

Public Accounts

of the Province of

Prince Edward Island

Volume I
Consolidated Financial Statements

For the Year Ended March 31st

2016



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Prince Edward Island

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2016



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 I of the Province of Prince Edward Island for the fiscal year ended March 31, 2016.

Respectfully submitted,

A handwritten signature in black ink that reads "Allen F. Roach". The signature is written in a cursive style with a large, stylized 'A' and 'R'.

Honourable Allen F. Roach

Minister of Finance

November 25, 2016

Department of Finance
Charlottetown, Prince Edward Island

To the Honourable Allen F. Roach
Minister of Finance

Sir:

I have the honour to submit herewith the Public Accounts Volume I of the Province of Prince Edward Island for the fiscal year ended March 31, 2016.

Respectfully submitted,

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

Gordon MacFadyen, CPA, CA
Comptroller
November 25, 2016

Office of the Comptroller
Charlottetown, Prince Edward Island

Province of Prince Edward Island
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For the Fiscal Year Ended March 31, 2016

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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. The Operating Fund is comprised of all departments and government units of the Province, it does not include Agencies, Boards and Crown corporations and it is the level at which the annual estimates are prepared in detail for approval by the Legislature.

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with Canadian accounting standards 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 independent auditor's report to the Legislative Assembly on the results of the audit.

The Public Accounts for the year ended March 31, 2016 consists of three 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 I commences with a Financial Statement Discussion and Analysis section, which provides a narrative review of the financial performance of the Province including presentation of trends along with illustrations of key figures and relationships. The objective of this narrative is to explain and highlight information contained in the consolidated financial statements. It is presented by management to provide a clearer understanding of the Province's financial health.

Volume II – Operating Fund Financial Statements and Details of Revenues and Expenses presents the unaudited financial statements of the Operating Fund, and the details of revenues and expenses of the Operating Fund.

Volume III – Financial Statements of Agencies, Boards and Crown Corporations and Funds presents the 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, II and III of the Public Accounts are available in PDF format on the Province's website: <https://www.princeedwardisland.ca/en/topic/public-accounts>

Financial Statement Discussion and Analysis

Introduction to Financial Statement Discussion and Analysis

The Prince Edward Island Public Accounts is an annual financial summary and accountability report of the Government of Prince Edward Island. The purpose of the Financial Statement Discussion and Analysis is to provide additional analysis and key indicators of the Province's performance. The Province's consolidated financial statements show an annual deficit for the year ended March 31, 2016 of \$13.1 million, which is a decrease of \$7.2 million from 2014-2015. The accumulated deficit now stands at \$1,143.6 million.

The following tables and charts illustrate summary financial information for the fiscal year ended March 31, 2016.

Summary Financial Information

The tables below show a summary of key financial measures for the Province for the fiscal years ending 2015 and 2016.

PROVINCE OF PRINCE EDWARD ISLAND Summary Financial Information

Consolidated Statement of Financial Position

(Millions)

	2016	2015
Financial Assets	\$ (1,079.5)	\$ (1,131.6)
Liabilities	\$ 3,249.5	\$ 3,265.8
Net Debt	\$ 2,170.0	\$ 2,134.2
Net Tangible Capital Assets	\$ 1,008.8	\$ 990.6
Other Non-Financial Assets	\$ 17.6	\$ 13.0
Total Non-Financial Assets	\$ 1,026.4	\$ 1,003.6
Accumulated Deficit	\$ 1,143.6	\$ 1,130.6

Consolidated Statement of Operations and Accumulated Deficit

(Millions)

	2016	2015
Revenue - Provincial Sources	\$ 1,113.8	\$ 1,058.1
Revenue - Federal Sources	644.9	668.3
Total Revenue	\$ 1,758.7	\$ 1,726.4
Expenses	\$ 1,771.8	\$ 1,746.7
Annual Deficit	\$ (13.1)	\$ (20.3)

Consolidated Statement of Changes in Net Debt

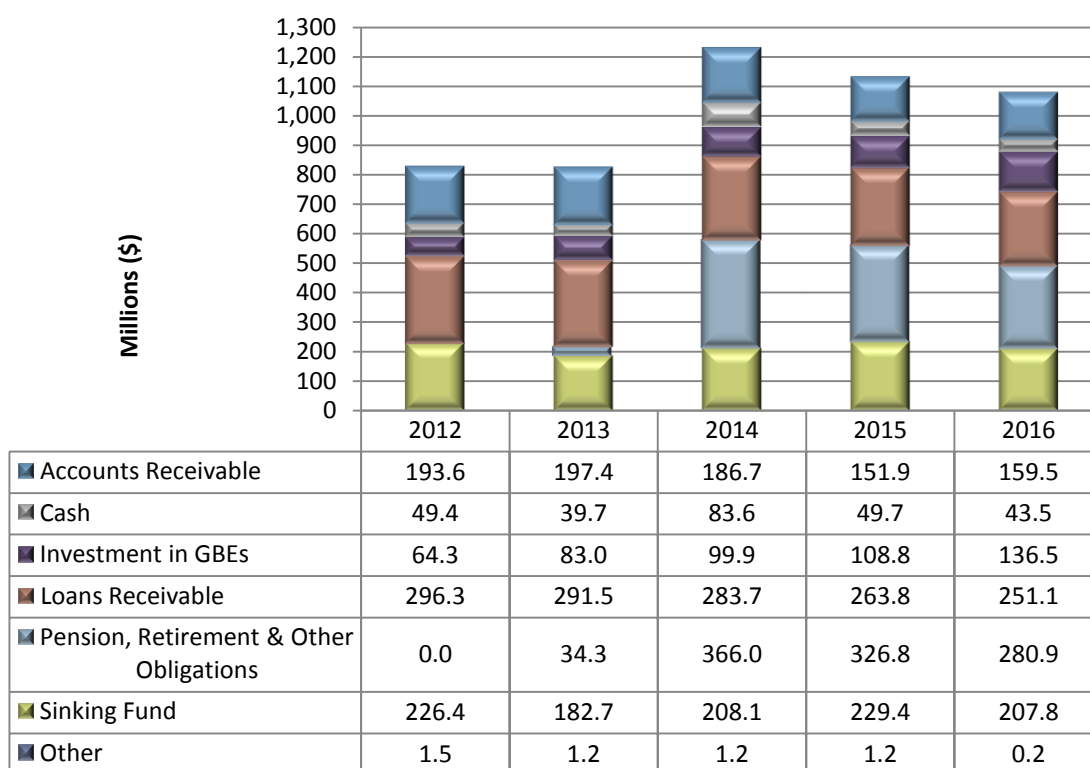
(Millions)

	2016	2015
Opening Net Debt	\$ 2,134.2	\$ 2,099.0
Annual Deficit	13.1	20.3
Change in Net Investment in Tangible Capital Assets	18.2	15.5
Change in Other Non-Financial Assets	4.5	(0.6)
Total Change in Net Debt	\$ 35.8	\$ 35.2
Ending Net Debt	\$ 2,170.0	\$ 2,134.2

Changes in Financial Position

Financial Assets are assets such as cash, receivables and investments which could provide resources to discharge existing liabilities or finance future operations. The financial assets decreased by \$52.1 million (4.6%) since 2015.

Financial Assets - 5 Year Trend



Non-Financial Assets are assets consumed in the delivery of government services. They do not normally provide resources to discharge existing liabilities. Net Tangible Capital Assets account for the majority of non-financial assets (2016 - 98.3%). Non-financial assets also include inventories, prepaid expenses and other deferred charges. Non-financial assets increased by \$22.8 million (2.3%) since 2015.

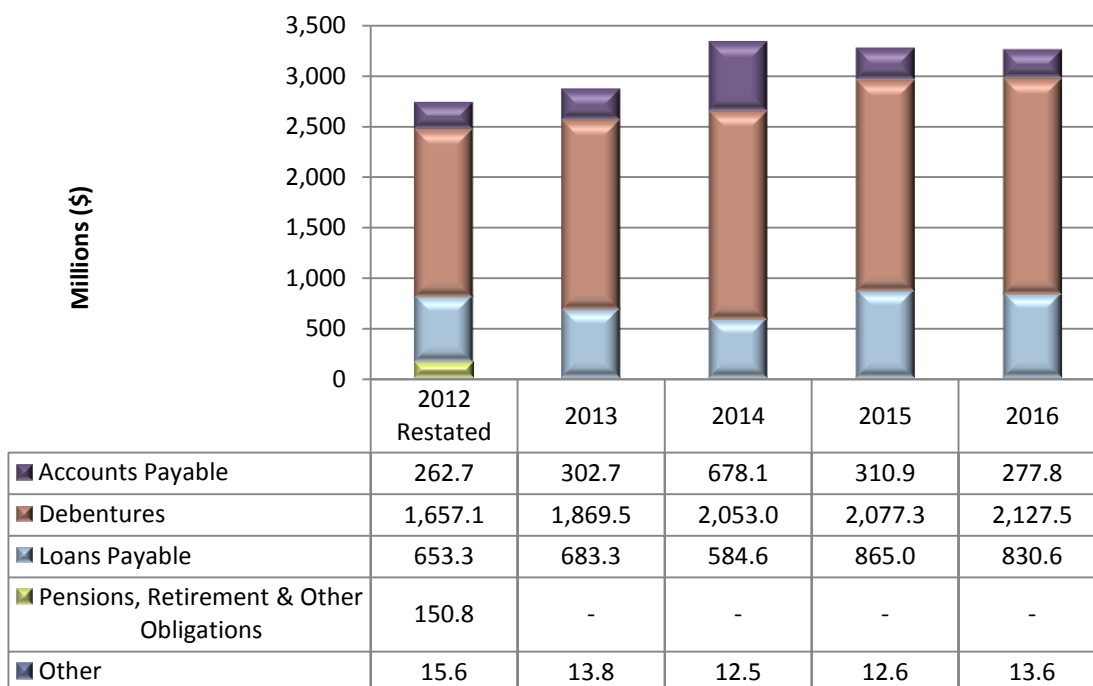
Net Tangible Capital Assets

(Millions)

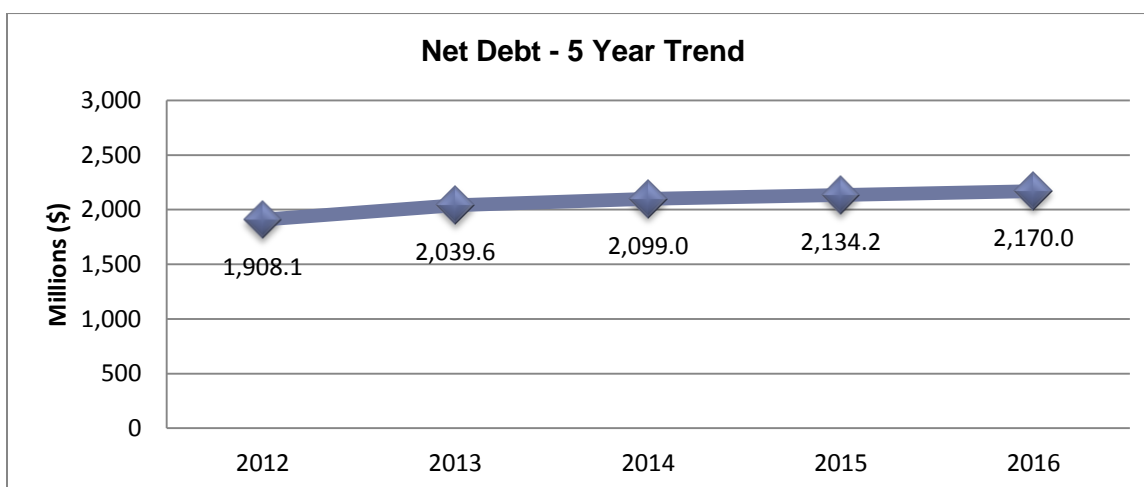
	2012	2013	2014	2015	2016
	Restated	Restated			
Opening Balance	\$ 889.5	\$ 964.1	\$ 950.7	\$ 975.1	\$ 990.6
Restatement Adjustments	8.5	(53.9)	-	-	-
Adjusted Opening Balance	\$ 898.0	\$ 910.2	\$ 950.7	\$ 975.1	\$ 990.6
Additions	127.6	108.1	91.1	82.4	89.6
Net Disposals	(2.9)	(2.7)	(1.6)	(0.1)	(1.6)
Amortization	(58.2)	(63.3)	(64.9)	(66.8)	(69.6)
Adjustments	(0.4)	(1.6)	(0.2)	-	(0.2)
Closing Balance	\$ 964.1	\$ 950.7	\$ 975.1	\$ 990.6	\$ 1,008.8

Liabilities are debts or monetary obligations such as accounts payable, loans payable and debentures. Liabilities have decreased by \$16.2 million (0.5%) since 2015.

Liabilities - 5 Year Trend



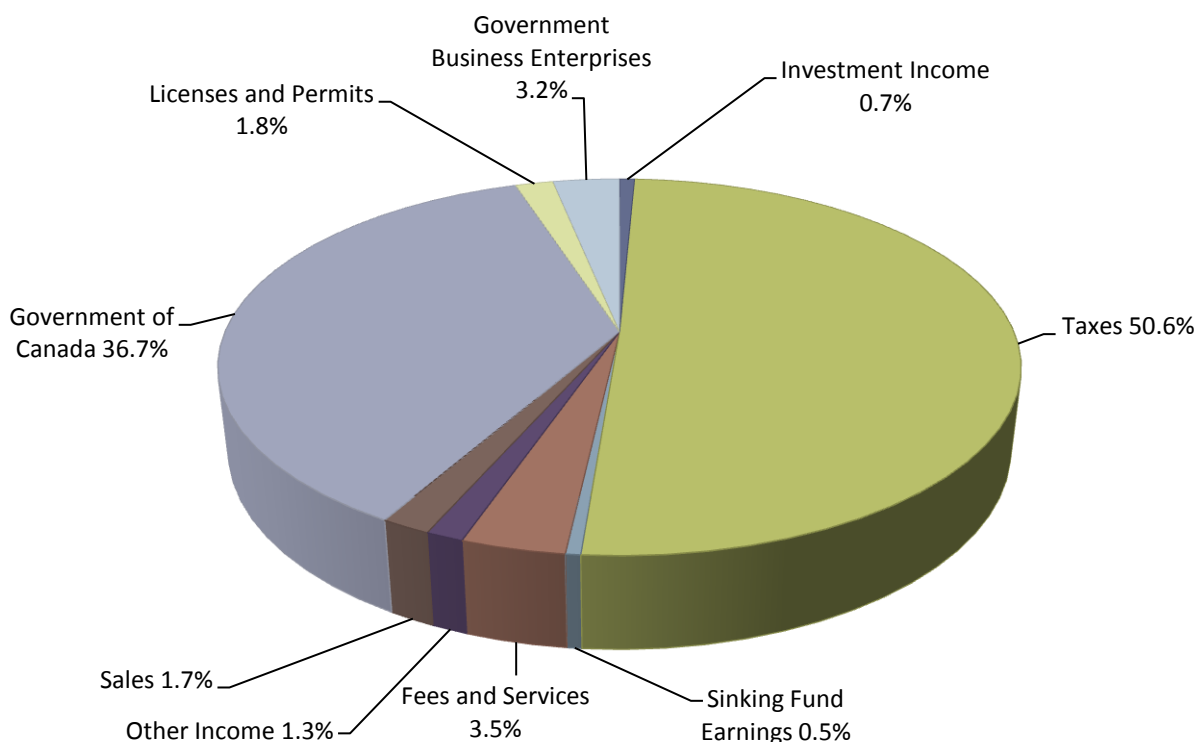
Net Debt represents the amount of liabilities to be funded from future revenue. This includes the funding of capital assets that will be used in future periods. Net debt increased by \$35.8 million (1.7%) as a result of the 2016 deficit and changes in capital assets.



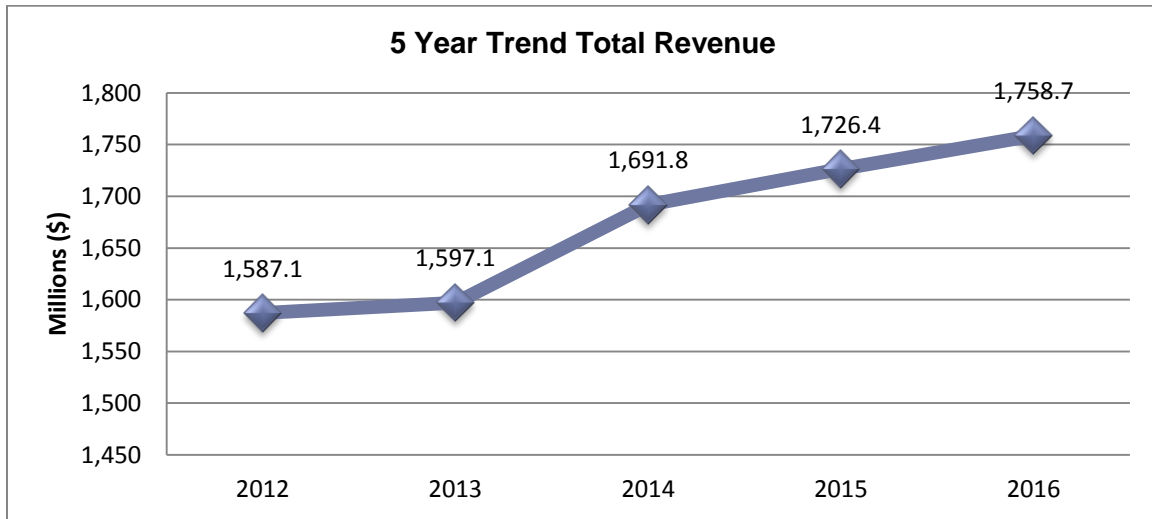
Revenues

Revenues are monies received for the sale of goods, fees and services, licenses and permits, taxes and transfers from the Government of Canada. Revenue for the year was \$1,758.7 million, an increase of \$32.3 million (1.9%) over 2015.

Revenues By Source



Revenues					
<i>(Millions)</i>					
	2012	2013	2014	2015	2016
<i>Provincial Sources</i>	Restated				
Taxes	\$ 756.4	\$ 782.5	\$ 820.6	\$ 847.4	\$ 889.0
Fees and Services	55.6	58.2	60.3	60.8	62.3
Government Business Enterprises	46.2	48.5	46.3	38.4	56.4
Other	98.2	112.5	112.8	111.5	106.1
Total Provincial Sources	\$ 956.4	\$ 1,001.7	\$ 1,040.0	\$ 1,058.1	\$ 1,113.8
<i>Federal Sources</i>					
Equalization	329.0	337.1	339.5	359.8	361.0
Canada Health and Social Transfers	165.4	170.5	179.9	184.0	192.5
Other	136.3	87.8	132.4	124.5	91.4
Total Federal Sources	\$ 630.7	\$ 595.4	\$ 651.8	\$ 668.3	\$ 644.9
Total Revenue	\$ 1,587.1	\$ 1,597.1	\$ 1,691.8	\$ 1,726.4	\$ 1,758.7

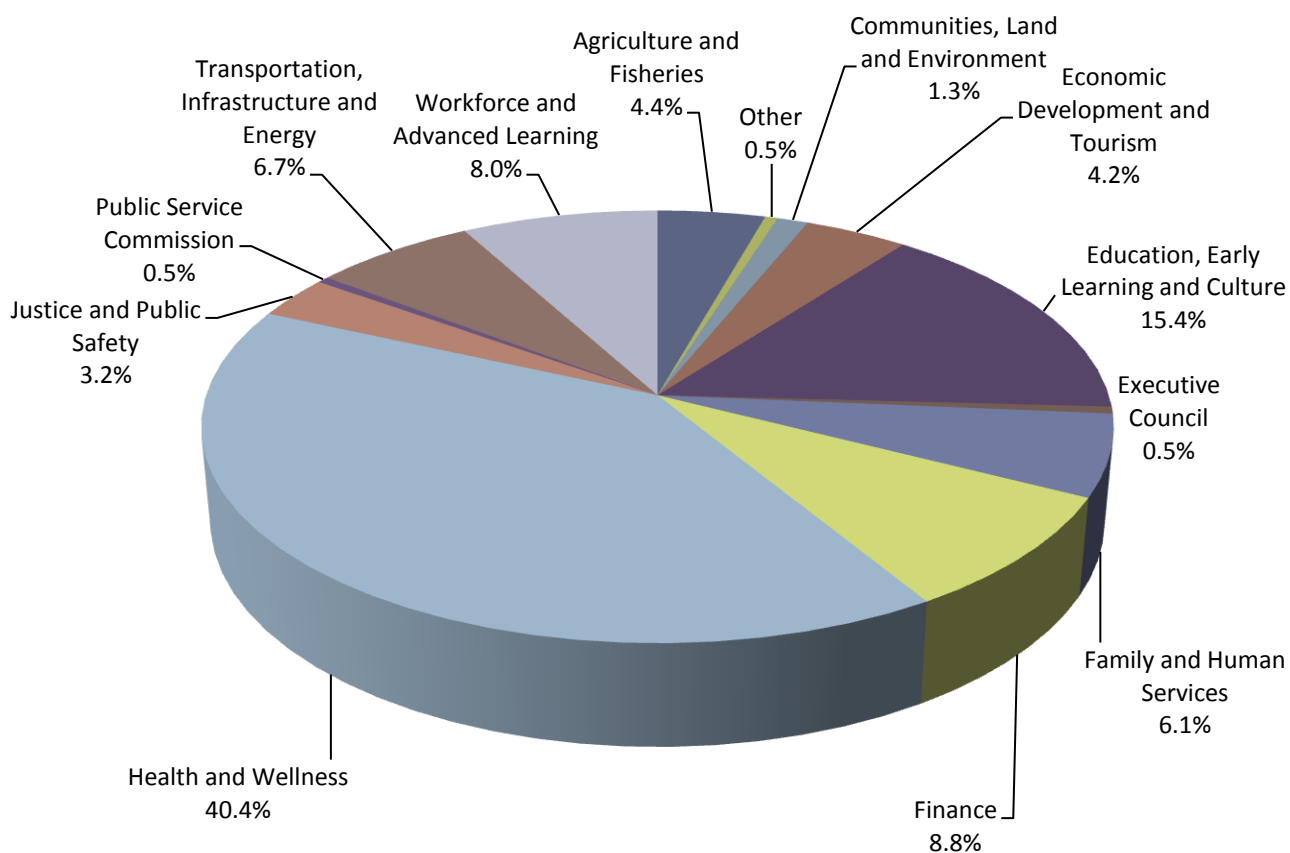


The Province's revenue has been increasing steadily over the last five years with a 1.9% increase in the 2016 fiscal year and 10.8% over the last five years.

Expenses

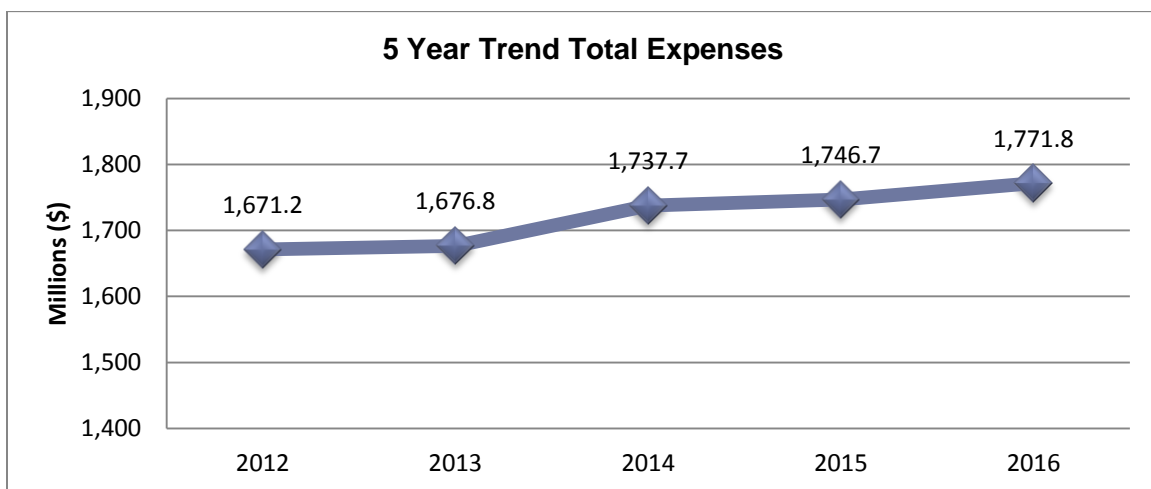
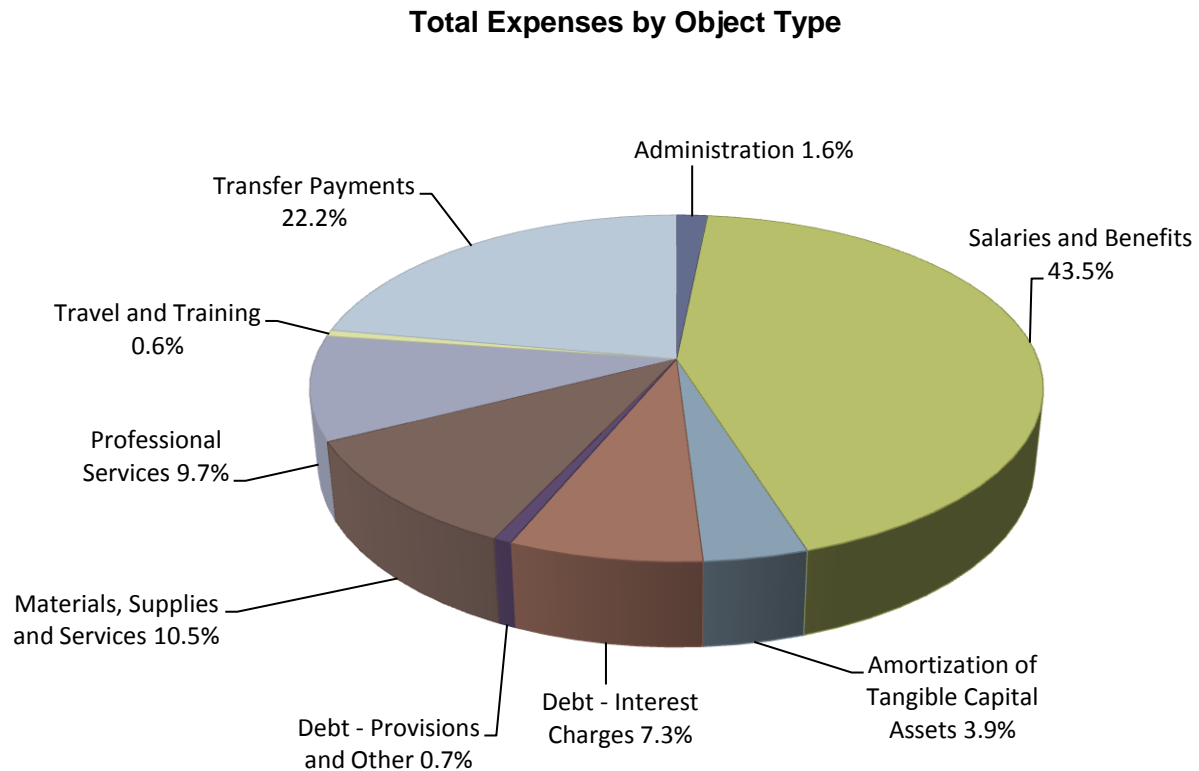
Program expenditures increased by \$23.0 million, while interest and amortization increased by \$2.1 million. Total expenses have increased by 6.0% over five years. However, over five years, program expenses have increased by only 4.4%. Expenses for the Province in 2016 were \$1,771.8 million, an increase of \$25.1 million (1.4%) over 2015.

Program Expenses by Ministry



Expenses					
	<i>(Millions)</i>				
	2012	2013	2014	2015	2016
Expenses	Restated	Restated			
Program Expenses	\$ 1,506.5	\$ 1,497.3	\$ 1,556.6	\$ 1,549.4	\$ 1,572.4
Interest Charges on Debt	106.5	116.2	116.2	130.5	129.8
Amortization	58.2	63.3	64.9	66.8	69.6
Total	\$ 1,671.2	\$ 1,676.8	\$ 1,737.7	\$ 1,746.7	\$ 1,771.8

The two major types of expenditures in the 2016 year were Salaries and Benefits at \$770.6 million (43.5%) and Transfer Payments at \$392.8 million (22.2%)



The Province's expenditures have been increasing at a modest rate over the last five years with a 1.4% increase in the 2016 fiscal year and 6.0% over the last five years.

Indicators of Financial Health

This section provides indicators of the Province's financial condition and follows Chartered Professional Accountants of Canada (CPA Canada) 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). GDP is the 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. Prior year GDP ratios have been restated to reflect Statistics Canada adjustments to nominal GDP arising from the Provincial and Territorial Economics Accounts Review published November 10, 2015.

On November 9, 2016 Statistics Canada released an update to Provincial and Territorial Economics Accounts. The updates lead to revised Nominal GDP figures for the years 2013, 2014 and 2015. The following analysis is based on the most current data at the time of publication.

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 CPA Canada. These terms are defined as follows:

- ✓ **Sustainability:** the degree to which a government can maintain existing programs and meet creditor requirements without increasing taxes or the debt burden on the economy.
- ✓ **Flexibility:** the degree to which the government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden.
- ✓ **Vulnerability:** the degree to which a government becomes dependent on, and therefore vulnerable to, sources of revenue outside its control or influence, both domestically or internationally.

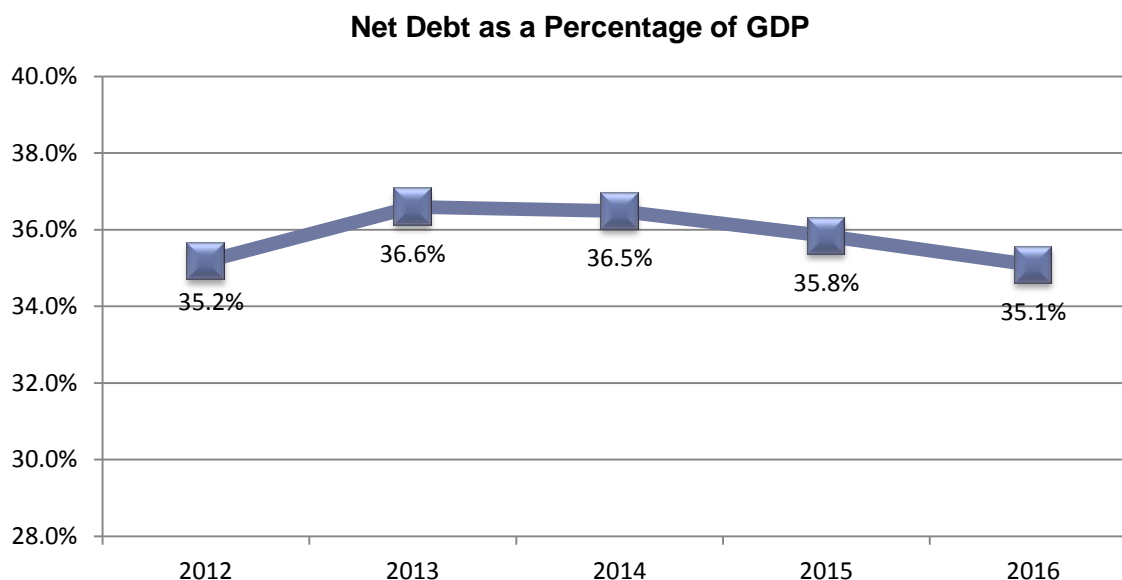
Though many potential indicators are available, those we found to be the most relevant, measurable and transparent to users of government financial information are included. Similar data series are also widely used by banks and other financial institutions, investors and credit-rating agencies.

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, and
- Emergencies such as floods, forest fires and pandemic.

Sustainability

Net debt is an indication of the extent to which the Province's 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 Province's financial sustainability.

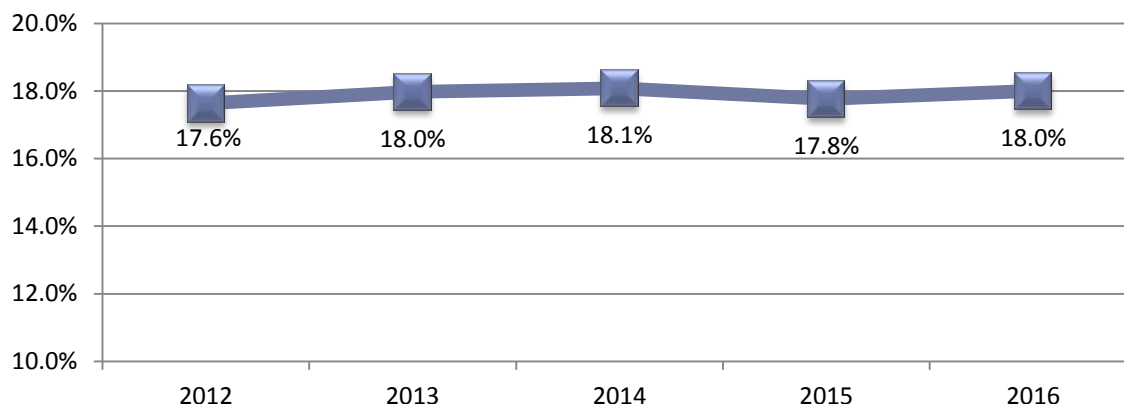


The net debt-to-GDP ratio has been relatively stable over the last two years. In 2013 there was an increase in the ratio due to the acceleration of capital expenditures that were incurred as part of stimulus actions to support the economy during the global economic and financial downturn. Since 2013, increasing provincial source revenue and stable operational expenditures have contributed to reducing the annual deficit.

Flexibility

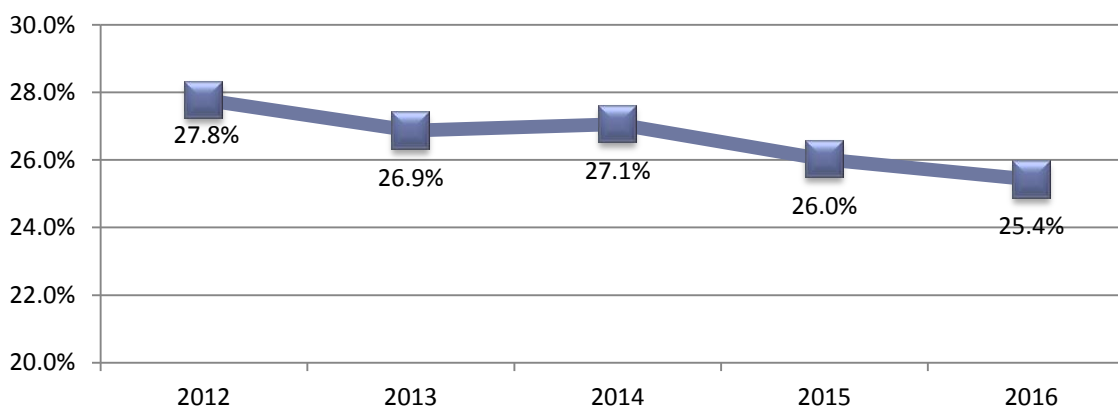
Own-source revenue is an indicator of government revenue derived from the provincial economy, through taxation and other sources, compared to the provincial GDP. This ratio has remained relatively constant over the past five years with a slight increase in 2016. This ratio indicates that the Province's own source revenue is growing at a rate consistent with growth in GDP.

Own Source Revenue as a Percentage of GDP

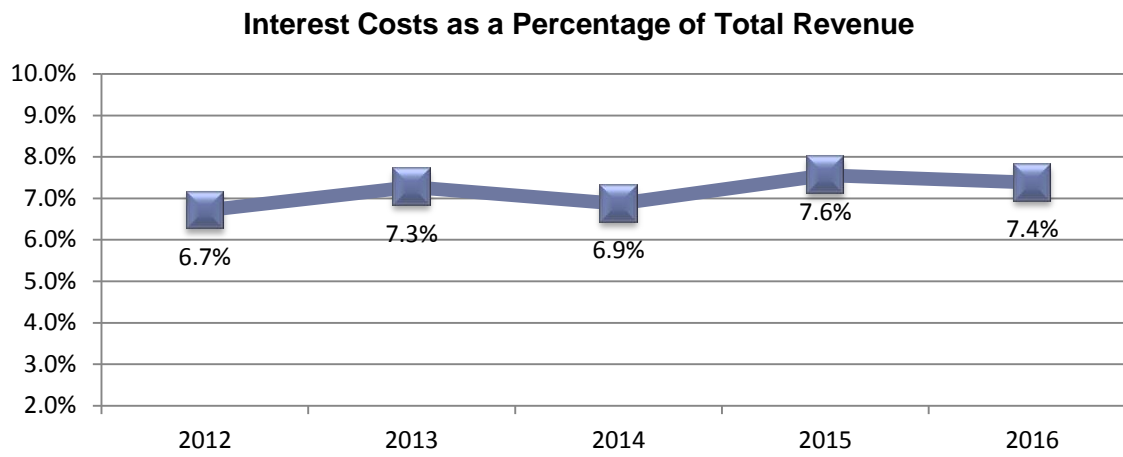


Program expenditures as a percentage of GDP is an indicator of government spending in comparison to the landscape of the provincial economy. Program expenditures in relation to GDP have been steadily declining since 2012. The ratio decreased at a rate of 0.6% from 2015 and 2.4% since 2012. The declining program expenditure to GDP ratio is consistent with the modest increases to program expenditures as the economy strengthens.

Program Expenditures as a Percentage of GDP



Debt service costs as a percentage 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. An increase in this ratio indicates that debt service costs are a larger financial burden on the Province's finances. A decrease in this ratio indicates that debt service costs are a smaller financial burden on the Province's finances, allowing for a greater percentage of financial resources to provide public programs and services.



The Province's percentage of debt service costs to revenue has held relatively constant from 2012 to 2016.

Vulnerability

A common measurement of vulnerability is federal government transfers as a percentage of revenue.

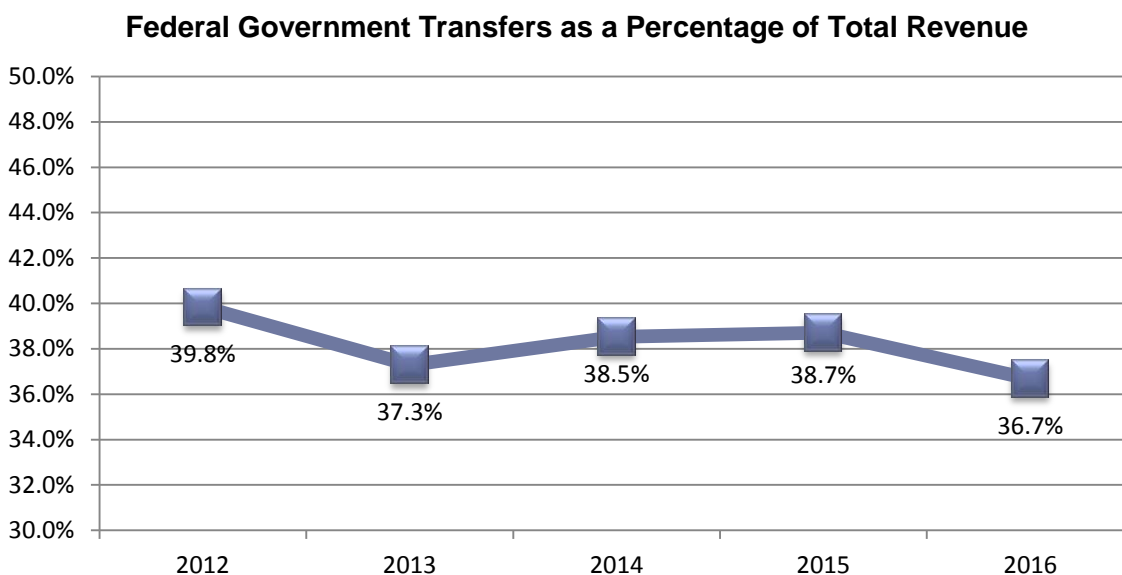
Revenue from federal sources is comprised of conditional and unconditional grants from the federal government, including:

- 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, 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.

Federal Government Transfers as a Percentage of Total Revenue

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.



The dependence of the Province on federal revenues has declined since 2012. There were two one-time transitional payments included in Federal Government transfers for the years ending 2014 and 2015. These non-recurring transitional payments led to an increase in the ratio for these two years.

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 Province. The financial statements are prepared by the Comptroller in accordance with the stated accounting policies of the Province 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, 2016. More detailed information regarding the Province's financial position and operating results can be found in either Volume II or Volume III.

The Province 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,



Honourable Allen F. Roach

Minister of Finance

November 25, 2016



Prince Edward Island Île-du-Prince-Édouard

Office of the
Auditor General

PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du
vérificateur général

C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the 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 Prince Edward Island** which comprise the consolidated statement of financial position as at March 31, 2016, 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.

Government's Responsibility for the Consolidated Financial Statements

The Government 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, which are Canadian public sector accounting standards, applied on a basis consistent with that of the preceding year and for such internal control as Government 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 Government'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 Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Government, 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, 2016, and the results of its consolidated operations, changes in its net debt and cash flow for the year then ended in accordance with the basis of accounting as disclosed in Note 2 to the consolidated financial statements, which are Canadian public sector accounting standards.

Report on Legal and Regulatory Requirements

As required by Section 16 of the *Audit Act*, I report that in my opinion, the consolidated financial statements of the Province present fairly the financial position, results of operations and changes in financial position of the Province in accordance with the disclosed basis of accounting on a basis consistent with that of the preceding year.

B. Jane MacAdam, CPA, CA
Auditor General

Charlottetown, Prince Edward Island
November 25, 2016

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Financial Position

as at March 31, 2016

	2016	2015
	(\$000)	(\$000)
FINANCIAL ASSETS		
Schedule		
1 Cash and Short-Term Investments (Note 3)	43,478	49,685
2 Accounts and Taxes Receivable	159,530	151,933
3 Investments	150	1,247
4 Investment in Government Business Enterprises (Note 1)	136,458	108,782
5 Sinking Fund (Note 4)	207,825	229,383
6 Loans Receivable	251,105	263,829
7 Pension, Retirement and Other Obligations (Notes 10 and 11)	280,932	326,736
Total Financial Assets	1,079,478	1,131,595
LIABILITIES		
8 Deferred Revenue and Credits	12,421	11,086
9 Accounts Payable and Accrued Liabilities	277,805	310,936
10 Short-Term Loans Payable	231,855	231,791
11 Obligation Under Capital Leases	1,207	1,495
12 Loans Payable	598,726	633,183
13 Debentures	2,127,493	2,077,264
Total Liabilities	3,249,507	3,265,755
NET DEBT	2,170,029	2,134,160
NON-FINANCIAL ASSETS		
14 Tangible Capital Assets	1,008,836	990,614
15 Inventories and Property Holdings	13,296	11,526
16 Prepaid Expenses and Other Deferred Charges	4,265	1,483
Total Non-Financial Assets	1,026,397	1,003,623
ACCUMULATED DEFICIT	1,143,632	1,130,537

Supplementary Information

- 17 Trust Funds
- 18 Guaranteed Debt
- 19 Continuity of Provision for Doubtful Accounts and Losses
- 20 Schedule of Debentures Issued and Matured

(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, 2016

		2016 Budget (\$000)	2016 Actual (\$000)	2015 Actual (\$000)
REVENUES				
Schedule				
21	Taxes	873,607	889,036	847,412
22	Licenses and Permits	31,958	32,057	31,555
23	Fees and Services	61,695	62,373	60,784
24	Sales	30,368	29,634	35,221
25	Investment Income	13,022	12,676	12,887
26	Other Income	20,808	22,604	22,796
27	Government of Canada	649,665	644,905	668,327
4	Government Business Enterprises	51,339	56,426	38,412
5	Sinking Fund Earnings	8,915	8,996	9,057
	Total Revenues	<u>1,741,377</u>	<u>1,758,707</u>	<u>1,726,451</u>
EXPENSES				
28	Agriculture and Fisheries	76,790	69,091	70,324
	Auditor General	2,057	1,832	1,781
	Communities, Land and Environment	20,271	19,803	19,252
29	Economic Development and Tourism	62,296	66,540	73,235
30	Education, Early Learning and Culture	246,001	242,790	246,681
	Executive Council	8,674	8,167	8,786
31	Family and Human Services	93,784	96,263	94,605
32	Finance	135,117	137,871	133,450
33	Health and Wellness	622,552	635,805	610,767
34	Justice and Public Safety	49,467	49,937	48,836
	Legislative Assembly	6,423	6,310	5,027
	Public Service Commission	7,320	7,131	7,227
35	Transportation, Infrastructure and Energy	108,774	104,846	111,012
36	Workforce and Advanced Learning	125,388	126,032	118,440
	Total Program Expenses	<u>1,564,914</u>	<u>1,572,418</u>	<u>1,549,423</u>
	Interest Charges on Debt	130,688	129,766	130,495
14	Amortization of Tangible Capital Assets	65,671	69,618	66,807
	Total Expenses	<u>1,761,273</u>	<u>1,771,802</u>	<u>1,746,725</u>
	ANNUAL DEFICIT	<u>(19,896)</u>	<u>(13,095)</u>	<u>(20,274)</u>
	Accumulated Deficit, Beginning of Year		(1,130,537)	(1,110,263)
	ACCUMULATED DEFICIT, END OF YEAR		<u>(1,143,632)</u>	<u>(1,130,537)</u>

Supplementary Information

- 37 Expenses by Object
- 38 Reconciliation of Consolidated Deficit
- 39 Reconciliation of 2015-2016 Budget Estimates
- 40 Provincial Reporting Entity

(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, 2016**

	2016 Budget (\$000)	2016 Actual (\$000)	2015 Actual (\$000)
NET DEBT, BEGINNING OF YEAR	2,134,160	2,134,160	2,098,971
Changes in Year			
Annual Deficit	19,896	13,095	20,274
Acquisition of Tangible Capital Assets	74,527	89,607	82,415
Amortization of Tangible Capital Assets	(65,671)	(69,618)	(66,807)
Net Book Value of Tangible Capital Asset Disposals	-	(1,553)	(64)
Net Book Value of Tangible Capital Asset Adjustments	-	(214)	7
Change in Inventories and Property Holdings	-	1,770	396
Change in Prepaid Expenses and Other Deferred Charges	-	2,782	(1,032)
Increase in Net Debt	28,752	35,869	35,189
NET DEBT, END OF YEAR	2,162,912	2,170,029	2,134,160

(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, 2016**

	2016	2015
	(\$000)	(\$000)
Operating Activities		
Deficit for the year	(13,095)	(20,274)
Amortization of Tangible Capital Assets	69,618	66,807
Changes in:		
Accounts and Taxes Receivable	(7,597)	34,787
Prepaid Expenses and Other Deferred Charges	(2,782)	1,032
Inventories and Property Holdings	(1,770)	(396)
Deferred Revenue and Credits	1,335	524
Accounts Payable and Accrued Liabilities	(33,131)	(367,172)
Pension, Retirement and Other Obligations	45,804	39,311
Cash Provided by (Used for) Operating Activities	58,382	(245,381)
Investing Activities		
Changes in:		
Loans Receivable	12,724	19,826
Investments	1,097	(43)
Investment in Government Business Enterprises	(27,676)	(8,880)
Cash Provided by (Used for) Investing Activities	(13,855)	10,903
Capital Activities		
Acquisition of Tangible Capital Assets	(89,607)	(82,415)
Disposal of Tangible Capital Assets	1,553	64
Adjustment of Tangible Capital Assets	214	(7)
Cash Provided by (Used for) Capital Activities	(87,840)	(82,358)
Financing Activities		
Debentures Issued	125,000	125,000
Debentures Matured	(75,000)	(100,000)
Changes in:		
Short-Term Loans Payable	64	(64,993)
Loans Payable	(34,457)	345,378
Debenture Discount	229	(772)
Obligation Under Capital Leases	(288)	(384)
Sinking Fund	21,558	(21,283)
Cash Provided by (Used for) Financing Activities	37,106	282,946
Change in Cash and Short-Term Investments	(6,207)	(33,890)
Cash and Short-Term Investments, Beginning of Year	49,685	83,575
Cash and Short-Term Investments, End of Year	43,478	49,685

(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, 2016****1 Reporting Entity****(a) The Provincial Reporting Entity**

The provincial reporting entity is comprised of the Province's Operating Fund (departments and government units) and those Agencies, Boards, and Crown Corporations, which are controlled by the Province. Control is defined as the power to govern the financial and operating policies of another organization. These consolidated financial statements include those organizations which make up the provincial reporting entity combining their accounts and financial activities.

Government Business Enterprises (GBEs) are those Agencies, Boards, and Crown Corporations 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.

A listing of the organizations within the provincial reporting entity is provided in Schedule 40 – Provincial Reporting Entity.

The consolidated financial statements do not include the Workers Compensation Board of Prince Edward Island. The Board, as at December 31, 2015, had assets of \$238.5 million (2014 - \$242.1 million) and liabilities of \$168.6 million (2014 - \$164.5 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

(b) Methods of Consolidation

The Province's Operating Fund and those Agencies, Boards, and Crown Corporations not classified as GBEs are included in the consolidated financial statements using the consolidation method of accounting. Under the consolidation method of accounting inter-organizational balances and transactions are eliminated and the organizations are reported as if they were one organization.

GBEs are included in the consolidated financial statements using the modified equity method of accounting. The modified equity method reports the percentage of a GBE's net assets owned by the Province as an investment in the Province's Consolidated Statement of Financial Position. Net income of GBEs is reported as a separate revenue item in the Consolidated Statement of Operations and Accumulated Deficit. Inter-organizational balances and transactions are not eliminated. Schedule 4 presents condensed financial information of the Province's GBEs.

2 Significant Accounting Policies**(a) Basis of Accounting**

These financial statements are prepared in accordance with Canadian accounting standards for the public sector. The Province complies with the recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada) wherever applicable. PSAB standards are supplemented, where appropriate, by other CPA Canada 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 represent 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 \$20.0 million for the General Account. The credit facility expires December 31, 2016.

Accounts and Taxes Receivable 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(b).

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.

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

(c) Liabilities

Deferred Revenue and Credits represent amounts received but not yet earned.

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

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds standards included in the *Environmental Protection Act*. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Province is directly responsible; or accepts responsibility;
- a reasonable estimate of the cost of remediation can be made; and
- it is expected that future economic benefits will be given up.

Short-Term Loans Payable are recorded at cost, which approximates market value less unamortized discounts.

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

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 and premiums.

(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 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	5 - 10 years
Equipment	1 - 20 years
Other	5 - 40 years

The Province does not adjust the tangible capital asset policies of Agencies, Board and Crown Corporations that are consolidated, as it would not result in a material adjustment. Policy differences may include amortization rates, estimates of useful lives and dollar thresholds for capitalization.

Tangible Capital Assets do not include works of art and historical property 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.

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.

Prepaid Expenses and Other Deferred Charges are goods and services purchased which will provide economic benefits in future periods.

(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 all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recognized as revenue when the funds are used as intended.

Income taxes and Harmonized Sales Tax are both collected by the Government of Canada under various tax collection agreements and are remitted to the Province, net of credits. The remittances are based on the Government of Canada Department of Finance's best estimates, which are periodically adjusted until finalized. The Province recognizes income tax revenues based on estimates, adjusted for known factors. Any adjustments upon finalization are recorded in the year they are identified.

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 prorated 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 Restricted Cash and Short-Term Investments

As at March 31, 2016, Cash and Short-Term Investments of \$16.0 million (2015 - \$10.7 million) have been restricted for designated purposes by external parties. Restricted cash includes: \$11.5 million for the Labour Market Development Agreement, \$1.3 million for Health PEI trusts, \$1.0 million for the Northumberland Power Cable, \$0.8 million for New Deals for Cities and Communities agreements, \$0.5 million for the Supreme Court, \$0.5 million for the Health Care Innovation Working Group, and \$0.4 million for other funds.

4 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. Instalment 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 instalment payments for the next five years and thereafter are:

	(\$000)
2016-2017	11,100
2017-2018	11,100
2018-2019	11,100
2019-2020	11,100
2020-2021	11,100
Thereafter	125,150

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

As at March 31, 2016, Sinking Fund investments include P.E.I. issues held but not cancelled in the amounts of:

		(\$000)		(\$000)
Debentures	Par Value	89,002	Book Value	99,996
Residuals	Par Value	47,544	Book Value	21,604

5 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, 2016. IWMC is also responsible for monitoring and administering post-closure issues at four landfill sites and a number of smaller government owned community dumps, which were closed prior to 2003. The Province is responsible for the costs associated with the former dump sites as disclosed in Note 6 – Contaminated Sites.

IWMC has included in its liabilities at March 31, 2016 an obligation associated with the retirement, closure and post-closure costs of the East Prince Landfill Site in the amount of \$2.1 million (2015 - \$2.3 million).

6 Contaminated Sites

The Province is responsible for ensuring that its properties not in active use do not pose a problem for the environment. This would include the costs associated with the former dump sites closed prior to 2003. The Province has reviewed a listing of its own sites and also additional properties, for which it has accepted responsibility, and has recorded a liability of \$2.1 million (2015 - \$1.9 million) associated with these sites. The Province will continue to review these sites and re-evaluate its liability on an ongoing basis.

7 Contractual Obligations

The Province has entered into a number of multi-year contracts. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Significant obligations, generally amounts in excess of \$100 thousand per year, for the next five years and beyond include:

	<u>2017</u> <u>(\$000)</u>	<u>2018</u> <u>(\$000)</u>	<u>2019</u> <u>(\$000)</u>	<u>2020</u> <u>(\$000)</u>	<u>2021</u> <u>(\$000)</u>	<u>Thereafter</u> <u>(\$000)</u>	<u>Total</u> <u>(\$000)</u>
Operating Fund							
911 Contract	744	760	775	790	805	820	4,694
Atlantic Beef Producers	443	-	-	-	-	-	443
Beverage Container Program	5,559	5,671	5,604	5,633	-	-	22,467
Building Leases	7,122	6,248	6,009	4,829	3,197	11,971	39,376
Capital - Highway	415	-	-	-	-	-	415
Capital - Other	340	-	-	-	-	-	340
Chances - Best Start	1,221	-	-	-	-	-	1,221
Early Years Centres	7,430	-	-	-	-	-	7,430
Highway Maintenance and Safety	9,624	9,494	7,822	1,156	-	-	28,096
Holland College	2,959	2,959	2,926	2,930	2,928	21,108	35,810
IT Service Contracts	716	523	371	371	371	877	3,229
Labour Market Research and Population Development	606	-	-	-	-	-	606
Non Government Organizations	12,100	-	-	-	-	-	12,100
Peoplesoft Upgrade	630	630	-	-	-	-	1,260
Provincial Integrated Communication Services	1,131	1,131	1,131	1,131	1,131	4,523	10,178
Provincial Policing Service Agreement	13,736	13,979	14,219	14,463	14,711	178,956	250,064
Public Works and Planning	1,716	1,602	1,602	1,602	1,602	5,339	13,463
School Buses	2,043	-	-	-	-	-	2,043
Skills PEI	3,170	-	-	-	-	-	3,170
Telephone Services	1,350	-	-	-	-	-	1,350
UPEI	14,362	14,604	13,689	13,690	13,439	56,905	126,689
Other Significant Obligations	8,006	3,041	1,657	81	83	-	12,868
Agencies and Crown Corporations							
Charlottetown Area Development Corp.	213	-	-	-	-	-	213
Health PEI	43,494	19,549	7,590	2,259	646	5,472	79,010
Island Waste Management Corporation	9,045	6,813	6,131	4,215	2,237	6,984	35,425
P.E.I. Agricultural Insurance Corporation	2,000	-	-	-	-	-	2,000
P.E.I. Energy Corporation	133,511	3,094	2,469	2,469	2,469	10,369	154,381
P.E.I. Grain Elevators Corporation ¹	2,066	-	-	-	-	-	2,066
P.E.I. Housing Corporation	834	859	884	911	938	608	5,034
P.E.I. Liquor Control Commission	827	690	451	451	451	2,804	5,674
P.E.I. Regulatory & Appeals Commission	180	180	180	180	180	180	1,080
Tourism PEI	1,194	90	-	-	-	-	1,284
Total	288,787	91,917	73,510	57,161	45,188	306,916	863,479

¹ P.E.I. Grain Elevators Corporation has a year end of July 31, 2015. The amount of \$2.1 million as at March 31, 2016 is estimated.

8 Commitments

The nature of the Province's activities results in commitments against future appropriations. Significant financial commitments at March 31, 2016 include:

(a) Loans

	2016 (\$000)	2015 (\$000)
Loans approved but not disbursed at March 31:		
Island Investment Development Inc.	7,811	12,839
Finance PEI	5,904	4,500
	<u>13,715</u>	<u>17,339</u>

(b) Innovation PEI

The Agency has committed to disbursing \$42.4 million (2015 - \$36.3 million) for labour rebate program assistance, \$8.8 million (2015 - \$9.5 million) for enriched investment tax credits, \$0.1 million (2015 - \$0.1 million) for specialized labour rebate and \$0.2 million (2015 - \$0.3 million) for share purchase tax credit over the next four years as 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 \$2.07 million (2015 - \$2.04 million).

(d) P.E.I. Lotteries Commission

The Commission has committed \$0.3 million on an annual basis to support the implementation of the Responsible Gaming Strategy.

On behalf of the Commission, Atlantic Lottery Corporation Inc. (ALC) operates Red Shores at Summerside Raceway, occupying facilities which are being leased from the City of Summerside. The lease is an operating lease having future minimum lease payments of \$0.3 million for each of the next five years and minimum future aggregate lease payments to the end of the 15-year lease term totaling \$2.9 million.

The Commission provides a grant to the City of Charlottetown pursuant to an arrangement between the City and the Province of Prince Edward Island, whereby the City will receive \$0.4 million per annum for ten years beginning with the year ended December 31, 2005. The original agreement ended in December 2014. Treasury Board authorized a five year extension to the agreement in 2015-2016. This amount is subject to adjustment when the Charlottetown entertainment centre operates less than 300 days in a given year.

The Commission has entered into an arrangement with ALC in which an amount of \$0.2 million will be withheld monthly from profit distribution in order to fund their portion of ALC's deficit. The total amount remaining to be withheld between April 1, 2016 and March 31, 2019 is \$5.7 million.

(e) P.E.I. Energy Corporation

The Corporation is contractually obligated, through the Power Purchase Agreements totaling 19 megawatts with private wind developers, to purchase all wind power produced, and then sell all wind power purchased to Maritime Electric Company Ltd. These Power Purchase Agreements expire in 2026 (9 megawatts) and 2036 (10 megawatts).

The Corporation is contractually obligated, through Power Purchase Agreements totaling 73.56 megawatts, to sell all wind power produced at its wind farm facilities to Maritime Electric Company Ltd. These Power Purchase Agreements expire in 2022 (5.28 megawatts), 2023 (3 megawatts), 2024 (5.28 megawatts), 2026 (30 megawatts), and 2033 (30 megawatts).

In the normal course of business, the Corporation has entered into agreements for the use, or option for the use, of land into perpetuity in connection with the operation of its wind farms. Payment under these agreements is dependent on the amount of power generated by the wind farm assets; therefore, future minimum payments are indeterminable.

An amendment to the service and warranty agreement at the North Cape location became effective December 12, 2015. In addition to certain fixed costs, the Corporation is required to pay an additional \$3.50 per megawatt hour produced by each wind turbine at the North Cape location during the period of December 12, 2015 to February 12, 2018.

In November 2011, the Province entered into the Prince Edward Island Energy Accord which requires the Corporation to assume certain financing responsibilities and recover these costs from customers of a local utility provider. The Prince Edward Island Energy Accord expired February 29, 2016 and a new collective agreement was signed between the Province, Maritime Electric Company Ltd. and the Corporation.

9 Contingent Liabilities

(a) Claims Outstanding

The Province is subject to legal actions arising in the normal course of business. At March 31, 2016 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, 2016, Fund reserves were \$7.8 million (2015 - \$7.3 million). The reserve for unsettled claims represents management's best estimate of the total costs, including investigation, litigation, and the projected final settlement of specific claims incurred as of the financial statement date. It also includes a general reserve to cover possible claims incurred as of the financial statement date but not yet reported to management. At March 31, 2016 the net reserve for unsettled claims were based on an actuarial review. Claims amounting to \$2.8 million were settled in the current year (2015 - \$2.3 million). The estimated amount for claims outstanding at March 31, 2016 is \$7.3 million (2015 - \$5.9 million). The Fund carries an excess liability policy limiting the liability of the Fund.

(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, 2015 the CUDIC had an equity balance of \$14.5 million (2014 - \$13.6 million).

Deposits insured by CUDIC, on the basis of returns received from its member institutions, as at December 31, 2015, were \$859.8 million (2014 - \$811.0 million). The Province's contingent liability, if any, is offset by equity held by the CUDIC, Atlantic Central Credit Union and the ten credit unions on P.E.I.

(c) Finance PEI

A counterclaim has been commenced against Finance PEI in response to an action for a deficiency remaining after realization on collateral held by the P.E.I. Lending Agency. The claimant has not provided any details as to the nature and extent of damages or loss for which they seek compensation. There is no liability recorded in these financial statements as it is management's opinion that no liability is likely to arise as a result of the counterclaim. The counterclaim is ongoing.

(d) Transitional Funding

Included in revenues for the fiscal year 2014-2015 is \$35.0 million in transitional funding related to the Agreement on Co-operative Capital Markets. This agreement has terms for repayment if it is terminated. At March 31, 2016 the termination of the agreement is doubtful.

(e) Guaranteed Debt

The Province has guaranteed the repayment of a variety of types of loans. Guarantees amounting to \$153.3 million (2015 - \$204.0 million) are reported in Schedule 18.

(f) Island Investment Development Inc.

A statement of claim has been filed against Island Investment Development Inc. that deals with the question of priority interest that the agency has in mortgage that is held as collateral on their notes receivable to a specific organization. There is no amount recorded in these financial statements for the possible effect on the calculation of the allowance for possible credit losses as the potential outcome of the claim is uncertain at this time.

(g) Building Remediation

The building materials within some building components in the Shaw and Sullivan complex and several island schools contain levels of asbestos requiring remediation. The Province monitors the condition of those materials containing asbestos to ensure they are not posing a risk to the occupants of the buildings and will remove the material as the buildings are repaired and/or renovated. Total cost to remediate has not been determined. Costs and potential liabilities associated with the remediation are the responsibility of the Province.

10 Pensions

The Province participates in various pension plans. The primary plans are the Civil Service Superannuation Plan and the Teachers Superannuation Plan. Other plans include arrangements for MLAs, Judges, and a Senior Compensation Plan.

Significant pension plan amendments effective January 1, 2014, provided a change to the benefit determination, a change to the early retirement provisions and for the removal of guaranteed pension indexation. Indexation is now contingent on the funded status of the plans, with the exception of contingent indexation for the senior compensation plan and the supplemental pension plan for Members of the Legislative Assembly. For these plans, contingent indexation is equal to indexation awarded in the Civil Service Superannuation Pension Plan.

Included in the determination of the accrued benefit obligation for pension retirement benefits is a liability for contingent indexation. For the year ended March 31, 2016, the contingent indexation liability is calculated based on total plan assets less the accrued benefit obligation assuming no future contingent indexation. This calculation does not incorporate the potential impact of future events such as contributions, gains, losses on asset returns and new benefit accruals.

Significant judgment is involved in the accounting treatment for contingent indexation. The Province recognizes that the contingent indexation liability represents a new challenge for pensions in Canada and as such there are no established accounting standards and practices for this liability. Going forward, the Province will continue to monitor developments in the accounting standards and practices when assessing the most appropriate accounting treatment for plans with a contingent indexation liability component.

(a) Pension Plan Descriptions, Benefit Formulas, and Funding Policies

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*. The plan is operated within the Civil Service Superannuation Fund (CSSF) 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. The plan is funded by employee contributions, which are matched by the employer, as well as, employer special contributions.

- **Contributions:** Starting January 1, 2013, members were required to contribute 8.09 percent of their pensionable salary up to the year's maximum pensionable earnings plus 9.75 percent of pensionable salary in excess of the year's maximum pensionable earnings. Participating employers match member contributions. Herein these are considered the Base Contributions. For 2014 to 2016, contributions will remain fixed unless they are deemed ineligible based on the maximum contributions allowed under the *Income Tax Act* (ITA). Variable contributions are based on the funded benefits ratio as defined below (note that contribution changes by funded level are total and not cumulative).

Funded Benefits Ratio	Employee Contributions ¹	Participating Employer Contributions ¹
<100% ²	Base Contributions plus 1%	Base Contributions plus 4%
100% to 110% ³	Base Contributions plus 1%	Base Contributions plus 2%
110% to 135%	Base Contributions	Base Contributions
135% to 145% ⁴	Base Contributions less 1%	Base Contributions less 2%
145% + ⁵	Base Contributions less 1%	Base Contributions less 4%

¹ Subject to the *Income Tax Act* Rules for maximum contributions.

² If triggered, contributions based on funded benefits ratio <100% remain in effect until funded benefits ratio of ≥ 105% is attained.

³ If triggered, contributions based on funded benefits ratio <110% remain in effect until funded benefits ratio of ≥ 115% is attained.

⁴ If triggered, contributions based on funded benefits ratio ≥135% remain in effect until funded benefits ratio of ≤ 130% is attained.

⁵ If triggered, contributions based on funded benefits ratio ≥145% remain in effect until funded benefits ratio of ≤ 140% is attained.

- Pension Formula:** The annual pension is based on the number of years of service times 2 percent of average salary with a reduction at age 65 for estimated Canada Pension Plan (CPP) benefits. The reduction is referred to as a bridge pension and only payable to age 65. The bridge is based on the number of years of service times 0.7% of average salary to a maximum of the average CPP year's maximum pensionable earnings. For service prior to December 31, 2013, average salary and year's maximum pensionable earnings is based on the best three year average. For service commencing January 1, 2014, average salary and year's maximum pensionable earnings is based on career average.
- Pre-Retirement Indexation:** Benefits earned during 2014 to 2016, are automatically indexed at 1.5 percent per annum. As this indexation is guaranteed, it is included in the Base Benefits, which are the Plan benefits prior to any future contingent indexation. In 2017 and beyond, pre-retirement indexation will only be awarded if the funded benefits ratio (as determined at the April 1st immediately prior to the calendar year in which indexation is to be awarded) is greater than 100 percent. If there are years that full indexation is not awarded, and if the funded benefits ratio subsequently reaches 115 percent, then a portion of Plan funds is available to make up for missed indexation in the past. The maximum indexation is 100 percent of the increase in the Average Industrial Wage (AIW) in Canada, however, if in any year the assets available to be spent on inflation protection are not adequate to provide the full amount, partial indexation will be awarded.
- Post-Retirement Indexation:** For 2014 to 2016, post-retirement indexation is automatically awarded at 1.5 percent per annum. As this indexation is guaranteed, it is included in the Base Benefits. In 2017 and beyond, post-retirement indexation will only be awarded if the funded benefits ratio (as determined at the April 1st immediately prior to the calendar year in which indexation is to be awarded) is greater than 110 percent. If there are years that full post-retirement indexation is not awarded, and if the funded benefit ratio subsequently reaches 118 percent, then a portion of Plan funds is available to make up for missed past indexation on a go-forward basis (i.e. no retroactive payments). The maximum indexation is 100 percent of the Consumer Price Index (CPI); however, if the Plan cannot afford that amount, partial indexation will be awarded. Indexation for deferred vested benefits is applied in the same manner as the post-retirement indexation.

- *Retirement Age:* For pensionable service prior to January 1, 2019, the earliest unreduced retirement age remains at the earlier of 30 years of pensionable service (minimum of age 55) and attained age 60. For pensionable service after December 31, 2018, the earliest unreduced retirement age will be the earlier of 32 years of pensionable service (minimum of age 55) and attained age 62. The earliest retirement age remains at age 55 with 2 years of continuous service both prior to and after the conversion date.

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 (TSF) 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. The plan is funded by employee contributions, which are matched by the employer, as well as, employer special contributions as described below.

- *Contributions:* Starting January 1, 2013, members were required to contribute 8.3 percent of their pensionable salary up to the year's maximum pensionable earnings plus 10.0 percent of pensionable salary in excess of the year's maximum pensionable earnings. Participating employers match member contributions. Herein these are considered the Base Contributions. For 2014 to 2016, contributions will remain fixed unless they are deemed ineligible based on the maximum contributions allowed under the *Income Tax Act* (ITA). Variable contributions are based on the funded benefits ratio (note that contribution changes by funded level are total and not cumulative). The variable contribution rates are the same as described for the Civil Service Superannuation Plan.
- *Pension Formula:* The annual pension is based on the number of years of service times 2 percent of average salary with a reduction at age 65 for estimated Canada Pension Plan (CPP) benefits. The reduction is referred to as a bridge pension and only payable to age 65. The bridge is based on the number of years of service times 0.7% of average salary to a maximum of the average CPP year's maximum pensionable earnings. For service prior to December 31, 2013, average salary and year's maximum pensionable earnings is based on the best five year average. For service commencing January 1, 2014, average salary and year's maximum pensionable earnings is based on career average.
- *Pre-Retirement Indexation:* Pre-retirement indexation of the Teachers Superannuation Plan is now the same as described for the Civil Service Superannuation Plan.
- *Post-Retirement Indexation:* For 2014 to 2016, post-retirement indexation is automatically awarded at 0.9 percent per annum. As this indexation is guaranteed, it is included in the Base Benefits, which are the Plan benefits prior to any future contingent indexation. In 2017 and beyond, post-retirement indexation for the Teachers Superannuation Plan is now the same as described for the Civil Service Superannuation Plan. Indexation for deferred vested benefits is applied in the same manner as the post-retirement indexation.

- *Retirement Age:* For the Teachers Superannuation Plan, the retirement age is the same as described for the Civil Service Superannuation Plan.

Special Payments to the CSSF and the TSF

Prior to the plan amendments, the Province was committed to make payments if the CSSF or the TSF was insufficient to provide for pension payments as they became due. In addition, a funding policy existed which required the Province to make special contributions when the CSSF or TSF's funding level declined below 90 percent. Special contributions made under these funding policies, and which are still outstanding, were as follows:

- On December 11, 2012, the Province made a special contribution to the CSSF by issuing a \$150.8 million promissory note. The note is receivable in ten equal annual instalments of \$15.1 million beginning April 1, 2013. Interest on the note is accrued at a rate of 2.90 percent per annum and is receivable semi-annually on April 1 and October 1.
- On December 11, 2012, the Province made a special contribution to the TSF by issuing an \$80.4 million promissory note. The note is receivable in ten equal annual instalments of \$8.04 million beginning April 1, 2013. Interest on the note is accrued at a rate of 2.90 percent per annum and is receivable semi-annually on April 1 and October 1.

As part of the plan amendment, the Province's requirement to make payments if the CSSF or TSF was insufficient to provide for pension payments as they became due was removed; the funding policy was rescinded and was replaced by the following Government guarantee:

- Beginning on April 1, 2016, if the funded benefits ratio of the Plans falls below 100 percent and, after reflecting the future contributions as described previously, the Plans are still not projected to achieve a funded benefits ratio of at least 100 percent within 5 years, the Province is required to make an additional contribution equal to one fifth of the additional amount required to restore the funded benefits ratio to 100 percent within 5 years. This is reviewed on an annual basis and the contribution amount will be subject to change each year.

In addition, the Province committed to make a one-time transitional contribution (transitional government funding amount) to the Plans on or before December 31, 2014 such that, if that contribution had been made on January 1, 2014, the total assets of the CSSF and TSF would have equalled:

1. 122 percent of the total liabilities of the Fund excluding the liabilities for salary indexing and pension indexing for any year after 2013; plus
2. 100 percent of the liabilities for salary indexing and pension indexing for 2014, 2015 and 2016.

Transitional government funding was contributed to the CSSF by the Province on December 29, 2014 through the issuance of a \$231.5 million promissory note. The note is receivable in seven equal annual instalments of \$33.1 million beginning January 1, 2023. Interest on the note is accrued at a rate of 4.14 percent per annum and is receivable semi-annually on January 1 and July 1.

Transitional government funding was contributed to the TSF by the Province on December 22, 2014 through the issuance of a \$164.6 million promissory note. The note is receivable in seven equal annual instalments of \$23.5 million beginning January 1, 2023. Interest on the note is accrued at a rate of 4.14 percent per annum and is receivable semi-annually on January 1 and July 1.

Subsection 5(5) of the *Civil Service Superannuation Act* and 9(5) of the *Teachers' Superannuation Act* stipulates that none of the above promissory notes may be cancelled or recalled by the Province prior to maturity unless the Province contributes to the CSSF and TSF assets equal to or greater than the value of the promissory notes on the date of cancellation or recall.

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, Leader of the Third Party, 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 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 April 1, 2001 to April 12, 2014, benefits are 25 percent of the required contributions made by the participant.
- (iv) For the period on or after April 13, 2014, benefits are 22.22 percent of the required contributions made by the participant.

Up to the end of 2014, annual pre-retirement indexation of all of the above components will be at the percentage increase in the CPI, subject to a maximum of 8 percent per annum. Annual post-retirement indexation up to the end of 2014 will be at the percentage increase in the CPI minus 2 percent, subject to a maximum of 8 percent per annum.

Effective January 1, 2015, pre- and post-retirement indexation will no longer be guaranteed. Rather, indexation will be provided at the same level as provided in the *Civil Service Superannuation Act*.

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 up to April 12, 2014 and 9 percent of their salary thereafter. 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. 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 requires 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. Effective May 4, 2015, the commencement of the 65th General Assembly, the benefit will be reduced on a prospective basis to approximately 75 percent of the 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. Up to the end of 2014, the plan will provide for inflation protection to a maximum of 8 percent. Commencing January 1, 2015, inflation protection will no longer be guaranteed. Rather, it will be provided at the same level as provided in the *Civil Service Superannuation Act*.

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*. Prior to January 1, 2014, pension benefits were 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. Effective January 1, 2014, the best three years' average salary will be replaced by indexed average earnings in which the indexation is contingent on the Civil Service Superannuation Fund's financial health. To ensure no reduction in pre-2014 benefits as a result of this change, the best 3-year average salary up to the end of 2013 will be used as the starting point for future benefit determination. Pre- and post-retirement inflation protection is provided at the same level as provided in the *Civil Service Superannuation Act*. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due.

Pension Plan for Judges – Old/New

The *Provincial Court Act* provides a pension plan for Provincial Court judges (Old Plan) 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.

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, (New Plan) 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 Act*, based on the provisions in existence prior to the January 1, 2014 amendments. 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.

(b) Summary of Plans Membership

	CSSF		TSF		MLA – Basic		MLA Supplementary		SCP		Judges – Old Plan & New Plan	
Year	2016	2015 ¹	2016	2015 ¹	2016	2015	2016	2015	2016	2015	2016	2015
Actives	7,363	7,151	1,919	1,825	26	24	26	24	24	29	3	3
Retirees	3,944	3,720	1,586	1,555	93	87	56	48	62	56	4	4
Deferreds	499	845	99	164	11	3	8	3	3	3	-	-

¹. The 2015 plan membership data has been updated to reflect the April 1, 2015 actuarial valuation report results.

(c) Actuarial Valuations / Estimates

Actuarial valuations of the Civil Service Superannuation Fund and Teachers' Superannuation Fund are performed annually as at April 1st and are required to be completed by December 31st of each year. In years where the audit of consolidated financial statements precedes the completion of the actuarial valuations, the accrued benefit obligations and unamortized adjustments are estimated by the Province based on the extrapolations of the prior year's valuations.

An actuarial valuation for the Civil Service Superannuation Fund and Teachers' Superannuation Fund was performed at April 1, 2015 and 2016. The actuarial liabilities and accrued benefit obligation as at April 1, 2016 are extrapolated from the actuarial liabilities and accrued benefit obligation determined as in the report of the actuarial valuation as at April 1, 2015 for funding and accounting purposes. This represents a change in the methodology from the previous valuation.

Actuarial valuations of all the Province's other pension plans are carried out every three years. Extrapolations based on the most recent valuations are completed by the Province to estimate accrued benefit obligations and unamortized adjustments for the years between valuations.

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:

	CSSF		TSF	
Date of Valuation	April 1, 2016	April 1, 2015	April 1, 2016	April 1, 2015
Inflation	2.25%	2.25%	2.25%	2.25%
Discount Rate	5.25% for 10 years, 5.90% thereafter	5.50% for 9 years, 5.90% thereafter	5.40% for 10 years, 5.90% thereafter	5.60% for 9 years, 5.90% thereafter
Expected Rate of Return of Plan Assets	5.25% for 10 years, 5.90% thereafter	5.50% for 9 years, 5.90% thereafter	5.40% for 10 years, 5.90% thereafter	5.60% for 9 years, 5.90% thereafter
Salary Escalation	Basic increase of 2.75% per annum + promotional scale	Basic increase of 2.75% per annum + promotional scale	Basic increase of 2.75% per annum + promotional scale	Basic increase of 2.75% per annum + promotional scale
Pre-Retirement Indexation	1.5% per annum for 2015-2016, 2.75% per annum for 10 years, 0% thereafter	1.5% per annum for 2015-2016, 2.75% per annum for 16 years, 0% thereafter	1.5% per annum for 2015-2016, 2.75% per annum for 12 years, 0% thereafter	1.5% per annum for 2015-2016, 2.75% per annum for 17 years, 0% thereafter
Post-Retirement Indexation (includes deferred pensioners)	1.5% per annum for 2015-2016, 2.25% for 4 years, 0% thereafter	1.5% per annum for 2015-2016, 2.25% for 10 years, 0% thereafter	0.9% per annum for 2015-2016, 2.25% for 4 years, 0% thereafter	0.9% per annum for 2015-2016, 2.25% for 11 years, 0% thereafter
Mortality	CPM2014Publ with future improvements based on CPM Scale B and adjustments of 1.10 for males and 0.95 for females	CPM2014Publ with future improvements based on CPM Scale B and adjustments of 1.10 for males and 0.95 for females	CPM2014Publ with future improvements based on CPM Scale B and adjustments of 1.0 for males and 0.95 for females	CPM2014Publ with future improvements based on CPM Scale B and adjustments of 1.0 for males and 0.95 for females

	MLA – Basic & Supplementary ¹	SCP ¹	Judges – Old Plan & New Plan ¹
Date of Valuation	April 1, 2014	April 1, 2014	April 1, 2014
Inflation	2.25%	2.25%	2.25%
Discount Rate	Basic – 5.50% for 10 years, 6.00% thereafter Supplementary – 4.09%	4.11% per annum	Old Plan – 4.09% New Plan – 4.14%
Expected Rate of Return of Plan Assets	Basic – 5.50% for 10 years, 6.00% thereafter Supplementary – N/A	N/A	N/A
Salary Escalation	2.75% per annum	2.75% per annum	2.75% per annum
Pre-Retirement Indexation	1.5% per annum for 2015-2016, 2.75% per annum for 16 years, 0% thereafter	1.5% per annum for 2015-2016, 2.75% per annum for 16 years, 0% thereafter	N/A
Post-Retirement Indexation (includes deferred pensioners)	1.5% per annum for 2015-2016, 2.25% per annum for 11 years, 0% thereafter	1.5% per annum for 2015-2016, 2.25% per annum for 11 years, 0% thereafter	2.15% per annum
Mortality	Pre-Retirement – None Post- Retirement – CPM2014Publ with no adjustments and future improvements based on CPM Scale B	Pre-Retirement – None Post- Retirement – CPM2014Publ with future improvements based on CPM Scale B and size adjustments of 0.750 males & 0.926 females	Pre-Retirement – None Post- Retirement – CPM2014Publ with future improvements based on CPM Scale B and size adjustments of 0.750 males & 0.926 females

- ^{1.} Valuations for these liabilities are prepared every three years. Extrapolations are completed in non-valuation years, which include adjustments for discount rate changes.

The Province also has assumptions for expected terminations, retirement age, proportions married and age differences for spouses. All actuarial assumptions are reviewed by a Valuation Assumption Committee. Recommendations from this committee for the various assumptions are prepared for the approval of the Minister.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group as follows:

	2016	2015
Civil Service Superannuation Fund (CSSF)	13 years	13 years
Teachers' Superannuation Fund (TSF)	16 years	16 years
MLA Pension – Basic & Supplementary	7 years	6 years
Senior Compensation Pension Plan	5 years	5 years
Judges Pension Plan (Old)	7 years	7 years
Judges Pension Plan (New)	7 years	7 years

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

	<u>CSSF</u>	<u>TSF</u>	<u>MLA Basic</u>	<u>MLA Supp</u>	<u>Senior Comp. Pension Plan</u>	<u>Judges Pension Plan (Old)</u>	<u>Judges Pension Plan (New)</u>
Date of Valuation	1-Apr-16	1-Apr-16	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Accrued Benefit Obligation	1,742,904	880,397	21,442	12,987	20,857	8,955	2,159
Fund Assets	<u>1,742,904</u>	<u>880,397</u>	<u>21,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded Liability (Surplus)	<u>-</u>	<u>-</u>	<u>48</u>	<u>12,987</u>	<u>20,857</u>	<u>8,955</u>	<u>2,159</u>

In 2016, actuarial estimations were performed for all of the Province's pension funds that did not have an actuarial valuation completed in the current year. These estimates are completed to reflect changes to assumptions that became effective as at April 1, 2016. These assumptions are as follows:

	MLA – Basic & Supplementary	SCP	Judges – Old Plan & New Plan
Discount Rate	Basic – 5.45% for 10 years, 6.10% thereafter Supplementary – 3.54%	3.54% per annum	Old Plan – 3.54% New Plan – 3.54%
Expected Rate of Return of Plan Assets	Basic – 5.45% for 10 years, 6.10% thereafter Supplementary – N/A	N/A	N/A
Pre-Retirement Indexation	1.5% per annum for 2015- 2016, 2.75% for 10 years, 0% thereafter	1.5% per annum for 2015- 2016, 2.75% for 10 years, 0% thereafter	N/A
Post-Retirement Indexation (includes deferred pensioners)	1.5% per annum for 2016, 2.25% for 4 years, 0% thereafter	1.5% per annum for 2016, 2.25% for 4 years, 0% thereafter	Old Plan – N/A New Plan – 2.15% per annum

Pension fund assets are valued at market values. The actual return on plan assets was -0.9% percent in 2016 (2015 9.3 percent).

(d) Summary Pension Information

	CSSF	TSF	MLA	MLA Supp ¹	SCP ¹	Judge Old ¹	Judge New ¹	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Accrued benefit obligation, beginning of year	1,774,975	911,847	21,085	15,810	24,825	10,568	2,946	2,762,056
(Gains) losses on experience and assumption changes, and contingent indexation	(103,971)	(51,970)	(579)	(2,323)	(3,482)	(761)	(289)	(163,375)
Benefits accrued	45,025	15,036	449	783	565	150	211	62,219
Interest	96,935	50,236	1,185	483	745	317	92	149,993
Benefit payments	(70,060)	(44,752)	(1,400)	(447)	(905)	(315)	-	(117,879)
Accrued benefit obligation, end of year	1,742,904	880,397	20,740	14,306	21,748	9,959	2,960	2,693,014
Plan assets, beginning of year	1,774,975	911,847	22,070	-	-	-	-	2,708,892
Actuarial gains (losses)	(122,126)	(59,244)	(1,778)	-	-	-	-	(183,148)
Return on plan assets	97,421	50,434	1,235	-	-	-	-	149,090
Employer contributions	30,949	10,916	-	-	-	-	-	41,865
Employee contributions	31,745	11,196	218	-	-	-	-	43,159
Benefit payments	(70,060)	(44,752)	(1,400)	-	-	-	-	(116,212)
Plan assets, end of year	1,742,904	880,397	20,345	-	-	-	-	2,643,646
Actuarial pension liability	-	-	395	14,306	21,748	9,959	2,960	49,368
Unamortized adjustments, beginning of year	347,608	186,408	(921)	2,028	6,578	5,026	942	547,669
(Gains) losses on experience and assumption changes	(103,973)	(52,058)	(579)	(2,323)	(3,482)	(761)	(289)	(163,465)
Amortization of gains (losses)	(29,603)	(19,869)	143	(338)	(1,510)	(865)	(218)	(52,260)
Current year (gain) loss on assets	122,128	59,332	1,778	-	-	-	-	183,238
Unamortized adjustments, end of year	336,160	173,813	421	(633)	1,586	3,400	435	515,182
Net Pension liability	(336,160)	(173,813)	(26)	14,939	20,162	6,559	2,525	(465,814)
Expense								
Current period benefit cost	44,229	14,755	449	783	565	150	211	61,142
Employee and other contributions	(32,222)	(10,954)	(218)	-	-	-	-	(43,394)
Net interest	(486)	(198)	(50)	483	745	317	92	903
Amortization of (gains) losses	29,603	19,869	(143)	338	1,510	865	218	52,260
Total pension expense	41,124	23,472	38	1,604	2,820	1,332	521	70,911

1. These pension plans are non-contributory.

For plans with contingent indexation, the total accrued benefit obligation consists of the following:

	CSSF	TSF	MLA	MLA Supp	SCP	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Base benefit liability	1,508,408	761,752	19,005	12,824	20,557	2,322,546
Contingent indexation liability ¹	234,496	118,645	1,735	1,482	1,191	357,549
Total accrued benefit obligation	1,742,904	880,397	20,740	14,306	21,748	2,680,095

¹ The contingent indexation liability is calculated based on total plan assets less the accrued benefit obligation assuming no future contingent indexation. This calculation does not incorporate the potential impact of future events such as contributions, gains, losses on asset returns and new benefit accruals.

(e) Other Pension Plans

Health PEI

Salaried physicians maintain their own personal Registered Retirement Savings Plan (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 9 percent of the physician's base salary, and shall not exceed 50 percent of the maximum permissible contribution provided for in the *Income Tax Act*. Health PEI's liability is limited to its required contributions in accordance with the agreement. A total of \$1.0 million (2015 - \$0.9 million) was contributed towards salaried physician's personal RRSP accounts.

School Boards

Support employees of the two school boards are part of the P.E.I. Education Sector Pension Plan (ESPP). The pension is a defined benefit plan. According to the most recent accounting actuarial report, dated January 1, 2016, the plan had a surplus in the amount of \$12.5 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.

P.E.I. Human Rights Commission

The employees of the Commission participate in a defined contribution pension plan. The Commission makes contributions amounting to 8.09 percent on that part of the salary on which Canada Pension Plan contributions are made and 9.75 percent on salary when Canada Pension Plan contributions are not required. Employees are not required to contribute to the plan. Employer contributions are paid to a Registered Retirement Savings Plan (RRSP) or Registered Disability Savings Plan (RDSP) as selected by the employee. During the year the Commission incurred \$21.0 thousand (2015 - \$21.0 thousand) in expenses for contributions to these plans.

P.E.I. Grain Elevators Corporation

Four 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. The Corporation's liability is limited to its required contributions in accordance with the employment contract. The Corporation's share of contribution for the period was \$11.3 thousand (2014 - \$9.1 thousand).

11 Other Employee Benefit Plans**(a) Other Employee Benefit Plan Descriptions****Retirement Pay**

Employees of the Civil Service, Health and Education sectors and MLAs are provided with retirement allowances in accordance with the applicable collective agreement, terms of employment or legislation. Amounts paid to eligible employees at retirement are based on the pay rate in effect at the retirement date and range from four days to one month of pay for each year of eligible service, depending on the employee group. Retirement pay is subject to maximums which vary by employee group from twenty to fifty-two weeks of pay. These benefits are unfunded.

Death Benefits

A post-retirement death benefit in the form of life insurance coverage of \$5 thousand is provided to regular, health and senior compensation members of the CSSF. MLAs also receive coverage in the amount of \$50 thousand until age 65, reducing to \$25 thousand at age 65 and then remaining at that level for life. MLAs who served as Premier, Leader of the Opposition, Speaker of the House or as a Minister are entitled to \$75 thousand coverage until they are 65 instead of \$50 thousand. These benefits are paid by assets held in a separate reserve account of the Public Sector Group Insurance Plan (PSGIP). Prior to April 2014, a \$50 thousand contribution was made annually to these funds by the Province. This annual contribution ceased in 2014. Once the assets in the reserve account have been depleted, death benefit payments will be issued from the Operating Fund.

Workers Compensation

Workers compensation benefits include medical services, wage loss replacement and rehabilitation costs paid in the event that a volunteer firefighter or emergency measures organization volunteer is injured while performing their duties.

Effective January 1, 2011, the Province became an assessed employer for the purpose of providing workers compensation benefits to Civil Service, Instructional Education and some former Health Sector employees. The liability associated with these benefits is held by the Workers Compensation Board of PEI.

Sick Leave

Employees of the Civil, Education and Health sectors are entitled to sick leave as provided for under collective agreements and terms of employment. Unused hours can be carried forward for future paid leave, up to predetermined maximum amounts. However, no amounts are paid out in respect of unused sick leave at termination or retirement. Eligible employees accumulate between 1.25 and 1.5 days of sick leave per month of service, depending on the employee group. Maximum accumulations range from 199 to 260 days. This program is unfunded.

(b) Actuarial Valuations / Estimates

Actuarial valuations of the Province's liability for future employee benefits 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 for the years in which a formal valuation is not prepared.

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 (Civil & Education)	Retirement Pay (Health)	Death Benefits (MLA)	Death Benefits (Civil & Health)	WCB	Sick Leave (Civil & Education)	Sick Leave (Health)
Date of Valuation	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14
Inflation	N/A	N/A	N/A	N/A	⁴	N/A	N/A
Discount Rate	3.80%	3.80%	4.12%	4.10%	4.09%	3.80%	3.80%
Salary Escalation	¹	¹	N/A	N/A	N/A	⁵	3.00%
Mortality	None	None	Same as for MLA Pension (Basic & Supp) post-retirement	Same as for CSSF	CPM2014 Public Table	None	None
Termination	²	²	Same as for MLA Pension (Basic & Supp)	Same as for CSSF, rates are doubled for temporary and casual employees	N/A	⁶	0.5% terminate per year
Retirement Age	³	³	Same as for MLA Pension (Basic & Supp)	Same as CSSF retirement rates for members age 55 and older, or in one year if the member has attained age 66	N/A	Age 61, or in one year if member has attained age 61	Age 61, or in one year if member has attained age 61

- ¹ Salary escalation assumptions for Retirement Pay (Civil & Education) are as follows:
 - Senior Compensation Plan members & MLAs – 2.75% per annum;
 - All other civil servants and health employees – same as for CSSF;
 - Education sector instructional and excluded employees – same as for TSF; and
 - Education sector CUPE employees – 2.75% per annum.
- ² Termination assumptions for Retirement Pay (Civil & Education) are as follows:
 - Civil servants – same as for CSSF, rates are doubled for temporary and casual employees;
 - Health employees – same as for CSSF;
 - MLAs – same as for MLA Pension (Basic & Supplementary);
 - Education sector instructional and excluded employees - same as for TSF; and
 - Education sector CUPE employees – same as for CSSF.
- ³ Retirement age assumptions for Retirement Pay (Civil & Education) are as follows:
 - Civil servants and health employees – same as CSSF retirement rates for members age 55 and older, or in one year if the member has attained age 66;
 - MLAs – same as for MLA Pension (Basic & Supplementary);
 - Education sector instructional and excluded employees – same as TSF retirement rates for members age 55 and older, or in one year if the member has attained age 66; and
 - Education sector CUPE employees – 5% at each age from 55 to 59, 20% at age 60, 15% at age 61, 5% at each age from 62 to 64, 25% at age 65, or in one year if the member has attained age 65.
- ⁴ Inflation assumptions for Workers Compensation is as follows:
 - General – 2.25%;
 - Health and medical benefits – 4.25%;
 - Regular pension, survivor and extended wage loss benefits – 1.80%; and
 - Lost pension benefits – 0.00%.
- ⁵ Salary escalation assumptions for Sick Leave (Civil & Education) are as follows:
 - Civil servant – 3.00% per annum;
 - Education sector instructional employees – 3.10% per annum for those with a Master's Degree, 3.50% per annum for those without a Master's Degree; and
 - Education sector CUPE and excluded employees – 2.75% per annum.
- ⁶ Termination assumptions for Sick Leave (Civil & Education) are as follows:
 - Civil servants and education sector CUPE and excluded employees – 0.5% terminate per year; and
 - Education sector instructional employees – 0.0% terminate per year.

Actuarial gains and losses for future employee benefits other than workers compensation are amortized on a straight-line basis over the expected average remaining service life of the related employee group as follows:

	2016	2015
Retirement Pay (Civil Service & Education Sector)	13 years	13 years
Retirement Pay (Health Sector)	12 years	12 years
Death Benefits (MLA)	5 years	5 years
Death Benefits (Civil Service)	11 years	11 years
Death Benefits (Health Sector)	14 years	14 years
Sick Leave (Civil Sector)	12 years	12 years
Sick Leave (Education Sector)	15 years	15 years
Sick Leave (Health Sector)	15 years	15 years

Actuarial gains and losses for workers compensation benefits are amortized on a straight-line basis over the average expected period during which benefits will be paid which is 17 years.

The following are the results of the most recent actuarial valuations of the Province's future employee benefits:

	Retirement Pay (Civil & Education)	Retirement Pay (Health)	Death Benefits (MLA)	Death Benefits (Civil & Health)	WCB	Sick Leave (Civil & Education)	Sick Leave (Health)
Date of Valuation	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Accrued Benefit Obligation	77,410	45,638	792	10,054	1,033	35,497	26,204
Fund Assets	-	-	-	1,036	-	-	-
Unfunded Liability (Surplus)	77,410	45,638	792	9,018	1,033	35,497	26,204

The market value of death benefit assets at the beginning of the year was \$1.0 million. The expected rate of return on death benefit assets was 4.10 percent. The actual return on assets was -0.3% percent in 2016 (2015 10.3 percent).

In 2016, actuarial estimates were performed for all of the Province's retirement and other benefits to reflect changes to the discount rate assumption that became effective as at April 1, 2016. The updated discount rate assumptions are as follows:

	Retirement Pay (Civil & Education)	Retirement Pay (Health)	Death Benefits (MLA)	Death Benefits (Civil & Health)	WCB	Sick Leave (Civil & Education)	Sick Leave (Health)
Discount Rate	3.08%	3.08%	3.54%	3.54%	3.08%	3.08%	3.08%

(c) **Benefit Summary Information**

	Retirement Pay (\$000)	Death Benefits (\$000)	WCB¹ (\$000)	Sick Leave² (\$000)	Total (\$000)
Accrued benefit obligation, beginning of year	142,169	14,893	1,192	70,873	229,127
(Gains) losses on experience and assumption changes	(5,942)	(1,903)	(49)	(2,372)	(10,266)
Benefits accrued	9,749	508	43	7,088	17,388
Interest	3,798	455	31	1,898	6,182
Benefit payments	(7,273)	(136)	(104)	(5,019)	(12,532)
Accrued benefit obligation, end of year	142,501	13,817	1,113	72,468	229,899
Plan assets, beginning of year	-	964	-	-	964
Actuarial gains (losses)	-	4	-	-	4
Return on plan assets	-	27	-	-	27
Benefit payments	-	(136)	-	-	(136)
Plan assets, end of year	-	859	-	-	859
Actuarial benefit liability	142,501	12,958	1,113	72,468	229,040
Unamortized adjustments, beginning of year	41,584	4,648	349	13,813	60,394
(Gains) losses on experience and assumption changes	(5,942)	(1,903)	(49)	(2,372)	(10,266)
Amortization of gains (losses)	(4,492)	(458)	(11)	(1,005)	(5,966)
Current year (gain) loss on assets	-	(4)	-	-	(4)
Unamortized adjustments, end of year	31,150	2,283	289	10,436	44,158
Net benefit liability	111,351	10,675	824	62,032	184,882
Expense					
Current period benefit cost	9,749	508	43	7,088	17,388
Net interest	3,798	428	31	1,898	6,155
Amortization of (gains) losses	4,492	458	11	1,005	5,966
Total benefit expense	18,039	1,394	85	9,991	29,509

1. Workers compensation costs and benefit payments include only those in respect of volunteer firefighters and emergency measures organization volunteers.

2. Sick leave payments represent the cost of utilization in excess of benefits earned for the respective year.

12 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 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, loan guarantees, accounts receivable, and reserves for unsettled claims. 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 amounts receivable arises due to assumptions on economic conditions in the market place and the financial health of recipients. There is uncertainty in the reserve for unsettled claims because it is based on estimates and assumptions that could differ significantly from actual results once the claims are settled. Measurement uncertainty also exists in the estimate of useful life of tangible capital assets.

13 Prior Period Comparative Figures

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

14 Government Restructuring

In 2015 Executive Council announced a reorganization of the operations of several departments. The changes were formally adopted through an amendment to the *Public Department's Act* on December 2, 2015. The changes took effect April 1, 2015. Financial results presented in the Statement of Operations and Accumulated Deficit for the year ended March 31, 2015 for the restructured departments have been restated for comparative purposes.

15 Subsequent Events

(a) Contractual Obligations

Subsequent to March 31, 2016, the Province entered into a number of contracts. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Significant obligations include:

	<u>2017</u> <u>(\$000)</u>	<u>2018</u> <u>(\$000)</u>	<u>2019</u> <u>(\$000)</u>	<u>2020</u> <u>(\$000)</u>	<u>2021</u> <u>(\$000)</u>	<u>Thereafter</u> <u>(\$000)</u>	<u>Total</u> <u>(\$000)</u>
Capital - Highway	15,292	-	-	-	-	-	15,292
Capital - Other	6,085	406	-	-	-	-	6,491
Federal/Provincial Strategic Investment Fund	-	-	767	767	767	13,039	15,340
Highway Maintenance	7,669	-	-	-	-	-	7,669
IT Support Contracts	4,130	-	-	-	-	-	4,130
Public Works and Planning	7,788	274	173	113	108	999	9,455
School Buses	-	1,036	-	-	-	-	1,036
Other Significant Obligations	5,818	474	474	474	474	-	7,714
Agencies and Crown Corporations							
Health PEI	5,648	1,798	1,070	89	89	33	8,727
Tourism PEI	43	74	74	74	74	31	370
Other Significant Obligations	69	83	83	83	83	462	863
	52,542	4,145	2,641	1,600	1,595	14,564	77,087

(b) Storm Damage

Subsequent to March 31, 2016, the Government of Canada approved Provincial Emergency Financial Assistance Order No. 179. This order approved the Province of PEI's December 2014 rain event for the Disaster Financial Assistance Arrangement Program.

(c) Infrastructure

Subsequent to March 31, 2016, the Province of PEI entered into a Bilateral Agreement on the Public Transit Infrastructure Fund and Clean Water and Wastewater Fund. Federal Funding in the amount of \$55.6 million has been allocated to PEI under the Clean Water and Wastewater Fund, and \$0.7 million under the Public Transit Infrastructure Fund. For both programs, the cost share ratio is 50% federal, 25% provincial, and 25% municipal/applicant. To date, over 20 projects totaling \$33.0 million, representing the federal and provincial share, have been approved.

(d) Biomass Contracts

Subsequent to March 31, 2016, the Department of Transportation, Infrastructure and Energy entered into a contract covering the provision of biomass heat for the Prince County Hospital and Summerset Manor. The contract is for 20 years, commencing when the biomass plant begins operating in 2017. Costs associated with the contract will be paid for by Health PEI. Annual costs associated with the contract fluctuate based on unit cost and consumption. Based on 2016 pricing (which is adjusted annually to reflect 75% of Consumer Price Index) and average heat load, the anticipated annual and 20 year costs are as follows:

	<u>Annual</u>	<u>20 Years</u>
Prince County Hospital	\$0.31 million	\$6.1 million
Summerset Manor	\$0.01 million	\$1.2 million

(e) English Language School Board

Subsequent to March 31, 2016 a new Education Act was passed by the Legislative Assembly. The act will replace the existing School Act under which the Board was governed. As a result of the new act all of the assets and liabilities of the Board will be transferred to a new entity, the Public Schools Branch (the PSB). The responsibilities of the PSB will be: administration of schools, maintaining school buses, and other equipment and staffing. The PSB will be governed by a Board of Trustees, which will include the Deputy Minister of Education and two other appointed members.

(f) P.E.I. Lotteries Commission

Subsequent to March 31, 2016, Atlantic Lottery Corporation Inc. terminated its Master Service Agreement with CGI Information Systems and Management Consultants Inc. The early termination will result in associated contractual fees of approximately \$7.6 million, of which ten percent will be deducted from the commission's net distribution.

PROVINCE OF PRINCE EDWARD ISLAND
Schedules to the Consolidated Financial Statements

for the year ended March 31, 2016

	<u>2016</u> <u>(\$000)</u>	<u>2015</u> <u>(\$000)</u>
1 Cash and Short-Term Investments		
Cash (Bank Advances)		
Operating Fund	(3,869)	(8,210)
English Language School Board	5,586	6,857
Finance PEI	2,667	2,810
French Language School Board	1,009	2,480
Health PEI	(583)	13,209
Innovation PEI	(1,682)	(67)
P.E.I. Agriculture Insurance Corporation	4,716	1,188
P.E.I. Grain Elevators Corporation	(1,384)	(951)
Other Consolidated Agencies, Boards and Crown Corporations	3,224	2,723
Short-Term Investments		
P.E.I. Agricultural Insurance Corporation	32,407	27,535
P.E.I. Regulatory and Appeals Commission	1,141	1,768
Other Consolidated Agencies, Boards and Crown Corporations	246	343
	<u>43,478</u>	<u>49,685</u>
2 Accounts and Taxes Receivable		
Taxes	71,880	70,403
Government of Canada	50,654	49,424
Due from P.E.I. Liquor Control Commission	12,950	12,279
Health PEI Fees and Revenues	10,801	6,200
Other	18,473	17,770
	<u>164,758</u>	<u>156,076</u>
Provision for Doubtful Accounts (Schedule 19)	(5,228)	(4,143)
	<u>159,530</u>	<u>151,933</u>
3 Investments		
Finance PEI	992	2,169
Provision for Losses (Schedule 19)	(842)	(922)
	<u>150</u>	<u>1,247</u>

4 Investment in Government Business Enterprises

a) Description of the Province's Crown Corporations 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 typically made in new or expanding companies. The Corporation 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 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.

P.E.I. 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.

P.E.I. 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.

P.E.I. 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.

4 Investment in Government Business Enterprises continued

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 2016 (\$000)	Total 2015 (\$000)
Cash and Marketable Securities	2,230	255,140	7,266	78,366	3,307	-	346,309	262,523
Accounts Receivable	709	3,067	3,489	2,857	666	179	10,967	8,781
Inventory	-	116	-	-	7,864	-	7,980	7,459
Loans Receivable	-	145,885	-	12,627	-	-	158,512	161,802
Tangible Capital Assets	57,072	9,669	21,124	96,528	6,323	-	190,716	173,557
Other Assets	4,660	4,275	259	96,263	160	-	105,617	109,858
Total Assets	64,671	418,152	32,138	286,641	18,320	179	820,101	723,980
Accounts Payable	945	4,256	4,269	1,761	2,607	179	14,017	9,925
Long-Term Debt	17,249	141,313	23,483	244,066	2,606	-	428,717	406,730
Other Liabilities	41,107	176,146	2,581	1,448	13,107	5,607	239,996	197,689
Total Liabilities	59,301	321,715	30,333	247,275	18,320	5,786	682,730	614,344
Equity	5,370	96,437	1,805	39,366	-	(5,607)	137,371	109,636
Total Liabilities and Equity	64,671	418,152	32,138	286,641	18,320	179	820,101	723,980
Percentage of Ownership	83%	100%	100%	100%	100%	100%		
Province of P.E.I.'s Equity	4,457	96,437	1,805	39,366	-	(5,607)	136,458	108,782
Revenues	5,756	20,195	20,414	21,659	75,630	16,036	159,690	148,163
Expenses	5,412	7,002	19,973	12,276	54,985	3,558	103,206	109,882
Net Income	344	13,193	441	9,383	20,645	12,478	56,484	38,281
Minority Interest in Net Income	(58)	-	-	-	-	-	(58)	131
Revenues From GBEs	286	13,193	441	9,383	20,645	12,478	56,426	38,412
Revenue Transfers to Province	-	-	-	-	(20,645)	(8,104)	(28,749)	(29,532)
Province's Increase in Equity	286	13,193	441	9,383	-	4,374	27,677	8,880

Audited financial statements of Government Business Enterprises are provided in Volume III of the Public Accounts of the Province of Prince Edward Island.

4 Investment in Government Business Enterprises continued

c) Acquisition of Slemmon Park Corporation

On March 31, 2016, Island Investment Development Inc. acquired all of the shares of Slemmon Park Corporation for cash consideration of \$2.4 million. The purchase was financed through a 2.03% debenture due March 31, 2021 to the Province of Prince Edward Island. As the acquisition date was at the end of the day on March 31, 2016, Slemmon Park Corporation has not contributed to the consolidated results of the Island Investment Development Inc. for the year ended March 31, 2016. Had the acquisition occurred on April 1, 2015, Island Investment Development Inc.'s consolidated gross revenue's for the year ended March 31, 2016 would have been \$25.6 million and the consolidated net earnings for the year would have been \$11.3 million.

d) 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 2016 (\$000)	Total 2015 (\$000)
Province of P.E.I.:								
Accounts Receivable from	-	1,742	2,435	489	13,172	-	17,838	13,123
Loans Receivable from	1,207	7,455	3,782	42,829	1,267	-	56,540	62,808
Accounts Payable to	84	560	1	75	76	179	975	2,948
Transfer from:								
Revenues	-	-	-	-	20,645	8,104	28,749	29,559
Interest	91	169	11	892	55	-	1,218	1,878
Transfer to:								
Operating Grant	-	-	-	115	-	-	115	115

e) Long-Term Debt of Government Business Enterprises to be Repaid in Each of the Next Five Years and Thereafter

	Internal (\$000)	External (\$000)	Total (\$000)
2016-2017	4,678	49,920	54,598
2017-2018	4,600	37,086	41,686
2018-2019	4,477	56,588	61,065
2019-2020	3,296	23,438	26,734
2020-2021	3,092	13,603	16,695
Thereafter	36,434	190,317	226,751

5 Sinking Fund

	<u>2016</u> <u>(\$000)</u>	<u>2015</u> <u>(\$000)</u>
FINANCIAL ACTIVITIES		
Sinking Fund Earnings:		
Investment Earnings	9,009	9,068
Bank Charges	(13)	(11)
Net Sinking Fund Earnings	<u>8,996</u>	<u>9,057</u>
Instalments from the Operating Fund	11,100	12,226
Other payments from (to) the Operating Fund	(46)	-
Debentures Redeemed	(41,608)	-
Change in Sinking Fund	<u>(21,558)</u>	<u>21,283</u>
Sinking Fund, beginning of year	<u>229,383</u>	<u>208,100</u>
Sinking Fund, end of year	<u><u>207,825</u></u>	<u><u>229,383</u></u>
FINANCIAL POSITION		
Assets		
Cash	4	385
Accrued Interest	1,498	1,911
	<u>1,502</u>	<u>2,296</u>
Investments, at cost ¹	<u>206,326</u>	<u>227,090</u>
Total Assets	<u><u>207,828</u></u>	<u><u>229,386</u></u>
Liabilities		
Accounts Payable	3	3
Sinking Fund Reserve	<u>207,825</u>	<u>229,383</u>
Total Liabilities and Fund Reserve	<u><u>207,828</u></u>	<u><u>229,386</u></u>

¹ Market value of investments \$243.2 million (2015 - \$273.1 million)

	<u>2016</u> <u>(\$000)</u>	<u>2015</u> <u>(\$000)</u>
6 Loans Receivable		
Operating Fund		
Charlottetown Area Development Corporation loan due in 2019, with monthly payments of \$31,610, bearing interest at 6.64%.	1,206	1,495
Communities 13 Inc. loan due in 2021, bearing an interest rate of 7.25%.	17	44
Community Development loans due in varying annual amounts to the year 2033, bearing interest rates ranging from 4.24% - 6.00%.	1,220	1,308
P.E.I. Energy Corporation loans due in varying annual amounts to the year 2035, bearing interest rates ranging up to 3.86%.	42,829	54,210
Island Investment Development Inc. loans due in 2022, bearing interest rates ranging from 2.03% to 3.11%.	7,455	5,758
Island Waste Management Corporation loan due 2019, bearing interest at 1.35%.	3,782	-
P.E.I. Liquor Control Commission loans due in varying annual amounts to the year 2024, bearing interest rates ranging from 1.81% to 5.28%.	1,267	1,347
	<u>57,776</u>	<u>64,162</u>
Mortgages and Loans Issued by Agencies and Crown Corporations		
Finance PEI loans repayable over various terms to a maximum of 10 years with interest rates ranging from 2.70% to 8.50%.	203,523	208,463
P.E.I. Housing Corporation loan due in 2018, bearing interest at 3.00%.	5	7
P.E.I. Student Financial Assistance Corporation loans due with various terms of repayment extending up to 12.5 years; Non-interest bearing. Loans issued prior to Jan 1, 2001 had variable interest rates of prime plus 2.0% or fixed interest rates of prime plus 4.0%.	36,800	35,507
	<u>240,328</u>	<u>243,977</u>
Other		
Employee Transition Advances - Non-interest bearing.	3,270	3,636
Employee Computer Purchase Loans - 3 year term, interest 2.8%.	1	1
Employee Health Club Loans - 1 year term, interest rates ranging from 1.00% to 1.27%.	36	45
	<u>3,307</u>	<u>3,682</u>
Total Loans Receivable before Provisions	<u>301,411</u>	<u>311,821</u>
Provision for Doubtful Accounts (Schedule 19)	(50,306)	(47,992)
	<u><u>251,105</u></u>	<u><u>263,829</u></u>

	<u>2016</u> <u>(\$000)</u>	<u>2015</u> <u>(\$000)</u>
7 Pension, Retirement and Other Obligations		
Civil Service Superannuation Fund	336,160	347,608
Teachers' Superannuation Fund	173,813	186,408
Pension Plan for Members of the Legislative Assembly	26	64
Other Pension Plans	(44,185)	(39,575)
Retirement and Death Benefits	(122,026)	(109,866)
Sick Leave	(62,032)	(57,060)
Workers' Compensation	(824)	(843)
	<u>280,932</u>	<u>326,736</u>
8 Deferred Revenue and Credits		
Motor Vehicle Registry	8,263	7,567
Finance PEI	1,267	1,303
Health PEI	1,635	1,180
P.E.I. Agricultural Insurance Corporation	141	222
Other Consolidated Agencies, Boards and Crown Corporations	14	122
Other Operating Fund	1,101	692
	<u>12,421</u>	<u>11,086</u>
9 Accounts Payable and Accrued Liabilities		
Goods and Services	124,541	135,640
Government of Canada	37,620	62,757
Interest	29,646	31,861
Wages and Benefits	64,121	61,351
Reserve for Unsettled Claims - P.E.I Self-Insurance Risk Management	7,283	5,962
Payments Due - LMDA Program and Social Services	1,894	1,908
Other	12,700	11,457
	<u>277,805</u>	<u>310,936</u>
10 Short-Term Loans Payable		
Operating Fund		
Treasury Notes, 0.51% - 0.64%, maturing April 18, 2016 to June 8, 2016	225,000	225,000
Discount on Treasury Notes	(144)	(208)
	<u>224,856</u>	<u>224,792</u>
Finance PEI		
Demand Note Payable to Island Investment Development Inc. Interest is charged monthly at a rate equal to the Department of Finance's short-term lending rate.	6,999	6,999
	<u>231,855</u>	<u>231,791</u>

	<u>2016</u> <u>(\$000)</u>	<u>2015</u> <u>(\$000)</u>
11 Obligation Under Capital Leases		
Leasehold Improvement obligations payable monthly until the year 2019, bearing interest at 6.64%	1,207	1,495
	<u>1,207</u>	<u>1,495</u>

Interest expense related to capital lease obligations for the year was \$91 thousand (2015 - \$112 thousand).

Future minimum lease payments under the capital lease obligations are:

2015-2016	-	379
2016-2017	379	379
2017-2018	379	379
2018-2019	379	379
2019-2020	222	222
Total minimum lease payments	<u>1,359</u>	<u>1,738</u>
Less: Imputed interest	<u>(152)</u>	<u>(243)</u>
Net Obligation	<u>1,207</u>	<u>1,495</u>

12 Loans Payable
Operating Fund

Government of Canada, non-interest bearing, maturing March 31, 2022, payable in monthly instalments of \$9,076.	653	4,561
Adjustment for interest charge concession.	<u>(83)</u>	<u>(203)</u>
	570	4,358
Teachers' Superannuation Fund, 2.90%, maturing April 1, 2022 with interest payable semi-annually and principal payments of \$8.0 million payable annually.	56,258	64,295
Teachers' Superannuation Fund, 4.14%, maturing January 1, 2029 with interest payable semi-annually and principal payments of \$23.5 million payable annually beginning in 2023.	164,640	164,640
Civil Service Superannuation Fund, 4.41%, maturing October 15, 2015, with interest payable semi-annually and principal payments of \$5.2 million payable annually.	-	5,200
Civil Service Superannuation Fund, 2.90%, maturing April 1, 2022 with interest payable semi-annually and principal payments of \$15.1 million payable annually.	105,533	120,609
Civil Service Superannuation Fund, 4.14%, maturing January 1, 2029 with interest payable semi-annually and principal payments of \$33.1 million payable annually beginning in 2023.	231,530	231,530

	<u>2016</u> <u>(\$000)</u>	<u>2015</u> <u>(\$000)</u>
12 Loans Payable continued		
Consolidated Agencies, Boards and Crown Corporations		
Finance PEI		
Bank of Nova Scotia, 6.62%, maturing in August 2017, payable in monthly instalments of \$40,333 plus interest.	5,526	6,010
Island Investment Development Inc., 4.00% note payable. Repayment terms are to be determined at a future date.	1,430	1,430
Island Investment Development Inc., 4.00% note payable. Repayment terms are to be determined at a future date.	557	557
Island Investment Development Inc., 4.00% note payable, due April 2018, repayable at \$8,165 monthly including principal and interest.	1,194	1,244
Manulife Financial, 6.01% note payable, due December 2024, repayable at \$88,025 monthly including principal and interest.	7,195	7,805
Manulife Financial, 5.54% note payable, due December 2024, repayable at \$7,969 monthly including principal and interest.	664	721
The Manulife Financial notes payable are secured by a general security agreement covering certain property holdings.		
P.E.I. Grain Elevators Corporation		
Demand loan payable to Scotiabank, bearing interest at Banker's Acceptance fee of 1.00%, subject to minimum fee of \$500 per avallment, repayable in monthly principal amounts of \$18,500 plus interest, due April 2016, amortized over 12 years.	2,590	2,812
P.E.I. Housing Corporation		
Canada Mortgage and Housing Corporation:		
- Mortgages Payable	11,047	12,639
- Debentures Payable	2,278	2,460
Interest rates range: 1.12% - 7.88%		
Maturity dates range: 2018 - 2029		
Loans and debentures are secured by properties.		
Summerside Regional Development Corporation Ltd.		
P.E.I. Century 2000 Fund Inc., 4.00% note payable, no set terms of repayment, see note below.	2,292	2,292
P.E.I. Century 2000 Fund Inc., 4.00% note payable, no set terms of repayment, see note below.	1,699	1,699
P.E.I. Century 2000 Fund Inc., 4.00% note payable, due February 2016, see note below.	484	484
P.E.I. Century 2000 Fund Inc., 4.00% note payable, amortized to 2024, repayable in monthly payments of principal and interest of \$3,937.	252	276

	<u>2016</u> <u>(\$000)</u>	<u>2015</u> <u>(\$000)</u>
12 Loans Payable continued		
P.E.I. Century 2000 Fund Inc., 4.00% note payable, due December 2016, amortized to 2025, repayable in monthly payments of principal and interest of \$11,489.	730	803
P.E.I. Century 2000 Fund Inc., 4.00% note payable, due May 2019, amortized to 2024, repayable in monthly payments of principal and interest of \$4,658. As security the company has provided an assignment of rental income from a tenant.	298	327
P.E.I. Century 2000 Fund Inc., 4.00% note payable, due May 2016, amortized to 2032, repayable in monthly payments of principal and interest of \$8,542. As security the company has provided a promissory note and a first collateral mortgage on the TFL property.	992	992
Atlantic Canada Opportunities Agency, 0.00% terms of repayment to be finalized upon completion of Test Cell Project.	967	-
As security for the notes payable, Summerside Regional Development Corporation Ltd. has provided a promissory note and a first collateral mortgage on the Holman Centre. Subsequent to year-end, the company consolidated the first six loans listed above into one loan. The new loan will bear interest at 4.64%, matures in June 2021, is amortized to June 2046, and will be repayable in monthly payments of principal and interest of \$39,528.		
	<u>598,726</u>	<u>633,183</u>

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

	<u>2016</u> <u>(\$000)</u>
2016-2017	30,504
2017-2018	33,125
2018-2019	30,501
2019-2020	24,807
2020-2021	24,599
Thereafter	455,190
	<u>598,726</u>

13 Debentures and Sinking Fund

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Debt (\$000)	Sinking Fund (\$000)	Net Debt 2016 (\$000)	Net Debt 2015 (\$000)
Public Issues:							
27-Oct-95	27-Oct-15	8.500%	20	-	-	-	34,191
15-Sep-09	24-Sep-19	4.250%	10	100,000	-	100,000	100,000
25-Aug-10	2-Sep-20	3.700%	10	100,000	-	100,000	100,000
15-Dec-93	15-Dec-23	8.500%	30	60,000	41,887	18,113	20,693
20-Aug-02	29-Jul-27	6.100%	25	100,000	23,443	76,557	78,745
21-Feb-00	21-Feb-30	6.800%	30	80,000	29,908	50,092	52,465
29-Jan-02	29-Jan-32	6.250%	30	100,000	30,470	69,530	72,219
12-Jun-03	21-Feb-34	5.600%	30	100,000	22,666	77,334	79,461
16-Sep-04	15-Jun-35	5.700%	30	100,000	18,597	81,403	83,400
28-Jan-05	19-May-36	5.300%	31	100,000	16,406	83,594	85,505
12-Sep-05	19-Nov-37	4.650%	32	100,000	15,962	84,038	85,905
17-Mar-10	19-Nov-37	4.650%	27	100,000	8,532	91,468	93,033
16-Mar-11	19-May-41	4.600%	30	100,000	-	100,000	100,000
26-Jul-11	19-May-41	4.600%	30	100,000	-	100,000	100,000
19-Jun-12	27-Jun-42	3.650%	30	200,000	-	200,000	200,000
10-Jan-13	17-Jan-53	3.600%	40	125,000	-	125,000	125,000
6-Aug-13	17-Jan-53	3.600%	40	75,000	-	75,000	75,000
11-Mar-14	17-Jan-53	3.600%	39	125,000	-	125,000	125,000
17-Jul-14	17-Jul-54	3.850%	40	125,000	-	125,000	125,000
17-Aug-15	25-Aug-25	2.350%	10	125,000	-	125,000	-
				<u>2,015,000</u>	<u>207,871</u>	<u>1,807,129</u>	<u>1,735,617</u>
Canada Pension Plan Issues:							
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	9,603
2011-12	2041-2042	4.522%	30	9,794	-	9,794	9,794
2012-13	2042-2043	3.624%	30	6,971	-	6,971	6,971
				<u>140,339</u>	<u>-</u>	<u>140,339</u>	<u>140,339</u>
				2,155,339	207,871	1,947,468	1,875,956
Debenture Discount				(27,846)	-	(27,846)	(28,075)
Unfunded Portion of Sinking Fund				-	(46)	46	-
Total Debentures and Sinking Fund				<u>2,127,493</u>	<u>207,825</u>	<u>1,919,668</u>	<u>1,847,881</u>

13 Debentures and Sinking Fund continued

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

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

Interest rates are calculated on a weighted average basis.

The unfunded portion of the Sinking Fund represents cash loaned to the Province's Operating Fund.

Projected Payments

Projected payments for the next five years and thereafter are:

	Total Repayments (\$000)	Sinking Fund Requirements (\$000)	Net Principal Repayments (\$000)
2016-2017	-	-	-
2017-2018	-	-	-
2018-2019	376	-	376
2019-2020	107,332	-	107,332
2020-2021	109,136	-	109,136
Thereafter	1,938,495	207,871	1,730,624
	<u>2,155,339</u>	<u>207,871</u>	<u>1,947,468</u>

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)	Capital Leases / Leasehold Improvements (\$000)	Roads and Bridges (\$000)	Motor Vehicles (\$000)	Equipment (\$000)	Other (\$000)	Total 2016 (\$000)	Total 2015 (\$000)
Cost, beginning of year	94,165	786,880	9,889	1,064,661	64,626	302,420	91,387	2,414,028	2,335,253
Additions	2,172	17,033	-	38,349	5,875	24,028	2,150	89,607	82,415
Disposals / Writedowns	(727)	(2,705)	-	-	(2,055)	(943)	-	(6,430)	(3,737)
Adjustments	(138)	(40)	-	-	-	(36)	-	(214)	97
Cost, end of year	95,472	801,168	9,889	1,103,010	68,446	325,469	93,537	2,496,991	2,414,028
Accumulated Amortization, beginning of year	3,678	359,614	5,878	745,318	44,469	210,984	53,473	1,423,414	1,360,190
Amortization	89	18,670	570	25,775	2,404	19,127	2,983	69,618	66,807
Disposals / Writedowns	-	(1,940)	-	-	(1,993)	(944)	-	(4,877)	(3,673)
Adjustments	-	-	-	-	-	-	-	-	90
Accumulated Amortization, end of year	3,767	376,344	6,448	771,093	44,880	229,167	56,456	1,488,155	1,423,414
Net Book Value	91,705	424,824	3,441	331,917	23,566	96,302	37,081	1,008,836	990,614

- The net book value of capital assets unamortized and under construction or development is \$15.2 million (2015 - \$21.5 million).

	<u>2016</u> <u>(\$000)</u>	<u>2015</u> <u>(\$000)</u>
15 Inventories and Property Holdings		
Operating Fund		
Inventory - Dept. of Education, Early Learning and Culture	1,320	1,392
Inventory - Dept. of Health and Wellness	87	158
Inventory - Dept. of Transportation, Infrastructure and Energy	6,270	5,352
Property Holdings - Tax Sale Properties	614	537
Consolidated Agencies, Boards and Crown Corporations		
Inventory - Health PEI	3,825	3,511
Inventory - Other Consolidated Agencies, Boards and Crown Corporations	631	629
Property Holdings - Finance PEI	2,803	2,182
Property Holdings - P.E.I. Housing Corporation	206	235
	<u>15,756</u>	<u>13,996</u>
Provision for Losses on Property Holdings (Schedule 19)	<u>(2,460)</u>	<u>(2,470)</u>
	<u>13,296</u>	<u>11,526</u>
16 Prepaid Expenses and Other Deferred Charges		
Operating Fund	763	230
Finance PEI	109	117
Health PEI	2,797	585
Innovation PEI	65	28
P.E.I. Grain Elevators Corporation	436	417
Other Consolidated Agencies, Boards and Crown Corporations	95	106
	<u>4,265</u>	<u>1,483</u>
17 Trust Funds		
Operating Fund		
Civil Service Superannuation Fund	1,742,904	1,774,975
Pension Plan for MLAs	20,345	22,070
Public Trustee	9,000	9,000
Supreme Court	291	305
Teachers' Superannuation Fund	880,397	911,847
Other	2,451	2,574
Health PEI	808	751
English Language School Board	275	291
Innovation PEI	2,000	-
P.E.I. Museum and Heritage Foundation	1,080	1,086
	<u>2,659,551</u>	<u>2,722,899</u>

18 Guaranteed Debt

	2016 Outstanding (\$000)	2015 Outstanding (\$000)
¹ Debentures / Capital Loans	152,231	202,823
² Agencies and Crown Corporations	1,037	1,201
Total Guaranteed Debt	153,268	204,024

	Maturity Date	Authorized Limit (\$000)	2016 Outstanding (\$000)	2015 Outstanding (\$000)
¹ Debentures / Capital Loans				
Fathers of Confed. Building	September 30, 2020	1,000	495	594
Island Investment Dev. Inc.	Apr 2016 to Apr 2021	129,280	129,280	177,782
Island Waste Manage. Corp.	December 31, 2027	30,130	19,701	20,795
L.M. Montgomery Land Trust	December 31, 2017	1,570	1,570	1,570
P.E.I. Energy Corporation	March 6, 2017	9,360	480	1,395
P.E.I. Energy Savings Bonds	December 31, 2016	20,000	1	1
P.E.I. Firefighters Association	March 31, 2027	140	113	121
Pownal Sports Centre	June 30, 2024	700	591	565
		192,180	152,231	202,823

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.

² Agencies and Crown Corporations	2016 (\$000)	2015 (\$000)
Innovation PEI	25	-
Finance PEI	1,012	1,201
	1,037	1,201

19 Continuity of Provision for Doubtful Accounts and Losses

	Provision 2015 (\$000)	Written Off During Year (\$000)	Increase (Decrease) (\$000)	Provision 2016 (\$000)
Accounts and Taxes Receivable:				
Operating Fund				
Provincial Sales Tax	447	-	(57)	390
Real Property Tax	260	-	200	460
Transportation, Infrastructure and Energy	915	-	17	932
Other Departments	286	-	33	319
Finance PEI	431	-	27	458
Health PEI	1,473	-	840	2,313
Innovation PEI	50	-	55	105
P.E.I. Grain Elevators Corporation	31	-	77	108
P.E.I. Housing Corporation	15	-	(4)	11
Tourism PEI	235	-	(103)	132
	<u>4,143</u>	<u>-</u>	<u>1,085</u>	<u>5,228</u> ¹
Investments:				
Finance PEI	<u>922</u>	<u>-</u>	<u>(80)</u>	<u>842</u>
	<u>922</u>	<u>-</u>	<u>(80)</u>	<u>842</u> ²
Loans Receivable:				
Finance PEI	35,209	-	1,670	36,879
P.E.I. Student Financial Assistance Corp.	<u>12,783</u>	<u>-</u>	<u>644</u>	<u>13,427</u>
	<u>47,992</u>	<u>-</u>	<u>2,314</u>	<u>50,306</u> ³
Property Holdings:				
Operating Fund	506	-	(10)	496
Finance PEI	<u>1,964</u>	<u>-</u>	<u>-</u>	<u>1,964</u>
	<u>2,470</u>	<u>-</u>	<u>(10)</u>	<u>2,460</u> ⁴
Totals	<u>55,527</u>	<u>-</u>	<u>3,309</u>	<u>58,836</u>

¹ The Provisions for Doubtful Accounts for Accounts and Taxes 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 Property Holdings are deducted on Schedule 15.

20 Schedule of Debentures Issued and Matured

ISSUED

<u>Date Of Issue</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Amount of Issue (\$000)</u>	<u>Price Received</u>
Provincial Debentures				
17-Aug-15	2.35%	25-Aug-25	<u>125,000</u>	99.24
Total Debentures Issued			<u>125,000</u>	

MATURED

<u>Date Of Issue</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Amount of Issue (\$000)</u>	<u>Amount Matured (\$000)</u>	<u>Redeemed By Operating Fund (\$000)</u>	<u>Redeemed By Sinking Fund (\$000)</u>
Provincial Debentures						
27-Oct-95	8.50%	27-Oct-15	75,000	<u>75,000</u>	<u>33,392</u>	<u>41,608</u>
Total Debentures Matured				<u>75,000</u>	<u>33,392</u>	<u>41,608</u>

	2016 Budget	2016 Actual	2015 Actual
	(\$000)	(\$000)	(\$000)
<u>Revenues</u>			
21 Taxes			
Personal Income Tax	345,114	348,534	329,814
Sales Tax	254,671	244,934	249,114
Real Property Tax	111,500	111,806	109,485
Corporate Income Tax	52,078	73,184	52,458
Gasoline Tax	36,500	36,032	35,398
Health Tax on Tobacco	32,000	32,926	30,259
Health Tax on Liquor	18,419	18,724	17,978
Insurance Premium Tax	11,600	11,746	11,323
Corporation Capital Tax	5,600	4,637	5,754
Real Property Transfer Tax	4,600	4,777	4,313
Other	1,525	1,736	1,516
	<u>873,607</u>	<u>889,036</u>	<u>847,412</u>
22 Licenses and Permits			
Motor Vehicle Registry	19,613	18,761	18,905
Securities Act	5,175	5,794	5,173
Security Brokers and Salesmen Licenses	2,070	2,114	2,068
Registry Act	1,000	1,042	997
P.E.I. Regulatory and Appeals Commission	582	610	1,129
Other	3,518	3,736	3,283
	<u>31,958</u>	<u>32,057</u>	<u>31,555</u>
23 Fees and Services			
Patient Fees	21,402	20,054	19,800
P.E.I. Agricultural Insurance Corp.- Insurance Premiums	8,825	8,180	9,232
Beverage Containers and Recycled Materials	7,150	7,153	7,116
Third Party Insurance	3,700	3,902	3,710
Land Title and Registry Fees	2,340	2,541	2,299
9-1-1 Cost Recovery Fees	1,300	1,339	1,337
Automated Property Registration	1,050	1,095	1,054
Fines and Penalties	1,395	1,071	1,039
P.E.I. Grain Elevators Corporation	1,032	912	893
Tourism PEI	920	789	904
R.C.M.P. Recoveries	794	737	698
Other	11,787	14,600	12,702
	<u>61,695</u>	<u>62,373</u>	<u>60,784</u>
24 Sales			
P.E.I. Grain Elevators Corporation	22,074	21,446	27,125
Tourism PEI - Golf and Park Operations	5,374	5,673	5,512
Health PEI	2,039	1,756	1,728
Other	881	759	856
	<u>30,368</u>	<u>29,634</u>	<u>35,221</u>

	2016 Budget (\$000)	2016 Actual (\$000)	2015 Actual (\$000)
25 Investment Income			
Operating Fund	2,165	2,304	2,900
Finance PEI	10,156	9,523	9,459
Other Consolidated Agencies, Boards and Crown Corporations	701	849	528
	<u>13,022</u>	<u>12,676</u>	<u>12,887</u>
26 Other Income			
Operating Fund	1,662	1,380	2,307
Property Operations			
P.E.I. Housing Corporation	5,920	5,649	5,605
Finance PEI	3,925	3,524	4,069
Summerside Regional Development Corporation	600	516	477
Health PEI - Foundation Capital Funding	3,429	3,927	3,390
Health PEI - Other	1,180	4,121	1,762
Innovation PEI	1,909	1,637	1,311
School Boards	1,574	1,154	1,561
Other Consolidated Agencies, Boards and Crown Corporations	609	696	2,314
	<u>20,808</u>	<u>22,604</u>	<u>22,796</u>
27 Government of Canada			
Equalization	360,999	360,999	359,821
Canada Health Transfer	139,960	139,497	132,192
Canada Social Transfer	53,305	52,975	51,813
Transitional Funding - Securities Regulation	-	-	35,000
Labour Market Agreements	30,017	30,001	30,354
Infrastructure Programs			
New Deals for Cities and Communities	10,500	11,059	9,627
Build Canada and New Building Canada Funds	13,250	8,199	4,128
Capital Funding	4,500	3,500	6,250
Crop Insurance	12,718	12,287	12,027
Agriculture Support Programs	4,787	4,880	3,809
Housing Programs	4,432	4,753	4,565
Official Languages in Education	3,292	3,439	3,192
Youth Justice Services	1,615	1,615	1,615
Rehabilitation Programs	1,376	1,376	1,376
Promotion of Official Languages	982	1,237	1,563
Capital Funding - Schools	-	700	-
Statutory Subsidy	684	684	685
Children-In-Care Special Allowance	465	528	485
P.E.I. 2014 Inc.	130	124	4,000
Other	6,653	7,052	5,825
	<u>649,665</u>	<u>644,905</u>	<u>668,327</u>

	2016 Budget (\$000)	2016 Actual (\$000)	2015 Actual (\$000)
<u>Expenses</u>			
28 Agriculture and Fisheries			
Department of Agriculture and Fisheries	20,333	19,828	20,633
P.E.I. Agricultural Insurance Corporation	33,332	26,568	22,145
P.E.I. Grain Elevators Corporation	23,116	22,607	27,440
P.E.I. Aquaculture and Fisheries Research Initiative	9	88	106
	<u>76,790</u>	<u>69,091</u>	<u>70,324</u>
29 Economic Development and Tourism			
Department of Economic Development and Tourism	2,874	2,645	4,637
Innovation PEI	28,242	34,626	25,569
Finance PEI	8,837	7,359	5,736
P.E.I. 2014 Inc.	130	356	15,121
Summerside Regional Development Corporation	1,255	823	851
Tourism PEI	20,958	20,731	21,321
	<u>62,296</u>	<u>66,540</u>	<u>73,235</u>
30 Education, Early Learning and Culture			
Department of Education, Early Learning and Culture	31,258	28,107	33,756
English Language School Board	196,617	195,194	195,295
French Language School Board	14,209	15,105	13,461
P.E.I. Museum and Heritage Foundation	1,455	1,527	1,787
P.E.I. Regulatory and Appeals Commission	2,462	2,857	2,382
	<u>246,001</u>	<u>242,790</u>	<u>246,681</u>
31 Family and Human Services			
Department of Family and Human Services	82,398	84,945	83,719
P.E.I. Housing Corporation	11,386	11,318	10,886
	<u>93,784</u>	<u>96,263</u>	<u>94,605</u>
32 Finance			
Department of Finance	70,053	67,752	69,678
Employee Benefits	49,773	56,987	49,389
Interest on Underfunded Employee Future Benefits	5,860	4,829	5,853
P.E.I. Self Insurance and Risk Management Fund	4,680	4,354	3,920
General Government	4,563	3,761	4,422
Council of Atlantic Premiers	188	188	188
	<u>135,117</u>	<u>137,871</u>	<u>133,450</u>

	2016 Budget (\$000)	2016 Actual (\$000)	2015 Actual (\$000)
33 Health and Wellness			
Department of Health and Wellness	12,541	12,260	11,714
Health PEI	610,011	623,545	599,053
	622,552	635,805	610,767
34 Justice and Public Safety			
Department of Justice and Public Safety	49,047	49,470	48,410
P.E.I. Human Rights Commission	420	467	426
	49,467	49,937	48,836
35 Transportation, Infrastructure and Energy			
Department of Transportation, Infrastructure and Energy	108,335	104,413	110,574
Interministerial Women's Secretariat	439	433	438
	108,774	104,846	111,012
36 Workforce and Advanced Learning			
Department of Workforce and Advanced Learning	113,009	114,160	105,723
Employment Development Agency	5,232	5,006	5,378
P.E.I. Student Financial Assistance Corporation	7,147	6,866	7,339
	125,388	126,032	118,440
37 Expenses by Object			
Administration		27,490	28,317
Amortization of Tangible Capital Assets		69,618	66,762
Debt - Interest Charges		129,766	130,495
Debt - Interest on Unfunded Employees Future Benefits		7,017	8,605
Debt - Provisions and Other		5,255	3,080
Materials, Supplies and Services		185,732	200,783
Professional Services		172,633	170,710
Salaries and Benefits		770,590	745,812
Travel and Training		10,294	11,483
Transfer Payments		393,407	380,678
		1,771,802	1,746,725

38 Reconciliation of Consolidated Deficit

	2016 Surplus (Deficit) (\$000)	Consolidation Adjustments (\$000)		2016 Consolidated Surplus (Deficit) (\$000)
Operating Fund	(48,934)	44	¹	(48,890)
Consolidated Agencies, Boards and Crown Corporations				
English Language School Board	(12)	1,137	²	1,125
Finance PEI	581	224	³	805
French Language School Board	18	(723)	⁴	(705)
Health PEI	(19,831)	(4,729)	⁵	(24,560)
Innovation PEI	-	-		-
P.E.I. 2014 Inc.	(250)	-		(250)
P.E.I. Agricultural Insurance Corporation	4,460	-		4,460
P.E.I. Aquaculture and Fisheries Research Initiative Inc.	(159)	-		(159)
P.E.I. Crown Building Corporation	-	-		-
P.E.I. Grain Elevators Corporation	(269)	-		(269)
P.E.I. Housing Corporation	(65)	(775)	⁵	(840)
P.E.I. Human Rights Commission	(28)	-		(28)
P.E.I. Museum and Heritage Foundation	(35)	-		(35)
P.E.I. Regulatory and Appeals Commission	(535)	-		(535)
P.E.I. Self Insurance and Risk Management Fund	526	-		526
P.E.I. Student Financial Services	16	-		16
Summerside Regional Development Corporation	(182)	-		(182)
Tourism PEI	-	-		-
Total Consolidated Agencies and Crown Corps.	(15,765)	(4,866)		(20,631)
Government Business Enterprises (Schedule 4)	56,426	-		56,426
Consolidated Deficit				(13,095)

Consolidation Adjustments¹ **Operating Fund**

Adjustments for intercompany accounts

44² **English Language School Board**

Reversal of prior year adjustment to eliminate deferred revenue

(2,719)

Eliminate current year deferred revenue

4,104

Adjustments for intercompany accounts

(248)1,137

38 Reconciliation of Consolidated Deficit continued

³ **Finance PEI**

Eliminate provision for loss on intercompany loan	<u>224</u>
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⁴ **French Language School Board**

Reversal of prior year adjustment to eliminate deferred revenue	(734)
Eliminate current year deferred revenue	682
Adjustments for intercompany accounts	<u>(671)</u>
	<u>(723)</u>

⁵ **Adjustment for Capital Funding Provided By Operating Fund To**

Health PEI	<u>(4,729)</u>
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P.E.I. Housing Corporation	<u>(775)</u>
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39 Reconciliation of 2015-2016 Budget Estimates

	2015-2016 Budget per Estimates Book (\$000)	Adjustments (\$000)		2016 Budget (\$000)
REVENUES				
Taxes	873,607	-		873,607
Licenses and Permits	31,376	582	¹	31,958
Fees and Services	34,343	27,352	^{1/2/4}	61,695
Sales	-	30,368	^{1/3}	30,368
Investment Income	5,953	7,069	^{1/2}	13,022
Other Income	2,310	18,498	^{1/2/3/6}	20,808
Government of Canada	633,260	16,405	^{1/4/6}	649,665
Government Business Enterprises	-	51,339	⁵	51,339
Sinking Fund Earnings	8,915	-		8,915
Capital Revenue	8,015	(8,015)	⁶	-
Net Surplus of Crown Corporations	51,072	(51,072)	^{1/5}	-
Total Revenues	1,648,851	92,526		1,741,377
EXPENSES				
Agriculture and Fisheries	33,040	43,750	^{1/2/4}	76,790
Auditor General	2,057	-		2,057
Communities, Land and Environment	20,271	-		20,271
Economic Development and Tourism	43,952	18,344	^{1/4}	62,296
Education, Early Learning and Culture	243,947	2,054	^{1/4}	246,001
Executive Council	8,674	-		8,674
Family and Human Services	94,205	(421)	^{1/2/4}	93,784
Finance	132,451	2,666	^{1/2/4}	135,117
Health and Wellness	599,118	23,434	^{1/2/4}	622,552
Justice and Public Safety	49,444	23	^{1/2}	49,467
Legislative Assembly	6,423	-		6,423
Public Service Commission	7,320	-		7,320
Transportation, Infrastructure and Energy	109,420	(646)	²	108,774
Workforce and Advanced Learning	125,738	(350)	^{1/2}	125,388
Total Program Expenses	1,476,060	88,854		1,564,914
Interest Charges on Debt	127,016	3,672	^{1/2}	130,688
Amortization of Capital Assets	65,671	-		65,671
Total Expenses	1,668,747	92,526		1,761,273
Consolidated Deficit	19,896			19,896

¹ Restatement of revenues and expenses to include consolidated Agencies (per Agency budgets).

² Adjustment for inter-organizational transactions.

³ Re-allocate a portion of Operating Fund Other Revenue to Sales.

⁴ Adjustment for items included in Operating Fund budget and Agency budgets.

⁵ Presentation of estimated net surplus of the six Crown Corporations classified as Gov't Business Enterprises.

⁶ Transfer Capital Revenue (to Government of Canada - \$4,585 / to Other - \$3,430).

This schedule outlines the changes in the Province's 2015-2016 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.'s *Estimates of Revenue and Expenditures 2015-2016*.

40 Provincial Reporting Entity

The Provincial Reporting Entity is comprised of the Operating Fund (departments and public service units) and the following Agencies, Boards and Crown Corporations:

Government Organizations ¹

English Language School Board	P.E.I. Agricultural Insurance Corporation
French Language School Board	P.E.I. Aquaculture and Fisheries Research Initiative Inc.
Employment Development Agency	P.E.I. Crown Building Corporation
Finance PEI	P.E.I. Grain Elevators Corporation ²
Atlantic Technology Centre Inc.	P.E.I. Housing Corporation
100417 P.E.I. Inc.	P.E.I. Human Rights Commission
P.E.I. Biocommons Inc.	P.E.I. Museum and Heritage Foundation
Health PEI	P.E.I. Regulatory and Appeals Commission
Innovation PEI	P.E.I. Self-Insurance and Risk Management Fund
F.T.C. Enterprises Limited	P.E.I. Student Financial Assistance Corporation
P.E.I. 2014 Inc.	Summerside Regional Development Corporation Ltd. ³
P.E.I. Advisory Council on the Status of Women	Tourism P.E.I.

Government Business Enterprises ⁴

Charlottetown Area Development Corporation ⁵	P.E.I. Energy Corporation
Harbourside Management Services Inc.	P.E.I. Renewable Energy Corporation
Island Investment Development Inc.	P.E.I. Liquor Control Commission
Prince Edward Island Century 2000 Fund Inc.	P.E.I. Lotteries Commission
Slemon Park Corporation ⁶	
Island Waste Management Corporation	
Environmental Industrial Services Inc.	

¹ Government Organizations are included in the governmental unit using the consolidation method of accounting (see Note 1(b)).

² The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2015.

³ The Province owns 75% of Summerside Regional Development Corporation Ltd. The Corporation is included in the governmental unit on a proportionate consolidation basis.

⁴ Government Business Enterprises are included in the governmental unit using the modified equity method of accounting (see Note 1(b)).

⁵ The Province owns 83% of Charlottetown Area Development Corporation. The minority interest of 17% is deducted in calculating the Province's investment in the Corporation.

⁶ Island Investment Development Inc. acquired Slemon Park Corporation on March 31, 2016.