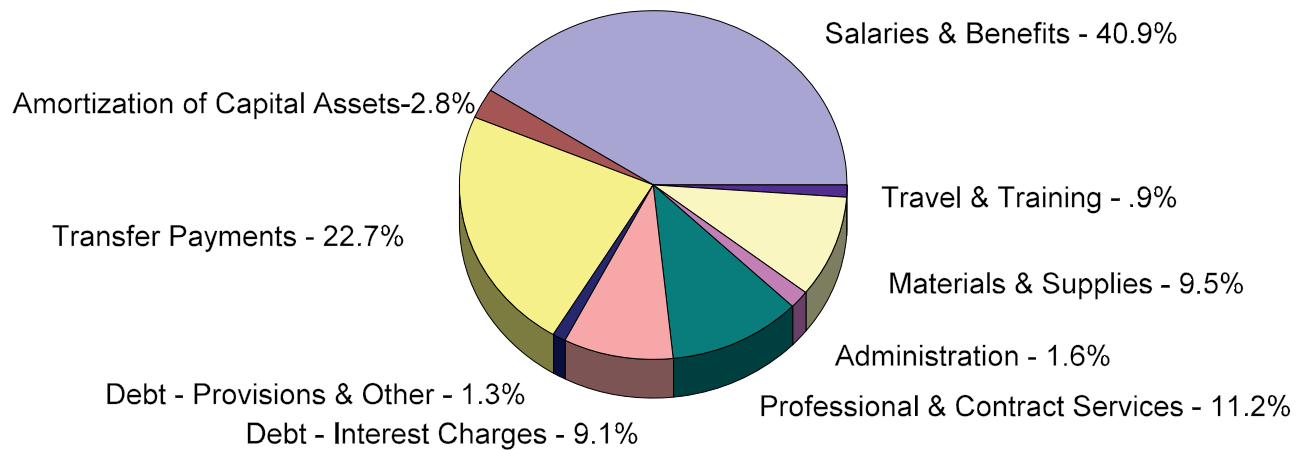
Total expense for the Province in 2007-2008 was \$1.3 billion, an increase of \$97.9 million over the previous year.

Increases were mainly in Health (\$24.6 million), Education (\$23.4 million), Provincial Treasury (\$12.2 million), Communities, Cultural Affairs and Labour (\$11.5 million), Transportation and Public Works (\$9.4 million) and Environment, Energy and Forestry (\$6.3 million).



# Expense by Object

## Consolidated Financial Statements

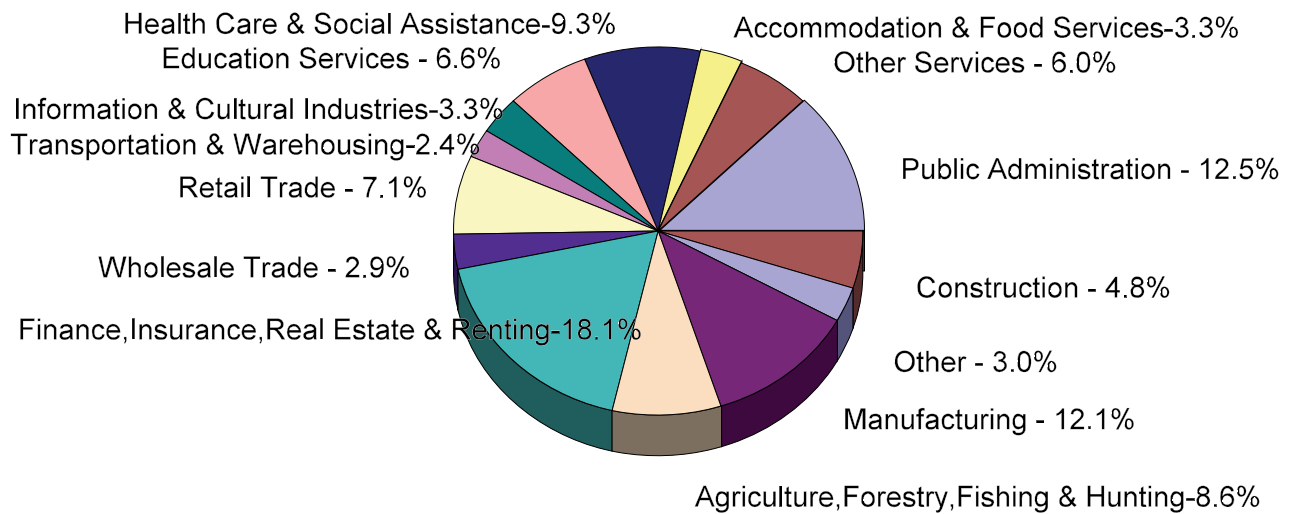


Total expense for the Province in 2007-2008 was \$1.3 billion, an increase of \$97.9 million over the previous year.

Increases were mainly in Transfer Payments (\$56.9 million), Salaries (\$24.1 million), Materials and Supplies (\$13.6 million) and Professional and Contract Services (\$11.9 million). Increases in expenses were partly offset by decreases in Debt - Provisions & Other (\$11.9 million).

# Gross Domestic Product Distribution - 2007

## Prince Edward Island



Information provided by the PEI Department of Provincial Treasury from data provided by Statistics Canada.

## AUDITOR'S REPORT

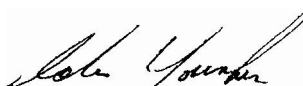
To the Members of the Legislative Assembly  
Province of Prince Edward Island

I have audited the consolidated statement of financial position of the Province of Prince Edward Island as at March 31, 2008 and the statement of operations, change in net debt and cash flows for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 2008 and the results of its operations, the change in net debt and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments as recommended by The Canadian Institute of Chartered Accountants.

Additional information and comments on the financial statements are included in my Annual Report to the Legislative Assembly.



Colin Younker, CA  
Auditor General

Charlottetown, Prince Edward Island  
January 16, 2009

**PROVINCE OF PRINCE EDWARD ISLAND**

Consolidated Statement of Financial Position  
as at March 31, 2008

	2008	2007
	(\$000)	(\$000)
<b>FINANCIAL ASSETS</b>		
Schedule		
1 Cash and Short Term Deposits	23,007	41,910
2 Accounts and Taxes Receivable	179,254	154,353
3 Property Holdings	353	776
4 Investments	1,561	2,415
5 Investment in Government Business Enterprises	18,268	11,062
6 Sinking Fund	266,473	269,015
7 Loans Receivable	243,422	<u>232,481</u>
 Total Financial Assets	 <u>732,338</u>	 <u>712,012</u>
 <b>LIABILITIES</b>		
8 Deferred Revenue/Credits	37,001	25,694
9 Accounts Payable and Accrued Liabilities	313,813	237,691
10 Short Term Loans Payable	140,000	115,000
11 Obligation Under Capital Leases	4,176	4,857
12 Pension, Retirement and Other Obligations	38,652	40,763
13 Loans Payable	235,345	255,388
14 Debentures	<u>1,310,411</u>	<u>1,344,821</u>
 Total Liabilities	 <u>2,079,398</u>	 <u>2,024,214</u>
 <b>NET DEBT</b>	 <u>1,347,060</u>	 <u>1,312,202</u>
 <b>Non-Financial Assets</b>		
15 Tangible Capital Assets	637,629	614,386
16 Deferred Capital Contributions	(65,707)	(64,848)
Investment in Tangible Capital Assets	<u>571,922</u>	<u>549,538</u>
17 Inventories	7,907	7,578
18 Prepaid and Deferred Charges	<u>7,218</u>	<u>3,662</u>
	<u>587,047</u>	<u>560,778</u>
 Accumulated Deficit	 <u>760,013</u>	 <u>751,424</u>

Supplementary Information (see schedules)

- 19 Trust Funds
- 20 Guaranteed Debt

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

## PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Operations  
for the year ended March 31, 2008

		2008 Unaudited Restated Estimates (\$000)	2008 Actual (\$000)	2007 Actual (\$000)
	<b>REVENUES</b>			
Schedule				
23	Taxes	612,622	626,624	613,196
24	Licenses and Permits	18,050	21,220	19,582
25	Fees and Services	47,752	45,986	45,385
26	Sales	31,692	36,717	32,535
27	Investment	16,179	21,471	20,024
28	Other	4,061	8,449	8,603
29	Government of Canada	524,734	517,930	474,437
5	Government Business Enterprises	5,829	7,206	1,326
6	Sinking Fund Earnings	18,988	16,800	16,916
	<b>Total Revenues</b>	<b>1,279,907</b>	<b>1,302,403</b>	<b>1,232,004</b>
	<b>EXPENSES</b>			
30	Agriculture	45,828	45,850	44,085
31	Attorney General	35,092	34,443	33,586
	Auditor General	1,524	1,422	1,338
32	Communities, Cultural Affairs and Labour	43,676	45,942	34,415
33	Development and Technology	41,456	52,299	53,509
34	Education	248,922	253,617	230,245
35	Environment, Energy & Forestry	18,455	18,504	12,201
	Executive Council	3,791	3,599	2,944
36	Fisheries and Aquaculture	3,984	3,518	2,900
	Health	379,919	378,116	353,657
	Legislative Assembly	5,359	4,882	3,480
37	Provincial Treasury	99,074	77,787	65,507
	Public Service Commission	5,229	5,233	4,544
	Social Services and Seniors	117,288	112,192	108,121
38	Tourism	25,428	24,100	21,685
	Transportation and Public Works	88,109	88,738	79,320
	<b>Total Program Expenses</b>	<b>1,163,134</b>	<b>1,150,242</b>	<b>1,051,537</b>
	Interest Charges on Debt	124,074	118,883	120,296
15	Amortization of Tangible Capital Assets	34,982	47,162	46,570
16	Amortization of Capital Contributions		(10,295)	(10,314)
	<b>Total Expenses</b>	<b>1,322,190</b>	<b>1,305,992</b>	<b>1,208,089</b>
	<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>(42,283)</b>	<b>(3,589)</b>	<b>23,915</b>
	Accumulated Surplus (Deficit), Beginning of Year		(751,424)	(775,339)
	Adjustment for Future Employee Benefits (Note 4)		(5,000)	
	<b>Accumulated Surplus (Deficit), End of Year</b>		<b>(760,013)</b>	<b>(751,424)</b>

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

**PROVINCE OF PRINCE EDWARD ISLAND**

**Consolidated Statement of Change in Net Debt  
for the year ended March 31, 2008**

	<b>2008</b> <b>Unaudited</b> <b>Restated</b> <b>Estimates</b> <b>(\$000)</b>	<b>2008</b> <b>Actual</b> <b>(\$000)</b>	<b>2007</b> <b>Actual</b> <b>(\$000)</b>
<b>Net Debt, Beginning of Year</b>	<b>1,312,202</b>	<b>1,312,202</b>	<b>1,322,967</b>
<b>Changes in Year</b>			
Annual (Surplus) Deficit	42,284	3,589	(23,915)
Acquisition of Tangible Capital Assets	68,860	74,301	59,664
Amortization of Tangible Capital Assets	(34,982)	(47,162)	(46,570)
Net Book Value of Tangible Capital Asset Disposals		(3,896)	(324)
Capital Revenue Received	(9,881 )	(11,154)	(11,035)
Amortization of Deferred Capital Contributions		10,295	10,314
Increase (Decrease) in Prepaid Expenses		3,556	1,063
Increase (Decrease) in Inventory		329	(497)
Adjustments (Note 4)			
- Reclassification of Advance Payment			535
- Record Liability re: WCB Obligation		5,000	
<b>Increase (Decrease) in Net Debt</b>	<b>66,281</b>	<b>34,858</b>	<b>(10,765)</b>
<b>Net Debt, End of Year</b>	<b>1,378,483</b>	<b>1,347,060</b>	<b>1,312,202</b>

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

## PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Cash Flows  
for the year ended March 31, 2008

	2008	2007
	(\$000)	(\$000)
<b>Operating Activities</b>		
Surplus (Deficit) for the year	(3,589)	23,915
Amortization of Tangible Capital Assets	47,162	46,570
Amortization of Deferred Capital Contributions	(10,295)	(10,314)
Adjustment for Future Employee Benefits	(5,000)	
Changes in:		
Accounts and Taxes Receivable - (Increase) Decrease	(24,901 )	(11,455)
Property Holdings - (Increase) Decrease	423	(106)
Prepaid Expenses - (Increase) Decrease	(3,556)	(1,063)
Inventories - (Increase) Decrease	(329)	497
Deferred Revenue/Credits - Increase (Decrease)	11,307	(3,201 )
Accounts Payable and Accrued Liabilities - Increase (Decrease)	76,122	33,125
Pension, Retirement and Other Obligations-Increase (Decrease)	(2,111)	(46,863)
Cash Provided by (Used for) Operating Activities	85,233	31,105
<b>Investing Activities</b>		
Changes in:		
Loans Receivable - (Increase) Decrease	(10,941)	(28,792)
Investments - (Increase) Decrease	854	350
Investment in Govt Business Enterprises-(Increase) Decrease	(7,206)	(1,326)
Cash Provided by (Used for) Investing Activities	(17,293)	(29,768)
<b>Capital Activities</b>		
Acquisition of Tangible Capital Assets	(74,301)	(59,664)
Capital Contributions Received	11,154	11,035
Disposal of Tangible Capital Assets	3,896	324
Cash Provided by (Used for) Capital Activities	(59,251)	(48,305)
<b>Financing Activities</b>		
Debentures Issued	10,010	13,526
Debentures Matured / Called	(45,010)	(43,712)
Changes in:		
Short Term Loans Payable - Increase (Decrease)	25,000	87,449
Loans Payable - Increase (Decrease)	(20,043)	17,863
Debenture Discount - (Increase) Decrease	590	623
Obligation Under Capital Leases - Increase (Decrease)	(681 )	(310)
Sinking Fund - (Increase) Decrease	2,542	(3,089)
Cash Provided by (Used for) Financing Activities	(27,592)	72,350
Increase (Decrease) in Cash and Short Term Deposits	(18,903)	25,382
Cash and Short Term Deposits, Beginning of Year	41,910	16,528
Cash and Short Term Deposits, End of Year	23,007	41,910

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

**PROVINCE OF PRINCE EDWARD ISLAND**  
**Notes to the Consolidated Financial Statements**  
**For the year ended March 31, 2008**

**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  
Harness Racing PEI Inc.  
PEI. Agricultural Insurance Corporation  
PEI. Agricultural Research Investment Fund Inc.  
PEI. Aquaculture and Fisheries Research Initiative Inc.  
PEI. Business Development Inc  
PEI. Crown Building Corporation  
PEI. Housing Corporation  
PEI. Human Rights Commission  
PEI. Lending Agency  
PEI. Museum and Heritage Foundation  
PEI. Self-Insurance and Risk Management Fund  
P.E.1. Special Projects Fund  
Tourism PEI.

The Eastern, Western, and French Language School Boards have a fiscal year-end of June 30th. Unaudited financial information as of March 31, 2008 has been used for consolidation purposes.

Harness Racing PEI Inc. has a fiscal year end of January 31, 2008. Unaudited financial information as of January 31, 2008 has been used for consolidation purposes.

The following 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 5 presents condensed financial information of the following government business enterprises.



Charlottetown Area Development Corporation  
Island Investment Development Inc.  
Island Waste Management Corporation  
P.E.1. Energy Corporation  
P.E.1. Grain Elevators Corporation  
P.E.1. Liquor Control Commission  
P.E.1. Lotteries Commission  
P.E.1. Regulatory and Appeals Commission  
Summerside Regional Development Corporation Ltd.

The P.E.1. Grain Elevators Corporation has a fiscal year end of July 31, 2007.

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, 2007, had assets of 131.5 million (2006 - \$128.4 million) and liabilities of \$119.3 million (2006 - \$116.5 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

## 2 Basis of Accounting

- (a) These financial statements are prepared in accordance with Canadian generally accepted accounting principles 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 standards.

### (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 and are not for consumption in the normal course of operations.

Cash represents cash position including bank balances and term deposits.

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.

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

Investments are recorded at the lower of cost or net realizable value. 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 to these financial statements.

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 impairments 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.

### (c) Liabilities

Deferred revenue represents 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.

Borrowings are recorded at face value less adjustments for concessionary terms.

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 Future Employee Benefit Obligations represent the Province's net liability 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.

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. Consequently, no liability has been calculated by the Province and no accrual has been recorded in these financial statements for accumulated sick leave benefits.

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

**(d) Net Debt**

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

**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 valued at historical cost, or estimated cost where historical cost information is not available. Amortization methods and rates vary between the Operating Fund and some agencies. It is calculated using the straight line or declining balance methods 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 costs of works of art and historic property are charged to expense 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. Inventories are recorded at cost and expensed as they are consumed.

Prepaid and deferred charges are goods and services purchased which will provide economic benefits in future periods.

#### **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.

#### **(e) Revenues**

Revenues are recorded on an accrual basis. Revenue from the Government of Canada, under Federal - Provincial fiscal arrangements (health and social transfers, tax collection agreements etc), are based on regular entitlements received which are adjusted against future years revenues when actual results or new information becomes 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.

#### **(f) Expenses**

Expenses are recorded on an accrual basis.

Capital expenditures are incurred in the acquisition, development 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.

### **3 Change in Accounting Policy**

For the fiscal year 2007-2008 the Province implemented Public Sector Accounting Board standards for the recording of capital revenue. Revenue received for the purchase or construction of tangible capital assets is recorded as a deferred credit when received and recognized as revenue over the same period of time that the asset acquired is being amortized. This change has been applied retroactively with the restatement of tangible capital asset balances. The retroactive restatement has resulted in an increase in the net book value of tangible capital assets at March 31, 2007 in the amount of \$64.8 million and deferred capital contributions were recorded for the same amount. For the fiscal year 2006-2007 amortization expense was increased by \$10.3 million and amortization of deferred capital contribution was recorded in the same amount.

### **4 Adjustments to Net Debt**

For the fiscal year 2007-2008 the Province has made a change in financial statement presentation by deleting the category Treasury Advances which were previously included in the Financial Assets section of the Statement of Financial Position. This change has been applied retroactively with the restatement of Statement of Financial Position balances. The restatement of assets has resulted in an increase in Net Debt due to the reclassification of an amount from Financial Assets to Non-Financial Assets. At March 31, 2006 Net Debt has been increased by \$535 thousand.

Rather than paying premiums the Province pays the costs of WCB claims and reimburses the Workers' Compensation Board of PEI for administration costs related to the claims. The Province has been recording a liability for the future costs of WCB claims. At March 31, 2008 the Province has recorded a liability to the WCB for future administration fees related to those claims. Net Debt has been increased by \$5 million at March 31, 2008 as a result of recording this liability.

5 Province of Prince Edward Island Sinking Fund

(a) Description of Sinking Fund

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

Those funds in the Sinking Fund designated for debentures are considered to be externally restricted and as a result can not 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)
2008-2009	14,500
2009-2010	14,500
2010-2011	13,125
2011-2012	12,500
2012-2013	10,975

(b) PEI Issues Held by the Sinking Fund

As at March 31, 2008 Sinking Fund investments includes PEI Issues held but not cancelled in the amounts of:

	(\$000)		(\$000)
Debentures - Par Value	58,102	Book Value	62,062
Residuals - Par Value	118,983	Book Value	71,898

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, 2008. IWMC is also responsible for monitoring and dealing with 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, 2008 an obligation associated with the retirement, closure and post-closure costs of the East Prince Landfill Site in the amount of \$1.6 million (2007 - \$1.4 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 \$350 thousand, established in 2003 to deal with future costs, is included in accounts payable and accrued liabilities.

7 Commitments

The nature of the Province's activities results in commitments against future appropriations through various multi-year contracts and obligations. Payments in respect of these contracts and agreements are subject to the approval of the Legislature through the annual budget process. Significant financial commitments at March 31, 2008 include:

## (a) University of Prince Edward Island

The Province has committed to make payments over a sixteen year period, beginning in 2003-2004, in the amount of \$376.5 thousand per year to the University of Prince Edward Island for the purpose of debt servicing.

## (b) Queen Elizabeth Hospital Foundation

The Province has committed a total of \$9 million to the Queen Elizabeth Hospital Foundation's Capital Equipment Campaign. For the year ended March 31, 2008, \$4.1 million has been disbursed. Payments totalling \$4.9 million are to be made over the next two years. The Foundation contributes funding to the hospital for the purpose of purchasing equipment.

## (c) 2009 Canada Summer Games

The Province has made a commitment to contribute \$14.8 million towards the capital and operating costs of the 2009 Canada Summer Games. As at March 31, 2008 the Province has incurred costs of \$9.8 million.

The Province will bear the cost of any deficit incurred upon completion of the Games.

## (d) P.E.I. Business Development Inc

The corporation has approved, but not disbursed, loans at March 31, 2008 amounting to \$1.1 million (2007 - \$5.0 million).

## (e) Island Investment Development Inc

Prince Edward Island Century 2000 Fund Inc. has approved, but not disbursed, loans at March 31, 2008 amounting to \$28.4 million (2007 - \$12.1 million).

## (f) P.E.I. Lending Agency

The corporation has approved, but not disbursed, loans at March 31, 2008 amounting to \$9.5 million (2007 - \$9.4 million).

## (g) P.E.I. Energy Corporation

The corporation has entered into a contribution agreement with Industry Canada and Hydrogenics Corporation for the expenditure of up to \$2.49 million on the PEI. Wind-Hydrogen project over three years.

## (h) Island Waste Management Corporation

The corporation conducts a portion of its operations, the compost facility, pursuant to an operating agreement. The agreement provides for the payment by the corporation to the operator of the facility a minimum annual fee plus an excess tonnage fee. The minimum annual fee commitments under the operating agreement, excluding the excess tonnage fees, are as follows:

2009	\$ 1.8 million
2010	\$ 1.8 million
2011	\$ 1.8 million

The corporation has entered into various agreements for the collection of recyclables, waste and compost materials. Minimum payments for the contracts currently in place for the next five years on these contracts are as follows:

2009	\$ 3.7 million
2010	\$ 3.7 million
2011	\$ 3.6 million
2012	\$ 3.2 million
2013	\$ 2.2 million

The corporation has entered into a waste processing agreement to supply PEI Energy Systems with a minimum of 30,617 metric tonnes of waste annually. Any shortage is the responsibility of the corporation. The agreement provides for the payment by the corporation of a \$45 per metric tonne quarterly fee adjusted for consumer price index fluctuations. The agreement is for thirty years, expiring in August 2025. Current annual costs for the processing of waste are estimated at \$1.8 million.

(i) Charlottetown Area Development Corporation (CADC)

In 1996 the Province entered into an agreement with the Charlottetown Waterfront Development Corporation (CWDC), a subsidiary of CADC, to manage the disposal of property purchased from Canadian National Railway (CN). Included in this agreement was an undertaking from the Province to reimburse all net carrying costs associated with the CN properties.

CADC had requested that the CN properties be returned to the Province and the process to transfer title back to the Province was initiated. Subsequent to March 31, 2008 an agreement was reached between the Province and CADC resulting in CADC retaining the CN properties.

(j) Leases

The Province is party to a substantial number of lease agreements for the rental of space and equipment. The following schedule shows the minimum annual lease payments in each of the next five years for those leases which are considered significant in relation to future operations:

	(\$000)
2008-2009	5,973
2009-2010	4,653
2010-2011	4,148
2011-2012	3,069
2012-2013	2,631

Capital Leases

Costs associated with assets purchased through capital leases are included in the Schedule of Tangible Capital Assets. Capital lease obligations are recorded as liabilities in the Consolidated Statement of Financial Position.

8 Contingent Liabilities

(a) Claims Outstanding

The Province is subject to legal actions arising in the normal course of business. At March 31, 2008 there were a number of outstanding claims arising from legal action in progress against the Crown. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

The cost, if any, of most of the claims outstanding will be paid through the Prince Edward Island Self-Insurance and Risk Management Fund. The Prince Edward Island 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, 2008, fund reserves were \$7.5 million (2007 - \$7.5 million). Claims amounting to \$1.3 million were settled in the current year (2007 - \$.9 million). The estimated amount for claims outstanding at March 31, 2008 is \$1.3 million (2007 - \$.9 million). The Fund carries an excess liability policy limiting the liability of the fund.

No allowance 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.

- (b) Prince Edward Island Business Development Inc  
PEI Business Development Inc has indemnified lease payments to a landlord on behalf of a private company. In the case of default by the tenant, the maximum amount indemnified is \$108 thousand per month, pursuant to the lease ending February 2025. A provision for loss has been established for this guarantee (see Schedule 21).
- (c) 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 PEI 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, 2007 the CUDIC had an equity balance of \$7.9 million (2006 - \$7.1 million).

Based on unaudited information, at September 30, 2007 credit unions in Prince Edward Island held insurable deposits totaling \$482.5 million (2006 - \$470.8 million). The probability that the Province would be called upon to provide financial support to the CUDIC is unlikely due to the equity held by the CUDIC, Credit Union Central of Prince Edward Island and the ten credit unions on PEI.

- (d) Guaranteed Debt  
The Province has guaranteed the repayment of a variety of types of loans, including student loans. Guarantees amounting to \$210.7 million (2007 - \$170.5 million) are reported in Schedule 20.

## 9 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 certain of its' entities are entitled to receive pension benefits pursuant to the provisions of a pension plan under the Civil Service Superannuation Act. The plan is operated within the Civil Service Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 6.95 % of their salary (8.75 % when not contributing to CPP) with the Province matching those contributions. Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. 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. Pension benefits are based on the number of years of service times 2% of the best three years' average salary. The plan provides for inflation protection to a maximum of 6 %.

### 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. The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 7.2 % of their salary (9 % when not contributing to CPP) with the Province matching those contributions. Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the

Provincial Treasurer. 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. Pension benefits are based on the number of years of service times 2% of the best five years' average salary. The plan provides for inflation protection to a maximum of 4%.

#### 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". 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% of their salary. Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. 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 requires that an employer contribution holiday must be taken while the plan is in a surplus position. Pension benefits are based on criteria which is different depending on the period of service. The criteria for the different periods are as follows:

- a) for the period up to and including June 30, 1994, annual members' pensions are equal to the lesser of 75% of contributions and the average annual indemnity during the last five years of service. Annual Ministers' pensions are equal to the lesser of 75% of contributions and one half of the highest annual salary as a Minister.
- b) for the period July 1, 1994 to March 31, 2001, benefits are based on the number of years of service times 2% of the best thirty-six consecutive months' average indemnity and salary earned by the member.
- c) for the period on or after April 1, 2001, benefits are 25% of the required contributions made by the participants commencing after April 1, 2001, indexed annually by the percentage increase in the Consumer Price Index, subject to a maximum increase of 8% per annum.

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

#### 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 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 to a maximum of 8%.

#### 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% 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 to a maximum of 6%.

#### 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 to a maximum of 8%.

#### **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% 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%.

#### **Summary of Plan Membership, Contributions and Payments**

	<b>31-Mar-08</b>	<b>31-Mar-07</b>
<b><u>Civil Service Superannuation Fund</u></b>		
Number of Active Members	6,300	6,440
Employee Current Service Contributions	\$20.4 million	\$19.3 million
Number of Retirees	2,563	1,812
Benefit Payments	\$38.2 million	\$32.1 million
<b><u>Teachers' Superannuation Fund</u></b>		
Number of Active Members	1,708	1,687
Employee Current Service Contributions	\$7.1 million	\$6.7 million
Number of Retirees	1,360	1,338
Benefit Payments	\$35.6 million	\$34.5 million
<b><u>Pension Plan for Members of the Legislative Assembly</u></b>		
Number of Active Members	27	26
Employee Current Service Contributions	\$176.4 thousand	\$124.5 thousand
Number of Retirees	95	72
Benefit Payments	\$1.53 million	\$1.18 million
<b><u>Pension Plan for Members of the Legislative Assembly (Supplementary)</u></b>		
Number of Active Members	27	26
Number of Retirees	43	26
Benefit Payments	\$242.9 thousand	\$92.9 thousand
<b><u>Senior Compensation Program</u></b>		
Number of Active Members	28	25
Number of Retirees	32	29
Benefit Payments	\$385.2 thousand	\$313.7 thousand
<b><u>Pension Plan for Judges - Old</u></b>		
Number of Active Members	1	1
Number of Retirees	4	4
Benefit Payments	\$370.4 thousand	\$363.1 thousand
<b><u>Pension Plan for Judges - New</u></b>		
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 6 years for MLAs, 14 years for TSF and 13 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 valuations are as follows:

	<u>01-Apr-06</u>	<u>01-Apr-05</u>
Expected Inflation Rate	2.75%	2.75%
Discount Rate Used to Determine Accrued Obligation	7.63%	7.63%
Expected Rate of Return on Plan Assets	7.63%	7.63%

Pension fund assets are valued at market values. The actual return on plan assets was -3.1% in 2008 (2007 11.5%).

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-05 (\$000)	01-Apr-05 (\$000)	01-Apr-06 (\$000)
Actuarial Liability	575,838	516,144	15,221
Fund Assets	502,034	308,635	22,598
Unfunded Liability (Surplus)	<u>73,804</u>	<u>207,509</u>	<u>(7,377)</u>

The following are the actuarial estimates at March 31, 2008

	Gross Pension Obligation 31-Mar-08 (\$000)	Pension Assets 31-Mar-08 (\$000)	Unamortized Actuarial Adjustments 31-Mar-08 (\$000)	Net Pension Obligation 31-Mar-08 (\$000)	Net Pension Obligation 31-Mar-07 (\$000)
Civil Service Pension Fund	895,021	866,363	(82,622)	(53,964)	(39,721)
Teachers' Pension Fund	564,062	492,975	(71,030)	57	(1,644)
MLA Pension Fund	15,408	21,657	(1,894)	(8,143)	(8,029)
MLA Plan (Supplementary)	5,271		17	5,288	4,749
Senior Compo Pension Plan	8,181		426	8,607	8,241
Judges Pension Plan (Old)	4,871		(284)	4,587	4,578
Judges Pension Plan (New)	372		28	400	329
Totals	<u>1,493,186</u>	<u>1,380,995</u>	<u>(155,359)</u>	<u>(43,168)</u>	<u>(31,497)</u>

## (c) Retirement and Other Benefits

Employees of the Province are entitled to retirement allowances as provided for under collective agreements and terms of employment. Other benefit entitlements include workers compensation funding and payment of death benefits. The Province obtains actuarial calculations of its liability for future employee benefits. 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 at April 1, 2005 and April 1, 2006 are as follows:

Expected Inflation Rate	2.06 - 4.75%
Discount Rate Used to Determine Accrued Obligation	5.50%
Expected Salary Increase	2.75%

The following balances are actuarial estimates of future commitments to employees:

	Gross Benefit Obligation 31-Mar-08 (\$000)	Benefit Assets 31-Mar-08 (\$000)	Unamortized Actuarial Adjustments 31-Mar-08 (\$000)	Net Benefit Obligation 31-Mar-08 (\$000)	Obligation 31-Mar-07 (\$000)
Retirement Pay	62,243		(6,282)	55,961	51,771
Death Benefits	5,465	1,362	(844)	3,259	2,755
Workers Compensation	19,421		3,179	22,600	17,734
Totals	87,129	1,362	(3,947)	81,820	72,260

## (d) Cost of Pension, Retirement and Other Obligations

The following schedule presents the costs of future employee benefits for the year ended March 31, 2008:

	Current Service Cost (\$000)	Net Interest Cost (\$000)	Employee and Other Contributions (\$000)	Amortization of Actuarial Adjustments (\$000)	Net Cost (\$000)
Civil Service Pension Fund	31,089	(4,399)	(21,252)	(93)	5,345
Teachers' Pension Fund	10,444	1,829	(7,123)	3,619	8,769
MLA Pension Fund	351	(644)	(176)	355	(114)
MLA Plan (Supplementary)	426	367		(12)	781
Senior Compo Pension Plan	240	585		(73)	752
Judges Pension Plan (Old)	30	357		(8)	379
Judges Pension Plan (New)	46	25			71
Total Pension	42,626	(1,880)	(28,551)	3,788	15,983
Retirement Pay	4,323	3,241		781	8,345
Death Benefits	227	208		121	556
Workers Compensation	849	766		(355)	1,260
Total Other	5,399	4,215		547	10,161
Totals	48,025	2,335	(28,551)	4,335	26,144

**(e) Other Pension Plans In The Health Regions and School Boards**

Employees of the Department of Health and the Department of Social Services and Seniors, who were not part of the civil service pension plan, were part of the Uniform Pension Plan for Employees of the Health and Community Services System of PEI. At its November 15, 2006 meeting, Treasury Board approved the amalgamation of the Uniform Pension Plan (UPP) with the Civil Service Superannuation Fund (CSSF). This amalgamation occurred in two phases: the first phase was the conversion of the UPP basic benefit and the second phase was the conversion of the UPP supplementary accounts. Amounts reported for the CSSF at March 31, 2008 include the effects of both phases of the amalgamation.

Non-instructional employees of the three school boards are part of the PEI Education Sector Non-Instructional Employees Pension Plan (ESPP). The pension plan is comprised of two parts: a defined benefit pension plan for salary up to the Canada Pension Plan's yearly maximum pensionable earnings and a defined contribution pension plan for supplementary pension contributions. According to the most recent actuarial report, dated January 1, 2005, contributions to the pension plan are not sufficient to meet the requirements of the plan and a pension fund deficit in the amount of \$183.3 thousand existed at that date. For the ESPP, the Province records expense equal to the employer contributions and does not include the unfunded liability or surplus in the pension liability of the Province.

**10 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 Federal Government has set up trust funds to administer some of these special transfers. The Province is recording the supplementary funding as follows:

**Wait Times Reduction**

Revenue recorded in 2004-2005	2.7 million
Revenue recorded in 2005-2006	2.7 million
Revenue recorded in 2006-2007	5.1 million
Revenue recorded in 2007-2008	5.1 million
Deferred Revenue at March 31, 2008	<u>2.6 million</u>
Total	<u>18.2 million</u>

**Patient Wait Times Guarantee**

Revenue recorded in 2007-2008	4.0 million
Deferred Revenue at March 31, 2008	<u>8.1 million</u>
Total	<u>12.1 million</u>

**New Deal for Cities and Communities**

Revenue recorded in 2005-2006	2.0 million
Revenue recorded in 2006-2007	4.4 million
Revenue recorded in 2007-2008	<u>6.5 million</u>
Total	<u>12.9 million</u>

**Post Secondary Infrastructure Trust**

Revenue recorded in 2006-2007	2.1 million
Revenue recorded in 2007-2008	<u>2.1 million</u>
Total	<u>4.2 million</u>

**Public Transit Capital Trust**

Revenue recorded in 2006-2007	1.3 million
Revenue recorded in 2007-2008	1.3 million
Deferred Revenue at March 31, 2008	<u>1.2 million</u>
Total	<u>3.8 million</u>

**Affordable Housing Trust**

Revenue recorded in 2006-2007	.02 million
Revenue recorded in 2007-2008	.58 million
Deferred Revenue at March 31, 2008	<u>2.8 million</u>
Total	<u>3.4 million</u>

**Off-Reserve Aboriginal Housing Trust**

Deferred Revenue at March 31, 2008	<u>.7 million</u>
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**Canada Eco Trust for Clean Air and Climate Change**

Revenue recorded in 2007-2008	5 million
Deferred Revenue at March 31, 2008	<u>10 million</u>
Total	<u>15 million</u>

**HPV Immunization Trust**

Revenue recorded in 2007-2008	.4 million
Deferred Revenue at March 31, 2008	<u>.8 million</u>
Total	<u>1.2 million</u>

**11 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. Examples of where measurement uncertainty exists in these financial statements are the calculation of future pension obligations and the provision for losses on loans and accounts receivable.

**12 Comparative Figures**

Certain 2007 financial statement figures, presented for comparative purposes, have been reclassified to conform with 2008 financial statement presentation.

**PROVINCE OF PRINCE EDWARD ISLAND**

Schedules to Consolidated Financial Statements  
for the year ended March 31, 2008

	2008	2007
	(\$000)	(\$000)
<b>1 Cash and Short Term Deposits (Bank Advances)</b>		
Operating Fund	(9,466)	15,168
Consolidated Agencies & Crown Corporations	32,473	26,742
	<u>23,007</u>	<u>41,910</u>
<b>2 Accounts and Taxes Receivable</b>		
Taxes	70,336	72,112
Government of Canada	64,514	50,115
Consolidated Agencies & Crown Corporations	6,545	5,434
Employee Salary Advances	6,867	1,489
Other	34,621	29,874
	<u>182,883</u>	<u>159,024</u>
Provision for Doubtful Accounts (Schedule 21)	(3,629)	(4,671)
	<u>179,254</u>	<u>154,353</u>
<b>3 Property Holdings</b>		
Property Holdings (Land, Buildings and Equipment)	809	2,212
Land (Tax Sales)	101	100
Other		58
	<u>910</u>	<u>2,370</u>
Provision for Losses (Schedule 21)	(557)	(1,594)
	<u>353</u>	<u>776</u>
<b>4 Investments</b>		
Investments Held by PEI Business Development Inc	2,779	3,068
Investments Held by PEI Lending Agency		541
	<u>2,779</u>	<u>3,609</u>
Provision for Losses (Schedule 21)	(1,218)	(1,194)
	<u>1,561</u>	<u>2,415</u>

## 5 Investment in Government Business Enterprises

	Ch'town Area Dev. Corp. (\$000)	Island Invest. Dev. Inc (\$000)	Island Waste Management Corp. (\$000)	P.E.I. Energy Corp. (\$000)	P.E.I. Grain Elevators Corp. (\$000)	P.E.I. Liquor Control Comm. (\$000)	P.E.I. Lotteries Comm. (\$000)	P.E.I. Reg. & Appeals Comm. (\$000)	S'side Regional Dev. Corp. (\$000)	Total 2008 (\$000)	Total 2007 (\$000)
Assets	46,498	190,520	29,961	69,733	1,720	11,342	114	1,099	7,955	358,942	274,096
Liabilities	41,459	187,712	29,807	62,304	1,085	11,342	114	793	4,418	339,034	261,456
Equity	5,039	2,808	154	7,429	635	-	-	306	3,537	19,908	12,640
	<u>46,498</u>	<u>190,520</u>	<u>29,961</u>	<u>69,733</u>	<u>1,720</u>	<u>11,342</u>	<u>114</u>	<u>1,099</u>	<u>7,955</u>	<u>358,942</u>	<u>274,096</u>
Percentage of Ownership	85%	100%	100%	100%	100%	100%	100%	100%	75%		
Province of PEI's Equity	4,283	2,808	154	7,429	635	-	-	306	2,653	18,268	11,062
Revenue	4,093	12,433	22,431	3,674	6,612	58,234	15,404	2,312	811	126,004	115,328
Expenses	4,074	8,104	21,020	492	6,503	44,637	3,873	2,249	574	91,526	<u>90,648</u>
Net Income (Loss)	19	4,329	1,411	3,182	109	13,597	11,531	63	237	34,478	24,680
Minority Interest in Net Income	(3)	-	-	-	-	-	-	-	(59)	(62)	43
Prior Period Adjustments	-	(19)	-	-	-	-	-	-	-	(19)	-
Amounts Transferred to Province	-	(2,000)	-	-	-	(13,597)	<u>(11,531)</u>	<u>(63)</u>	-	<u>(27,191)</u>	<u>(23,397)</u>
Province's Increase in Equity	<u>16</u>	<u>2,310</u>	<u>1,411</u>	<u>3,182</u>	<u>109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178</u>	<u>7,206</u>	<u>1,326</u>

Audited financial statements of government business enterprises and other provincial agencies and crown corporations are provided in Volume II of the Public Accounts of the Province of Prince Edward Island.

6 Sinking Fund

	<u>2008</u>	<u>2007</u>
	(\$000)	(\$000)
FINANCIAL ACTIVITIES		
Sinking Fund Earnings		
Investment Earnings	16,818	16,938
Bank Charges	(18)	(22)
Net Sinking Fund Earnings	<u>16,800</u>	<u>16,916</u>
Instalments from Operating Fund	15,658	16,359
Debentures Redeemed	<u>(35,000)</u>	<u>(30,186)</u>
Increase (Decrease) in Sinking Fund Reserve	(2,542)	3,089
Sinking Fund Reserve, Beginning of Year	<u>269,015</u>	<u>265,926</u>
Sinking Fund Reserve, End of Year	<u>266,473</u>	<u>269,015</u>

FINANCIAL POSITION

Assets		
Cash	359	34
Accrued Interest	1,947	1,883
Accounts Receivable - from Operating Fund	35,160	32,820
- Other		13
	<u>37,466</u>	<u>34,750</u>
Investments, at cost (Note)	<u>229,012</u>	<u>234,270</u>
Total Assets	<u>266,478</u>	<u>269,020</u>
Liabilities		
Accounts Payable	5	5
Sinking Fund Reserve	<u>266,473</u>	<u>269,015</u>
Total Liabilities and Fund Reserve	<u>266,478</u>	<u>269,020</u>

Note - Market value of investments \$254.7 million (2007 - \$261.0 million)



	<u>2008</u> <u>(\$000)</u>	<u>2007</u> <u>(\$000)</u>
<b>7 Loans Receivable</b>		
<b>Operating Fund</b>		
Charlottetown Area Development Corporation	6,675	6,941
Communities 13 Inc.	396	442
Community Development	1,389	1,357
Island Waste Management Corporation		2,389
P.E.1. Energy Corporation	43,278	46,654
P.E.1. Liquor Control Commission	5,333	5,046
	<u>57,071</u>	<u>62,829</u>
<b>Mortgages and Loans Issued by Agencies</b>		
P.E.1. Business Development Inc	43,932	29,540
P.E.1. Housing Corporation	22	32
P.E.1. Lending Agency	167,179	161,917
	<u>211,133</u>	<u>191,489</u>
<b>Other</b>		
Employee Computer Purchase Loans	321	778
Employee Health Club Loans	99	99
Ocean Choice Seafoods Promissory Note	11,312	12,062
	<u>11,732</u>	<u>12,939</u>
Total Loans Receivable	279,936	267,257
Provision for Doubtful Accounts (Schedule 21)	(33,422)	(31,115)
Adjustment for Interest Concession - Ocean Choice Seafoods	(3,092)	(3,661)
	<u>243,422</u>	<u>232,481</u>
<b>8 Deferred Revenue/Credits</b>		
Government of Canada - Wait Times Reduction Funding	10,612	7,665
- Canada Study Grants		105
- New Deals for Cities & Communities		302
- Post Secondary Infrastructure Trust		2,122
- Public Transit Capital Trust	1,267	2,540
- Affordable Housing Trust	2,795	3,379
- Off-Reserve Aboriginal Housing Trust	705	705
- Canada Eco Trust	10,000	
- HPV Immunization	839	
Motor Vehicle Registry	5,135	5,461
Other	5,648	3,415
	<u>37,001</u>	<u>25,694</u>

	<u>2008</u>	<u>2007</u>
	(\$000)	(\$000)
9 Accounts Payable and Accrued Liabilities		
Goods and Services	101,442	60,979
Government of Canada	16,760	760
Interest	25,200	27,749
Wages and Benefits	49,219	41,740
Due to Sinking Fund	35,160	31,749
Provision for Losses on Guarantees (Schedule 21)	21,214	15,944
Consolidated Agencies and Crown Corporations	37,845	31,073
Other	<u>26,973</u>	<u>27,697</u>
	<u>313,813</u>	<u>237,691</u>
10 Short Term Loans Payable		
Operating Fund		
Treasury Notes	125,000	100,000
PEI Business Development Inc		
Demand Note Payable to PEI Century 2000 Fund	<u>15,000</u>	<u>15,000</u>
	<u>140,000</u>	<u>115,000</u>
11 Obligation Under Capital Leases		
Operating Fund	4,176	4,497
Consolidated Agencies and Crown Corporations		<u>360</u>
	<u>4,176</u>	<u>4,857</u>
12 Pension, Retirement and Other Obligations		
Civil Service Superannuation Fund	(53,964)	(39,721)
Teachers' Superannuation Fund	57	(1,644)
Pension Plan for Members of the Legislative Assembly	(8,143)	(8,029)
Other Pension Plans	18,882	17,897
Retirement and Death Benefits	59,220	54,526
Workers Compensation	<u>22,600</u>	<u>17,734</u>
	<u>38,652</u>	<u>40,763</u>

	2008	2007
	(\$000)	(\$000)
13 Loans Payable		
Operating Fund		
Government of Canada, non-interest bearing, maturing March 31, 2016, payable in monthly installments of \$316,567. Adjustment for Interest Concession.	30,390 (4,942)	34,189 (6,090)
	25,448	28,099
Teachers' Superannuation Fund, 4.35%, maturing April 15, 2014, with interest payable semi-annually and principal payments of \$16 million payable annually.	112,000	128,000
Civil Service Superannuation Fund, 4.41 %, maturing October 15, 2015, with interest payable semi-annually and principal payments of \$5.2 million payable annually.	41,600	52,000
Municipal Development Loan Board, 5 3/8%, maturing in 2008, payable in annual installments of \$23,957 including interest.	44	44
Consolidated Agencies & Crown Corporations		
PEI Business Development Inc		
Bank of Nova Scotia, 6.62%, maturing August 30, 2017, payable in monthly installments of \$40,333 plus interest.	9,398	9,882
4.00% Note Payable, due January 2013, repayable in monthly installments of \$12,595 including interest.	1,500	
4.00% Note Payable, due October 2008, repayable in 3 instalments of \$4,000,000 plus interest.	12,000	
Prince Edward Island Century Fund 2000 Inc, 4% Promissory Note, due March 1, 2015, with interest to be paid quarterly and principal due at maturity.	6,086	6,600
Island Investment Development Inc., 4% Promissory Note Payable, due April 2007, with interest payable at maturity.		2,202
Island Investment Development Inc., 4% Promissory Note Payable, due January 2012, payable in monthly installments of \$11 ,249 including interest.	564	593
PEI Housing Corporation		
Canada Mortgage and Housing Corp - Mortgages Payable	23,231	24,383
- Debentures Payable	3,474	3,585
	<u>235,345</u>	<u>255,388</u>

**14 Debentures and Sinking Fund**

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt	Sinking Fund	Net Funded Debt 2008	Net Funded Debt 2007
<b>Public Issues:</b>							
3-Oct-97	3-Oct-07	6.000%	10				26,192
22-Jun-88	22-Jun-08	11.375%	20	47,980	28,731	19,249	21,707
1-Dec-88	1-Dec-08	10.750%	20	44,687	25,240	19,447	21,621
16-Aug-90	16-Aug-10	11.500%	20	60,000	28,100	31,900	34,458
14-Mar-91	14-Mar-11	11.000%	20	50,000	21,448	28,552	30,531
19-Sep-91	19-Sep-11	11.000%	20	50,000	20,580	29,420	31,363
17-Dec-92	17-Dec-12	9.750%	20	50,000	17,600	32,400	34,140
18-Mar-93	18-Mar-13	9.250%	20	60,000	24,288	35,712	38,133
27-Oct-95	27-Oct-15	8.500%	20	75,000	22,155	52,845	55,367
15-Dec-93	15-Dec-23	8.500%	30	60,000	22,446	37,554	39,871
3-Sep-02	29-Jul-27	6.100%	25	100,000	7,578	92,422	94,138
21-Feb-00	21-Feb-30	6.800%	30	80,000	12,493	67,507	69,449
29-Jan-02	29-Jan-32	6.250%	30	100,000	10,918	89,082	91,210
12-Jun-03	21-Feb-34	5.600%	30	100,000	7,284	92,716	94,366
30-Sep-04	15-Jun-35	5.700%	30	100,000	4,258	95,742	97,252
10-Feb-05	19-May-36	5.300%	31	100,000	2,749	97,251	98,668
12-Sep-05	19-Nov-37	4.650%	32	100,000	2,655	97,345	98,716
				<b>1,177,667</b>	<b>258,523</b>	<b>919,144</b>	<b>977,182</b>
<b>Canada Pension Plan Issues</b>							
1987-88	2007-2008		20				10,010
1988-89	2008-2009	10.079%	20	9,703		9,703	9,703
1989-90	2009-2010	9.902%	20	10,544		10,544	10,544
1990-91	2010-2011	10.846%	20	9,603		9,603	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		<b>11,135</b>	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	
				<b>140,339</b>		<b>140,339</b>	<b>140,339</b>
				<b>1,318,006</b>	<b>258,523</b>	<b>1,059,483</b>	<b>1,117,521</b>
<b>Special Contribution- Operating Fund Debenture Discount</b>					<b>7,950</b>	<b>(7,950)</b>	<b>(33,530)</b>
				<b>(7,595)</b>		<b>(7,595)</b>	<b>(8,185)</b>
<b>Total Debentures and Sinking Fund</b>				<b>1,310,411</b>	<b>266,473</b>	<b>1,043,938</b>	<b>1,075,806</b>

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 Provincial Treasurer of Prince Edward Island.

Interest rates are calculated on a weighted average basis.

## 15 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 2008 (\$000)	Total 2007 (\$000)
Balance, beginning of year	32,934	527,770	6,416	717,128	47,431	158,632	74,951	1,565,262	1,507,360
Additions	5,161	13,241	62	31,923	3,373	18,651	1,890	74,301	59,664
Disposals	(2,210)	(5,996)	-		(1,293)	(804)		(10,303)	(1,762)
Balance, end of year	35,885	535,015	6,478	749,051	49,511	176,479	76,841	1,629,260	1,565,262
Accum. Amortization, beginning	1,531	220,003	2,441	556,832	38,074	97,963	34,032	950,876	905,744
Amortization	82	11,738	311	17,162	2,644	13,302	1,923	47,162	46,570
Disposals	(1,124)	(3,439)	-		(1,155)	(689)		(6,407)	(1,438)
Accum. Amortization, end of year	<u>489</u>	<u>228,302</u>	<u>2,752</u>	<u>573,994</u>	<u>39,563</u>	<u>110,576</u>	<u>35,955</u>	<u>991,631</u>	<u>950,876</u>
Net Book Value	<u>35,396</u>	<u>306,713</u>	<u>3,726</u>	<u>175,057</u>	<u>9,948</u>	<u>65,903</u>	<u>40,886</u>	<u>637,629</u>	<u>614,386</u>

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

Historical cost is still being gathered for certain land parcels. Adjustments to costs may be required when more information becomes available.

In the fiscal year 2007-2008 the Province changed its policy regarding revenues received for tangible capital assets. The new policy is to record the revenue over the same period of time that the asset is amortized. Balances for cost and accumulated amortization at March 31, 2006 and March 31, 2007 have been restated to present this policy change on a retroactive basis (see Note 3).

	<u>2008</u>	<u>2007</u>
	(\$000)	(\$000)
16 Deferred Capital Contributions		
Balance, Beginning of Year	64,848	64,127
Contributions Received	11,154	11,035
Amortized to Revenue During the Year	<u>(10,295)</u>	<u>(10,314)</u>
Balance, End of Year	<u>65,707</u>	<u>64,848</u>
17 Inventories		
Operating Fund		
Department of Education	1,271	1,314
Department of Health	2,688	2,610
Department of Social Services and Seniors	295	294
Department of Transportation and Public Works	3,499	3,153
Consolidated Agencies	<u>154</u>	<u>207</u>
	<u>7,907</u>	<u>7,578</u>
18 Prepaid and Deferred Charges		
Operating Fund	6,978	3,355
Consolidated Agencies	<u>240</u>	<u>307</u>
	<u>7,218</u>	<u>3,662</u>
19 Trust Fund Reserves		
Operating Fund		
Cable Replacement Fund	3,423	3,283
Civil Service Superannuation Fund	866,364	863,356
Pension Plan for MLAs	22,759	23,810
Public Trustee	10,029	8,833
Supreme Court	661	737
Teachers' Superannuation Fund	524,621	483,773
Eastern School Board	5	5
Western School Board	118	117
P.E.1. Business Development Inc.		197
P.E.1. Museum and Heritage Foundation	<u>702</u>	<u>687</u>
	<u>1,428,682</u>	<u>1,384,798</u>

## 20 Guaranteed Debt

	Outstanding 31-Mar-08 (\$000)	Outstanding 31-Mar-07 (\$000)
1 Lines of Credit / Demand Loans	2,191	200
2 Debentures / Capital Loans	49,911	52,308
3 Agencies and Crown Corporations	133,265	94,107
4 Student Loans	25,312	23,897
	<u>210,679</u>	<u>170,512</u>

	<u>Maturity Date</u>	Principal Guaranteed (\$000)	Outstanding 31-Mar-08 (\$000)	Outstanding 31-Mar-07 (\$000)
1 Lines of Credit / Demand Loans				
Communities 13 Inc.	1-Aug-08	100	67	
P.E.1. Grain Elevators Corp.	31-Dec-08	3,250	2,124	200
		<u>3,350</u>	<u>2,191</u>	<u>200</u>
2 Debentures / Capital Loans				
City of Charlottetown/CARI	31-Dec-08	1,850	469	2,900
Ch'town Area Dev. Corp.	15-May-13	11,800	7,650	8,186
Communities 13 Inc.	Nov-07 to Mar-18	388	232	351
Island Waste Management	31-Dec-27	30,130	26,779	27,437
PEI Energy Corporation	06-Mar-17	9,360	6,439	6,979
PEI Energy Savings Bonds	Dec-11 to Dec-16	20,000	7,334	5,409
Pownal Sports Centre	Mar-09 to Mar-24	1,355	1,008	1,046
		<u>74,883</u>	<u>49,911</u>	<u>52,308</u>

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.

	31-Mar-08 (\$000)	31-Mar-07 (\$000)
3 Agencies and Crown Corporations		
P.E.1. Business Development Inc	5,759	7,464
P.E.1. Lending Agency		31
Island Investment Development Inc	127,506	86,612
	<u>133,265</u>	<u>94,107</u>

## 4 Student Loans

Effective August 1, 2001 and February 1, 2007 the Province entered into agreements with Credit Union Central of PEI for the funding and delivery of the PEI Student Loan Program. All provincial student loans issued under this program are guaranteed by the Province. As at March 31, 2008 student loans outstanding under this program totalled \$25.3 million (2007 - \$23.9 million).

	31-Mar-08 (\$000)	31-Mar-07 (\$000)
5 Provision for Losses on Loan Guarantees		
P.E.1. Business Development Inc	1,909	2,046
P.E.1. Lending Agency		31
Student Loans	2,662	2,611
	<u>4,571</u>	<u>4,688</u>

**21 Continuity of Provision for Doubtful Accounts and Losses**

	<b>Provision 31-Mar-07</b>	<b>Written Off During Year</b>	<b>Increase (Decrease) Provided</b>	<b>Provision 31-Mar-08</b>
	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>	<b>(\$000)</b>
<b>Accounts and Taxes Receivable:</b>				
Operating Fund				
Provincial Sales Tax	1,517	(602)	205	1,120
Real Property Tax	371	(84)	65	352
Transportation & Public Works	895		7	902
Department of Health	1,767	(678)	(51)	1,038
PEI. Business Development Inc	102		63	165
PEI. Housing Corporation	19		33	52
	<u>4,671</u>	<u>(1,364)</u>	<u>322</u>	<u>3,629</u> 1
<b>Property Holdings:</b>				
PEI. Lending Agency	1,594	(1,210)	173	557
	<u>1,594</u>	<u>(1,210)</u>	<u>173</u>	<u>557</u> 2
<b>Investments:</b>				
PEI. Business Development Inc	653		565	1,218
PEI. Lending Agency	541		(541)	
	<u>1,194</u>		<u>24</u>	<u>1,218</u> 3
<b>Loans Receivable:</b>				
PEI. Business Development Inc	2,437		909	3,346
PEI. Lending Agency	20,673		8,903	29,576
Hog Loans	8,005	(8,414)	409	
Sea Plant Quality Initiative			500	500
	<u>31,115</u>	<u>(8,414)</u>	<u>10,721</u>	<u>33,422</u> 4
<b>Guarantees:</b>				
Operating Fund	4,111	(1,234)	1,284	4,161
PEI. Business Development Inc				
Loans	2,046		(137)	1,909
Lease Indemnification	9,756		5,388	15,144
PEI. Lending Agency (Loans)	31		(31)	
	<u>15,944</u>	<u>(1,234)</u>	<u>6,504</u>	<u>21,214</u> 5
<b>Totals</b>	<u><b>54,518</b></u>	<u><b>(12,222)</b></u>	<u><b>17,744</b></u>	<u><b>60,040</b></u>

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

2 - The Provisions for Losses on Property Holdings are deducted on Schedule 3.

3 - The Provisions for Losses on Investments are deducted on Schedule 4.

4 - The Provisions for Doubtful Accounts for Loans Receivable are deducted on Schedule 7.

5 - The Provisions for Losses on Guarantees are included in Accrued Liabilities on Schedule 9.



## 22 Schedule of Debentures Issued and Matured

## ISSUED

Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue (\$000)	Price Received
<b>Canada Pension Plan</b>				
1-Apr-07	4.69%	2-Apr-37	1,265	100.00
1-May-07	4.67%	1-May-37	2,250	100.00
1-Jun-07	4.84%	1-Jun-37	2,279	100.00
2-Jul-07	5.08%	3-Jul-37	965	100.00
5-Aug-07	5.09%	7-Aug-37	563	100.00
1-Sep-07	4.98%	4-Sep-37	430	100.00
1-Oct-07	5.06%	1-Oct-37	385	100.00
2-Nov-07	4.93%	2-Nov-37	1,071	100.00
1-Mar-08	4.92%	3-Mar-38	802	100.00
<b>Total Debentures Issued</b>			<b>10,010</b>	

## 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 (\$000)
<b>Canada Pension Plan</b>						
2-Apr-87	9.12%	1-Apr-07	1,265	1,265	1,265	
1-May-87	9.13%	1-May-07	2,250	2,250	2,250	
1-Jun-87	9.88%	1-Jun-07	2,279	2,279	2,279	
2-Jul-87	9.83%	2-Jul-06	965	965	965	
5-Aug-87	9.72%	5-Aug-07	563	563	563	
1-Sep-87	10.42%	1-Sep-07	430	430	430	
1-Oct-87	10.79%	1-Oct-07	385	385	385	
2-Nov-87	11.07%	2-Nov-07	1,071	1,071	1,071	
1-Mar-88	9.62%	1-Mar-08	802	802	802	
				<b>10,010</b>	<b>10,010</b>	
<b>Provincial Debentures</b>						
3-Oct-97	6.000%	3-Oct-07	35,000	<b>35,000</b>		<b>35,000</b>
<b>Total Debentures Matured</b>				<b>45,010</b>	<b>10,010</b>	<b>35,000</b>

	<b>2008</b> <b>Unaudited</b> <b>Restated</b> <b>Estimates</b> <b>(\$000)</b>	<b>2008</b> <b>Actual</b> <b>(\$000)</b>	<b>2007</b> <b>Actual</b> <b>(\$000)</b>
<b>Revenue</b>			
<b>23 Taxes</b>			
Personal Income Tax	214,453	230,385	217,578
Sales Tax	194,906	188,360	185,558
Real Property Tax	66,560	72,719	64,413
Gasoline Tax	44,000	42,606	50,593
Corporate Income Tax	45,075	38,663	43,303
Health Tax on Tobacco	20,000	23,951	24,265
Health Tax on Liquor	13,428	14,174	13,294
Insurance Premium Tax	8,200	8,469	8,134
Corporation Capital Tax	2,000	2,373	1,856
Real Property Transfer Tax	3,000	3,853	3,157
Other	1,000	1,071	1,045
	<b>612,622</b>	<b>626,624</b>	<b>613,196</b>
<b>24 Licenses and Permits</b>			
Motor Vehicle Registry	11,527	13,233	12,331
Registration & Licensing Act	700	746	753
Securities Act	2,400	2,862	2,674
Security Brokers and Salesmen Licenses	1,000	1,182	1,142
Other	2,423	3,197	2,682
	<b>18,050</b>	<b>21,220</b>	<b>19,582</b>
<b>25 Fees and Services</b>			
Patient Fees	15,837	17,173	18,493
Housing Rental	3,708	4,035	4,417
Land Title and Registry Fees	2,600	2,696	2,519
Fines and Penalties	535	523	519
Automated Property Registration	1,066	903	1,134
R.C.M.P. Recoveries	762	743	599
Campground Fees	700	737	698
Third Party Insurance	1,800	1,913	1,805
Consolidated Agencies and Crown Corporations	8,389	7,644	7,119
Other	12,355	9,619	8,082
	<b>47,752</b>	<b>45,986</b>	<b>45,385</b>
<b>26 Sales</b>			
Lottery Revenue	10,986	11,781	7,799
Liquor Control Commission	11,552	13,597	13,017
Consolidated Agencies and Crown Corporations	4,948	8,214	8,120
Other	4,206	3,125	3,599
	<b>31,692</b>	<b>36,717</b>	<b>32,535</b>

	2008 Unaudited Restated Estimates (\$000)	2008 Actual (\$000)	2007 Actual (\$000)
27 Investment Income			
Operating Fund	2,370	6,238	5,879
PEI Lending Agency	11,240	11,506	10,555
Other Consolidated Agencies	2,569	3,727	3,590
	<u>16,179</u>	<u>21,471</u>	<u>20,024</u>
28 Other Income			
School Boards	435	641	766
PEI Business Development Inc	1,655	5,703	5,705
Tourism PEI	1,364	1,295	1,358
Other Consolidated Agencies	607	810	774
	<u>4,061</u>	<u>8,449</u>	<u>8,603</u>
29 Government of Canada			
Equalization	293,958	293,958	291,262
Canada Health Transfer	94,693	95,874	90,707
Canada Social Transfer	41,119	41,681	42,120
Agricultural Insurance	8,742	3,847	10,160
Agriculture Policy Framework Agreement	2,236	1,804	762
Base Funding for Infrastructure	25,000	25,000	
Canada Eco Trust for Clean Air & Climate Change	5,000	5,000	
Community and Labour Market Development	5,000	4,902	4,372
Disaster Assistance	3,500		
Disposal of Specified Risk Materials Program	1,700	1,264	
Early Learning and Child Care Trust			1,673
Housing Programs	3,480	6,024	2,308
HPV Immunization Trust	501	422	
Infrastructure Programs	6,560	6,027	4,264
Maintenance of Aboriginal Children	196	1,134	1,699
New Deals for Cities and Communities	4,200	4,182	2,204
Official Languages in Education	2,622	2,694	2,587
Post Secondary Education Infrastructure Trust	2,122	2,122	2,131
Promotion of Official Languages	1,514	1,487	1,629
Public Transit	3,775	1,273	3,005
Rehabilitation Programs	1,376	1,376	1,376
Statutory Subsidy	679	679	679
Wait Times Funding	9,154	9,154	5,134
Youth Justice Services	2,212	2,121	2,121
Other	5,395	5,905	4,244
	<u>524,734</u>	<u>517,930</u>	<u>474,437</u>

	2008 Unaudited Restated Estimates (\$000)	2008 Actual (\$000)	2007 Actual (\$000)
<b>Expense</b>			
30 Agriculture			
Department of Agriculture	22,909	28,570	20,040
PEI Agricultural Insurance Corporation	22,740	17,279	23,916
PEI Agricultural Research Investment Fund	179	1	129
	45,828	45,850	44,085
31 Attorney General			
Office of the Attorney General	34,699	34,076	33,276
PEI Human Rights Commission	393	367	310
	35,092	34,443	33,586
32 Communities, Cultural Affairs and Labour			
Dept of Communities, Cultural Affairs and Labour	42,478	44,440	33,065
PEI Museum and Heritage Foundation	1,198	1,502	1,350
	43,676	45,942	34,415
33 Development and Technology			
Department of Development and Technology	6,270	5,666	6,822
Employment Development Agency	4,402	4,108	3,677
PEI Business Development Inc	30,784	42,525	43,010
	41,456	52,299	53,509
34 Education			
Department of Education	247,722	84,257	67,779
Eastern School District		105,298	102,662
French Language School Board		8,509	7,541
Western School Board		54,353	51,063
PEI Regulatory and Appeals Comm (Grant)	1,200	1,200	1,200
	248,922	253,617	230,245
35 Environment, Energy and Forestry			
Department of Environment, Energy & Forestry	17,857	18,018	11,803
PEI Energy Corporation (Grant)	598	486	398
	18,455	18,504	12,201

	<b>2008</b> <b>Unaudited</b> <b>Restated</b> <b>Estimates</b> <b>(\$000)</b>	<b>2008</b> <b>Actual</b> <b>(\$000)</b>	<b>2007</b> <b>Actual</b> <b>(\$000)</b>
<b>36 Fisheries and Aquaculture</b>			
Department of Fisheries and Aquaculture	3,646	3,348	2,812
PEI Aquaculture and Fisheries Research Initiative	338	170	88
	<b>3,984</b>	<b>3,518</b>	<b>2,900</b>
<b>37 Provincial Treasury</b>			
Department of Provincial Treasury	33,733	30,436	27,374
Council of Atlantic Premiers	123	123	123
PEI Lending Agency	8,583	9,410	7,231
General Government	19,327	12,414	2,810
Employee Benefits	32,801	18,459	21,516
PEI Special Projects Fund	155	119	204
Technology Asset Management	2,300	2,136	2,292
Harness Racing PEI Inc		2,163	2,146
PEI Self Insurance and Risk Management Fund	2,052	2,527	1,811
	<b>99,074</b>	<b>77,787</b>	<b>65,507</b>
<b>38 Tourism</b>			
Tourism PEI	25,001	23,686	21,389
Interministerial Women's Secretariat	427	414	296
	<b>25,428</b>	<b>24,100</b>	<b>21,685</b>
<b>39 Expense by Object</b>			
Administration		21,527	18,292
Amortization of Tangible Capital Assets		36,866	36,256
Debt - Interest Charges		118,883	120,296
Debt - Provisions and Other		16,630	28,563
Materials and Supplies		124,232	110,628
Professional and Contract Services		146,301	134,428
Salaries and Benefits		534,107	510,042
Travel and Training		11,137	10,139
Transfer Payments		296,309	239,445
<b>Total Expense by Object</b>		<b>1,305,992</b>	<b>1,208,089</b>

40 Reconciliation of Annual Consolidated Surplus (Deficit)

	2007-08 <u>Surplus (Deficit)</u> (\$000)	Consolidation <u>Adjustments</u> (\$000)	2007-08 <u>Consolidated Surplus (Deficit)</u> (\$000)
Operating Fund	<u>(15,428)</u>	<u>6,328</u>	<u>(9,100)</u>
Consolidated Agencies			
Harness Racing PEI Inc	8	(51)	(43)
PEI Agricultural Insurance Corporation	980		980
PEI Agricultural Research Investment Fund Inc	13		13
PEI Aquaculture & Fisheries Research Initiative Inc	8		8
PEI Business Development Inc	117	(140)	(23)
PEI Crown Building Corporation		(24)	(24)
PEI Housing Corporation		(169)	(169)
PEI Human Rights Commission	11		11
PEI Lending Agency	604		604
PEI Museum & Heritage Foundation	(32)		(32)
PEI Self Insurance & Risk Management	78		78
PEI Special Projects Fund	(92)		(92)
School Boards	(1,064)	1 (5,401)	(6,465)
Tourism PEI	<u>3,516</u>	<u>(57)</u>	<u>3,459</u>
Total Consolidated Agencies	<u>4,147</u>	<u>(5,842)</u>	<u>(1,695)</u>
Gain on Government Business Enterprises (Schedule 5)			<u>7,206</u>
Consolidated Surplus (Deficit)			<u>(3,589)</u>
<p>1 The three school boards have a fiscal year end of June 30th. For consolidation purposes unaudited statements of revenue and expenses were provided for the twelve month period ended March 31,2008.</p>			
Consolidation Adjustments			
Operating Fund - Adjustment for capital funding provided to:			
School Boards			5,126
PEI Housing Corporation			629
PEI Tourism			573
			<u>6,328</u>
PEI Harness Racing Inc - Adjustment for changes in opening balances			<u>(51)</u>
PEI Business Development Inc - Adjustment for deferral of Provincial capital funding			21
- Adjustment to restate presentation of Reserve for Future Expenditures			(161)
			<u>(140)</u>
PEI Crown Building Corporation - Amortization expense			<u>(24)</u>
PEI Housing Corporation - Adjustment for deferral of Provincial capital funding			<u>(169)</u>
School Boards - Amortization expense			(5,528)
- Adjustment for acquisition of tangible capital assets included in expenses			(103)
- Amortization of Deferred Capital Contributions			230
			<u>(5,401)</u>
Tourism PEI - Amortization expense			<u>(57)</u>

## 41 Restatement of 2007- 2008 Budget Estimates

	2007-2008 Budget per Estimates Book (\$000)	Restatement (\$000)		2008 Unaudited Restated Estimates (\$000)
<b>REVENUE</b>				
Taxes	612,622			612,622
Licenses and Permits	18,050			18,050
Fees and Services	39,363	8,389	1	47,752
Sales	31,471	221	1	31,692
Investment Income	11,935	4,244	1	16,179
Government of Canada	517,065	7,669	1	524,734
Sinking Fund Earnings	18,988			18,988
Other Income		4,061	1	4,061
Government Business Enterprises		5,829	2	5,829
Net Consolidated Surplus of Crown Entities	5,505	(5,505)	1/2	
<b>Total Revenue</b>	<u>1,254,999</u>	<u>24,908</u>		<u>1,279,907</u>
<b>EXPENSE</b>				
Agriculture	31,000	14,828		45,828
Attorney General	35,092			35,092
Auditor General	1,524			1,524
Communities, Cultural Affairs and Labour	43,300	376	1	43,676
Development and Technology	39,800	1,656	1	41,456
Education	248,880	42	1	248,922
Environment, Energy & Forestry	18,455			18,455
Executive Council	3,791			3,791
Fisheries & Aquaculture	3,646	338	1	3,984
Health	376,826	3,093	5	379,919
Legislative Assembly	5,359			5,359
Provincial Treasury	97,958	1,116	1/5	99,074
Public Service Commission	5,229			5,229
Social Services and Seniors	118,959	(1,671)	1/3	117,288
Tourism	23,170	2,258	1	25,428
Transportation and Public Works	88,109			88,109
Amortization Recorded in Crown Corporations	(3,795)	3,795	4	
<b>Total Program Expenses</b>	<u>1,137,303</u>	<u>25,831</u>		<u>1,163,134</u>
Interest Charges on Debt	121,202	2,872	1/3	124,074
Amortization of Capital Assets	38,777	(3,795)	4	34,982
<b>Total Expenses</b>	<u>1,297,282</u>			<u>1,322,190</u>
<b>Consolidated Deficit</b>	<u>42,283</u>			<u>42,283</u>

1 - Restatement of revenues and expenses to include consolidated agencies (per agency budgets).

2 - Estimated Net Surplus of the nine agencies classified as government business enterprises (see Note 1).

3 - PEI Housing Corporation interest expense budget transferred to Interest Charges on Debt.

4 - Restate two Amortization Expense lines to one line.

5 - Transfer budget for salary increases from General Government to Department of Health.

This schedule outlines the changes in the Province's 2007-2008 Budget to present, for comparative purposes, the inclusion of consolidated agencies on a line by line basis. The information is taken from the Province of PEI Estimates of Revenue and Expenditure 2007 which was presented on October 16, 2007.