

Public Accounts

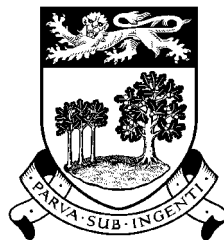
of the province of

Prince Edward Island

Volume I - Financial Statements

For the Year Ended March 31st

1999

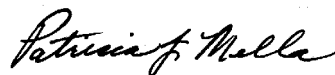


To His Honour
The Honourable Gilbert R. Clements
Lieutenant-Governor of the Province of
Prince Edward Island

May It Please Your Honour:

The undersigned has the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 1999.

Respectfully submitted,



Hon. Patricia J. Mella
Provincial Treasurer

Office of the Provincial Treasurer
Charlottetown, Prince Edward Island

To the Honourable Patricia J. Mella
Provincial Treasurer

Madame:

I have the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 1999.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "K. Scott Stevens". The signature is written in a cursive style with a prominent flourish at the end.

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

Office of the Comptroller
Charlottetown, Prince Edward Island

Government of the Province of Prince Edward Island
Statement of Responsibility

Responsibility for the integrity and objectivity of the financial statements rests with the Government. The financial statements are prepared by the Comptroller in accordance with the stated accounting policies of the Government. These summary financial statements include a statement of changes in financial position, accounting policies and notes and schedules integral to the statements. Together, they present fairly, in all material respects the Government's financial condition at the fiscal year end and results of operations for the year then ended. More detailed information regarding the Government's financial position and operating results can be found in other sections of either Volume I or II.

On behalf of the Government



Hon. Patricia J. Mella
Provincial Treasurer

November, 1999

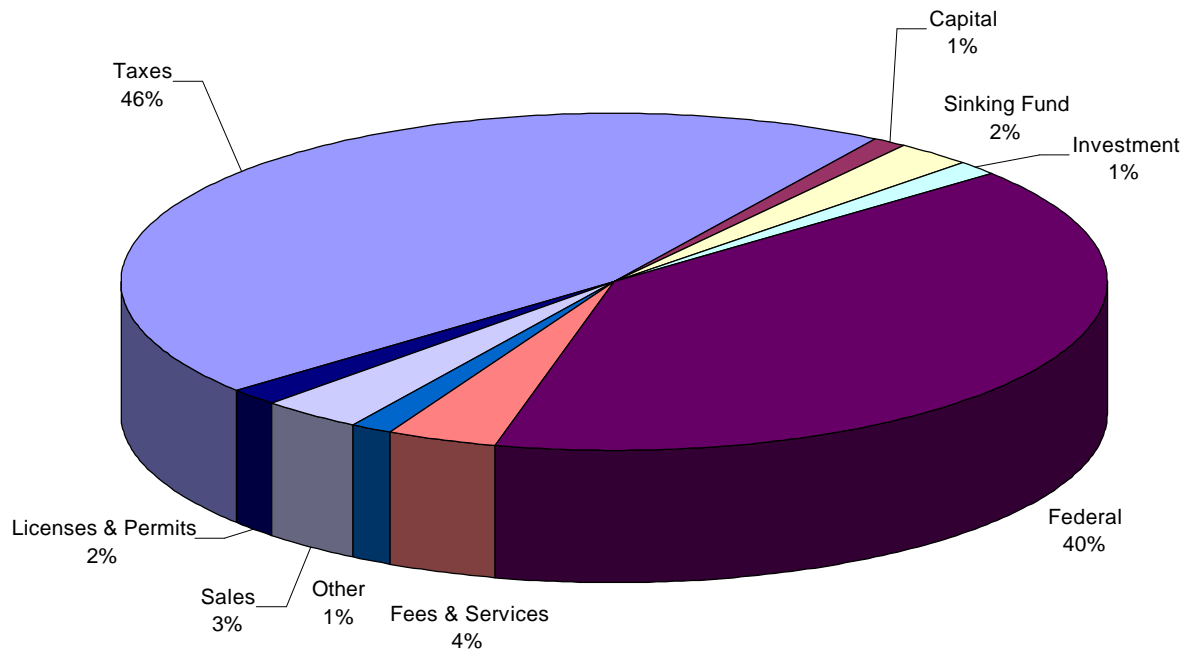
Province of Prince Edward Island
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For the Fiscal Year Ended March 31, 1999

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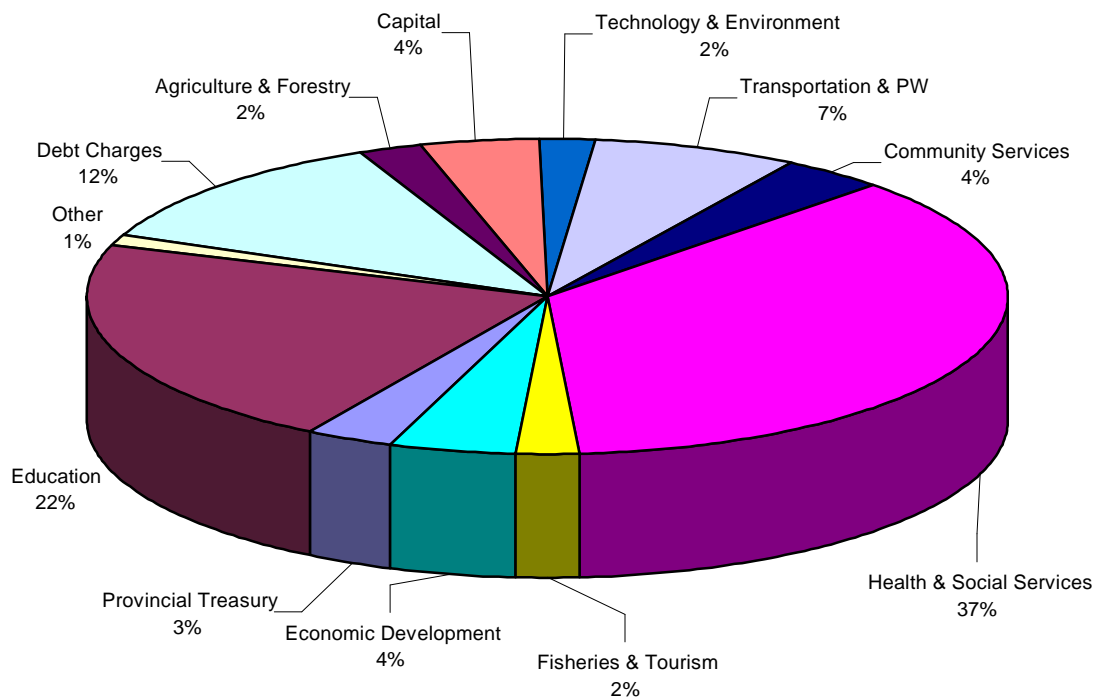
**Province of
Prince Edward Island**

**Consolidated
(Summary) Financial
Statements and Schedules**

Total Revenue Consolidated (Summary) Statements



Total Expenditures Consolidated (Summary) Statements



AUDITOR'S REPORT

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

I have audited the consolidated (summary) statement of financial position of the Province of Prince Edward Island as at March 31, 1999 and the statement of revenue and expenditure, changes in net debt and changes in financial position for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated (summary) financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 1998 and the results of its operations, the changes in net debt and the changes in its financial position for the year then ended in accordance with the basis of accounting disclosed in the notes to the financial statements.

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

J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
November 12, 1999

**Province of Prince Edward Island
Consolidated (Summary) Financial Statements
Statement of Financial Position
as at March 31, 1999**

Statement 1

Schedule	Assets	1999	1998
		\$	Restated
			\$
1	Cash and Short Term Deposits	38,503,782	13,078,195
2	Accounts and Taxes Receivable	93,322,401	97,407,712
3	Treasury Advances	518,694	305,468
4	Inventory and Property for Resale	9,997,235	11,243,227
5	Investments	11,676,903	3,609,824
6	Investment in Government Enterprises	14,122,121	13,858,372
7	Loans Receivable	93,409,836	75,068,128
8	Deferred Charges	6,415,398	8,070,263
		<u>267,966,370</u>	<u>222,641,189</u>
	Net Debt (Statement 4)	<u>993,775,247</u>	<u>1,021,874,164</u>
	Total	<u>1,261,741,617</u>	<u>1,244,515,353</u>
Liabilities			
9	Bank Advances	8,644,875	-
10	Deferred Revenue/Credits	68,690,416	123,097,390
11	Accounts Payable	133,374,790	119,539,558
12	Accrued Liabilities	118,903,905	115,536,464
13	Short Term Loans	123,097,671	93,287,078
14	Loans Payable	41,893,848	43,130,791
15	Pension Obligations		
	Gross Obligations	157,758,300	126,373,133
	Less: Committed Payments	<u>89,623,122</u>	<u>101,265,435</u>
17	Debentures		
	Gross Funded	918,758,110	928,511,913
	Less: Sinking Fund	<u>219,757,176</u>	<u>203,695,539</u>
	Total	<u>1,261,741,617</u>	<u>1,244,515,353</u>
18	Tangible Capital Assets		
16	Trust Fund Reserves		
19	Guaranteed Debt		

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

Province of Prince Edward Island **Statement 2**
Consolidated (Summary) Financial Statements
Statement of Revenue and Expenditure
for the year ended March 31, 1999

	1999	1998
	\$	Restated
	\$	\$
Schedule		
Revenue		
21 Provincial Sources	492,135,531	481,255,932
22 Federal Sources	350,008,815	291,547,523
Capital (Statement 3)	10,590,813	9,134,983
Sinking Fund Earnings (Statement 6-1)	<u>21,743,711</u>	<u>21,550,851</u>
Total Revenue	<u>874,478,869</u>	<u>803,489,289</u>
Expenditures		
23 Ordinary Expenditures	716,100,146	665,915,589
Capital Expenditures (Statement 3)	35,071,179	50,681,093
Interest Charges on Debt	<u>101,442,315</u>	<u>101,876,939</u>
Total Expenditures	<u>852,613,640</u>	<u>818,473,621</u>
Surplus (Deficit) Before Adjustments	21,865,229	(14,984,332)
Pension Adjustment	5,969,937	9,282,628
6 Gain (Loss) on Government Enterprises (Note 7)	<u>263,749</u>	<u>(585,991)</u>
Surplus (Deficit)	<u>28,098,915</u>	<u>(6,287,695)</u>

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

Province of Prince Edward Island		Statement 3	
Consolidated (Summary) Financial Statements			
Statement of Capital Revenue and Expenditure			
for the year ended March 31, 1999			
	1999	1998	
	\$	Restated	\$
Revenue			
Federal Sources	9,713,103	7,369,295	
Land Sales	252,874	337,018	
Other	624,836	1,428,670	
Total Capital Revenue	<u>10,590,813</u>	<u>9,134,983</u>	
Expenditures			
Highways			
Paving	21,394,044	19,209,268	
Reconstruction	5,094,461	11,279,515	
Bridges and Culverts	1,571,033	1,408,753	
Bridges and Roads Under Lease	2,208,303	14,373,260	
Administration	-	1,138,071	
Equipment and Lighting	645,002	631,546	
Total Highways	<u>30,912,843</u>	<u>48,040,413</u>	
Buildings			
Shaw Building - Renovations	127,830	216,912	
Coles Building - Renovations	201,359	24,011	
Province House - Renovations	106,600	-	
Jones Building - Renovations	209,144	163,496	
Bridgetown Highway Depot	1,111,574	25,405	
Borden - Scales Relocation	12,452	636,022	
Highway Material Testing Lab	618,506	-	
Montgomery Hall - Holland College	147,293	-	
Health Care Buildings	-	1,005,835	
Other	290,020	51,930	
Total Buildings	<u>2,824,778</u>	<u>2,123,611</u>	
Other Capital Assets			
East Prince Landfill Site	-	45,909	
Gas Analyzer	-	85,323	
Steam Sterilizer - Plant Health Lab	-	40,649	
Land Purchase	1,171,625	267,200	
Telecommunications Upgrade	-	57,988	
Access PEI	-	20,000	
P.A.B. Parking Lot	32,036	-	
Email Infrastructure	129,897	-	
Total Other Capital	<u>1,333,558</u>	<u>517,069</u>	
Total Capital Expenditure	<u>35,071,179</u>	<u>50,681,093</u>	
Net Capital Expenditure	<u>24,480,366</u>	<u>41,546,110</u>	

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

**Province of Prince Edward Island
Consolidated (Summary) Financial Statements
Statement of Changes in Net Debt
for the year ended March 31, 1999**

Statement 4

	1999	1998
	\$	Restated
		\$
Net Debt Beginning of Year	1,021,874,164	1,015,586,469
Increased by:		
Excess of Expenditures Over Revenue		
Operating Fund - Capital Revenue and Expenditures	24,480,366	41,546,110
Eastern School Board	-	559,021
Western School Board	28,501	-
Enterprise PEI	2,289,171	57,484
Human Resource Management Services Inc.	345,954	-
Innovative Solutions Agency (PEI) Inc	1,260,436	-
PEI Agricultural Research Investment Fund	272,714	166,132
PEI Aquacultural Research Investment Fund	40,335	16,280
PEI Crown Building Corporation	901	-
PEI Museum and Heritage Foundation	19,390	-
Loss on Government Enterprises (Schedule 6)	-	585,991
Decreased by:		
Excess of Revenue Over Expenditures		
Operating Fund - Ordinary Revenue and Expenditures	30,825,168	34,600,807
East Prince Health Authority	57,982	514,172
Queens Region Health Authority	8,852	159,111
Eastern School Board	289,943	-
French School Board	9,990	5,457
Western School Board	-	8,537
Human Resource Management Services Inc.	-	121,300
PEI Crown Building Corporation	-	8,520
PEI Housing Corporation	908,300	814,600
PEI Lending Agency	88,035	-
PEI Museum and Heritage Foundation	-	98,471
PEI Self Insurance and Risk Management Fund	299,357	312,348
PEI Special Projects Fund	23,500,000	-
Tourism PEI	585,309	-
Gain on Government Enterprises (Schedule 6)	263,749	-
Net Increase (Decrease) in Net Debt	(28,098,917)	6,287,695
Net Debt End of Year	993,775,247	1,021,874,164

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

Province of Prince Edward Island		Statement 5
Consolidated (Summary) Financial Statements		
Statement of Changes in Financial Position		
for the year ended March 31, 1999		
(thousands of dollars)		
	1999	1998
	\$	Restated
	\$	\$
Balance Beginning of Year	<u>13,078</u>	<u>23,281</u>
Operating Transactions		
Revenues	874,479	803,489
Expenditures	<u>852,613</u>	<u>818,474</u>
Net Operating Transactions	21,866	(14,985)
Adjustments:		
- Non-Cash items included in Net Expenditures (Note 2)	23,699	20,268
- Sinking Fund Revenues	(21,744)	(21,551)
- Cash items applicable to other periods (Note 3)	<u>3,152</u>	<u>9,075</u>
Derived (Used) from Operations	<u>26,973</u>	<u>(7,193)</u>
Financing Transactions		
Receipts:		
Short Term Loans	48,000	7,000
Debentures Issued	-	35,000
Net Loans Receivable	(18,342)	4,587
Payments:		
Investments	8,067	(569)
Provincial Deposit Receipts	17,828	37,390
Federal Loans	1,237	835
Debentures Redeemed	2,593	2,403
Sinking Fund Provision	<u>10,125</u>	<u>9,538</u>
Derived (Used) from Financing Transactions	<u>(10,192)</u>	<u>(3,010)</u>
Balance End of Year (Note 1)	<u><u>29,859</u></u>	<u><u>13,078</u></u>
NOTES:		
1 Cash and Temporary Investments		
Cash and Short term deposits	38,504	13,078
Bank Advances	<u>8,645</u>	-
	<u><u>29,859</u></u>	<u><u>13,078</u></u>
2 Non Cash Items Included in Net Expenditures		
Net (Increase) Decrease in Accounts Receivable	4,086	24,611
Net (Increase) Decrease in Amortization of Debenture Discount	530	791
Net Increase (Decrease) in Accounts Payable	13,835	(4,118)
Net Increase (Decrease) in Deposit Receipts Interest	(361)	(409)
Net Increase (Decrease) Accrued Interest and Other Liabilities	<u>5,609</u>	<u>(607)</u>
	<u><u>23,699</u></u>	<u><u>20,268</u></u>
3 Cash Items Applicable to Other Periods		
Net (Increase) Decrease in Inventories	1,246	4,378
Net (Increase) Decrease in Prepaid Expenses	1,126	5,448
Net (Increase) Decrease in Treasury Advances	(213)	191
Net Increase (Decrease) in Deferred Revenue	<u>993</u>	<u>(942)</u>
	<u><u>3,152</u></u>	<u><u>9,075</u></u>

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

**Province of Prince Edward Island Sinking Funds
Consolidated (Summary) Financial Statements
Statement of Financial Position
as at March 31, 1999**

	1999	1998
Assets	\$	\$
Cash	60,809	(504,088)
Accrued Interest	4,211,357	4,394,703
Accounts Receivable	16,469,521	6,005,359
Investments (Statement 6-2)	199,016,543	193,801,234
Pledged Investments (Statement 6-2)	<u>53,319,551</u>	<u>62,719,761</u>
Total	<u>273,077,781</u>	<u>266,416,969</u>
Liabilities and Sinking Fund Reserve		
Liabilities		
Accounts Payable	<u>53,320,605</u>	<u>62,721,430</u>
Sinking Fund Reserve		
Balance, Beginning of Year	203,695,539	297,151,678
Add:		
Income for Year (Statement 6-1)	31,868,761	31,088,372
Change in Pledged Investments	9,400,210	45,040,489
Debentures Issued During Year	376,000	-
Less:		
Defeased	-	87,140,000
Payment to Pension Funds	18,046,334	17,510,000
Debentures Which Matured During Year	<u>7,537,000</u>	<u>64,935,000</u>
Balance, End of Year	<u>219,757,176</u>	<u>203,695,539</u>
Total	<u>273,077,781</u>	<u>266,416,969</u>

Note - Pledged Investments

Acts to amend the Civil Service and Teachers' Superannuation Funds reflect that the Province shall pay \$63.4 and \$129.44 million into the Funds respectively, from 1996 to 2005. Management Board has directed that these payments will be paid annually out of the Market Contingency Fund, of the Sinking Fund.

**Province of Prince Edward Island Sinking Funds
Consolidated (Summary) Financial Statements
Statement of Financial Activities
for the year ended March 31, 1999**

Statement 6-1

	1999 \$	1998 \$
Sinking Fund Earnings		
Interest-Debentures	17,064,964	16,406,254
-Bank	188,827	335,207
Amortization of Debenture Discount	4,468,289	4,611,933
Gain on Sale of Debentures	41,930	1,036,043
	<u>21,764,010</u>	<u>22,389,437</u>
Expenses		
Bank Charges	20,299	21,621
Loss on Defeasement	-	816,965
Net Sinking Fund Earnings	<u>21,743,711</u>	<u>21,550,851</u>
Instalments	<u>10,125,050</u>	<u>9,537,521</u>
Net Income	<u><u>31,868,761</u></u>	<u><u>31,088,372</u></u>

**Province of Prince Edward Island Sinking Funds
Consolidated (Summary) Financial Statements
Statement of Investments
as at March 31, 1999**

Statement 6-2

	1999 \$	1998 \$
Debentures-Par Value	180,232,000	193,851,000
Add: Unamortized Premium	1,800,341	1,830,030
	<u>182,032,341</u>	<u>195,681,030</u>
Debentures-Residuals	69,853,691	53,289,904
Term Deposits	-	7,100,000
Mortgage Receivable	450,062	450,062
Book Value of Investments	<u><u>252,336,094</u></u>	<u><u>256,520,996</u></u>
Market Value of-Debentures	295,903,194	293,649,896
-Term Deposit Receipts	-	7,100,000
-Mortgage Receivable	452,582	464,689
Market Value of Investments	<u><u>296,355,776</u></u>	<u><u>301,214,585</u></u>

Province of Prince Edward Island
Notes to the Consolidated (Summary) Financial Statements
For the year ended March 31, 1999

1 Reporting Entity

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

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

East Prince Health Authority
Eastern Kings Health Authority
Queens Region Health Authority
Southern Kings Health Authority
West Prince Health Authority
Eastern School Board
French Language School Board
Western School Board
Enterprise P.E.I.
Innovative Solutions Agency (PEI) Inc.
P.E.I. Agricultural Research Investment Fund Inc.
P.E.I. Aquaculture and Fisheries Research Initiative Inc.
P.E.I. Crown Building Corporation
P.E.I. Housing Corporation
P.E.I. Human Rights Commission
P.E.I. Lending Agency
P.E.I. Museum and Heritage Foundation
P.E.I. Self-Insurance and Risk Management Fund
P.E.I. Special Projects Fund
Tourism P.E.I.

The Eastern, Western, and French Language School Boards have a fiscal year-end of June 30, 1998.

Effective June 30, 1998 Human Resource Management Services Inc. ceased commercial operations. The assets of the corporation were liquidated and the proceeds were paid to the Province.

The following agencies, crown corporations, and boards are included in the statement of financial position of the Consolidated Fund using the modified equity method of accounting. This method is used for Government Enterprises which are defined in Note 7 to these financial statements. The modified equity method reports the percentage of a Government Enterprise's net assets owned by the Province as an investment in the Province's Statement of Financial Position. Inter-organizational balances and transactions are not eliminated.

Charlottetown Area Development Corporation
Island Investment Development Inc.
P.E.I. Agricultural Insurance Corporation
P.E.I. Energy Corporation

P.E.I. Grain Elevators Corporation
 P.E.I. Liquor Control Commission
 P.E.I. Lotteries Commission
 P.E.I. Regulatory and Appeals Commission
 Summerside Regional Development Corporation Ltd.

The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 1998.

The Statement of Financial Position does not include the financial position of the Workers' Compensation Board. The Board, as at December 31, 1998, had assets of \$55 million and liabilities of \$83 million. The Board has the ability to establish premium rates sufficient to meet its financial obligations.

2 Basis of Accounting

- (a) The Province complies with the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants wherever applicable.
- (b) The financial transactions recorded in the Accounts of the Province and reflected in the Public Accounts are classified as budgetary and non-budgetary.

In general terms budgetary transactions are those which enter into the calculation of the annual budgetary surplus or deficit and are disclosed in the Statement of Revenue and Expenditure - both Capital and Ordinary Revenues and Expenditures are included. Non-budgetary transactions lead to the acquisition or disposal of financial assets, or to the creation or discharge of financial obligations which are disclosed in the Statement of Financial Position.

- (c) The Province's financial statements are presented so as to highlight Net Debt, a measurement of financial position. The Net Debt of the Province is determined by its liabilities less its listed assets.
- (d) The Province presents revenue and expenditures on the accrual basis, however payments from Canada under the Federal - Provincial Fiscal Arrangements, the Canada Health and Social Transfer and the Tax Collection Agreement are based on estimates which will be adjusted against future years revenues when actual results become available.
- (e) Capital Expenditures are incurred in the acquisition, development or construction of capital assets and equipment with a purchase price of \$50,000 or greater. They do not include operational expenses.
- (f) Tangible capital assets are reported as expenditures in the year the assets are acquired, they are not included in the Province's Statement of Financial Position. Schedule 18 (unaudited) is provided to inform users of the net book value of the tangible capital assets on hand and available for use by the Province.

3 Province of Prince Edward Island Sinking Fund

The Province of Prince Edward Island Sinking Fund was established to reserve funds to meet future commitments and for debt retirement. Earnings on sinking funds are reflected as current account revenue. The Sinking Fund is made up of three components:

(a) Debentures

Installment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund, and as such, are treated as a non-budgetary item. The installment payments for the next five years are:

1999-2000	10,125,050
2000-2001	10,065,530
2001-2002	9,930,650
2002-2003	9,311,497
2003-2004	9,287,827

As at March 31, 1999 Sinking Fund investments include P.E.I. Issues held but not cancelled in the amounts of:

Debentures - Par Value	\$ 19,855,000	Book Value	\$21,331,720
Residuals - Par Value	101,352,796	Book Value	44,277,723

(b) Canada Pension Plan Debentures

Canada Pension Plan debentures are callable by the Federal Minister of Finance on six months notice. No calls have occurred to date and none are expected. Beginning in March 1999 the Province began re-financing CPP debentures as they become due. There are no installment requirements for Canada Pension Plan debentures and there are no restrictions on funds contributed to the Sinking Fund for the retirement of Canada Pension Plan debentures.

(c) Market Contingency Fund

The Market Contingency Fund was established from over-funding of Provincial debenture issues and Canada Pension Plan loans. In the 1995/96 fiscal year the Province committed to reduce the unfunded liability in the Teacher's Superannuation Fund and the Civil Service Superannuation Fund. The payments associated with this reduction are committed from the Market Contingency Fund. At March 31, 1999 the balance of this fund, \$53.3 million, is restricted by this commitment.

4 Claims Outstanding

There are seventy-two claims outstanding, totaling approximately \$3.5 billion, arising from legal action in progress against the Crown in respect of breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

One of the seventy-two claims outstanding is a Hepatitis C class action suit seeking \$3.5 billion in damages. The remaining seventy-one claims total approximately \$44.7 million.

5 Prince Edward Island Self-Insurance and Risk Management Fund

The Prince Edward Island Self-Insurance and Risk Management Fund was established in 1988 under Part II of the Financial Administration Act. The fund insures against liability claims. At March 31, 1999, fund reserves were \$7.5 million, (\$7.2 in 1998). Claims amounting to \$183,090 (\$180,840 in 1998), were settled in the current year. The fund also carries an excess liability policy limiting the liability of the fund to \$5,000,000.

6 Commitments

(a) Central Mortgage and Housing Corporation

The Province is committed to pay half the cost of a loan from Central Mortgage and Housing Corporation, for the development of the Charlottetown Area Pollution Control and Summerside Sewage Disposal systems. The outstanding loan balance as at March 31, 1999 was \$653,532. An amount of \$187,300 is included in the 1999-2000 budget of the Department of Community Services and Attorney General, to meet the Province's principal and interest share for the fiscal year.

(b) K.C. Irving Chemistry Building

The Province is committed to make payments over a ten year period totaling \$1.0 million plus interest on the outstanding balance. The outstanding balance as at March 31, 1999 was \$800,000. An amount of \$155,000 is included in the 1999-2000 budget of the Department of Education to meet the Province's principal and interest share for the fiscal year.

(c) Enterprise P.E.I.

The Corporation has a commitment to provide up to \$1.7 million in grants under the infrastructure program for qualified projects. The commitment expires on December 11, 2001. It is not determinable at this time if the developer will obtain approval for additional expenditures under the existing project or for further qualified projects, therefore, no provision has been made in the accounts for the remaining commitment.

The corporation has committed under the Venture Capital Program to invest \$342,000 in the Atlantic Canada Fund. The commitment expires March 11, 2006.

(d) Leases

The Province is party to a significant number of lease agreements. The following list contains those leases where the annual lease payments exceed one hundred thousand dollars.

Asset Description	Annual Lease Cost	Lease Period
Sir Henry Davies Law Courts	452,100	Apr-01-79 - Oct-31-99
Health and Social Services Office Space	295,800	Feb-01-97 - Feb-01-12
Queens Regional Health Authority Office	340,800	Feb-01-97 - Feb-01-13
Ch'town Highway Safety Division Office	136,800	Jul-01-97 - Jun-30-07
Kelly Building (Provincial Court House)	275,700	Nov-01-99 - Nov-01-26
Access PEI Summerside Office	510,400	Feb-01-98 - Jan-31-18
Eastern Kings Regional Services Centre	185,800	Jan-01-99 - Dec-31-00
Morell Library	163,200	Apr-01-93 - Mar-31-03
Blanchard Building	170,900	Sep-01-88 - Aug-31-03
Concorde Building	115,300	Jul-01-94 - Nov-30-09
Cambridge Building	119,100	Dec-01-78 - Nov-30-99
Hillsborough Bridge *	1,358,900	Aug-01-96 - Aug-21-01
DocuTech 135 High Speed Copier	120,900	Nov-01-95 - Apr-01-03
Unisys Mainframe Computer	254,500	Jan-01-95 - Dec-31-99
Law Court Case Management System	450,000	Sep-01-97 - Aug-31-03

*** Hillsborough Bridge**

The Province has replaced the Hillsborough bridge with a structure that contains two additional traffic lanes and upgraded approach highways on either side. The cost of the project, \$21.7 million, has been financed by a lease which is being treated as a capital lease. Cost of the bridge replacement has been charged to Capital Expenditures and the lease obligation is recorded as a liability under Accounts Payable.

7 Government Enterprises

Government Enterprises are defined as those agencies, crown corporations and boards which, (i) have the power to contract in their own name, (ii) have the financial and operating authority to carry on a business, (iii) sell goods and services to customers outside the provincial reporting entity as their principal activity and source of revenue, (iv) are able to maintain their operations and meet their liabilities from revenues received from sources outside the provincial reporting entity.

Schedule 6 presents condensed financial information of those Government Enterprises which are included in the provincial reporting entity as described in Note 1 to these financial statements.

8 Pension Funds**(a) Civil Service Superannuation Fund**

Employees of the Province and certain of its' entities are entitled to receive pension benefits pursuant to the provisions of a pension plan under the Civil Service Superannuation Act. The plan is operated within the Civil Service Superannuation Fund to which employee and employer matching contributions and investment income are credited, and payments to pensioners and terminating employees and certain other expenses are charged. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer.

The Civil Service Superannuation Fund is not part of the Consolidated Fund of the Province. The Plan is funded by employee contributions plus equal contributions by the Province. By Act the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due.

An amendment to the Civil Service Superannuation Act on May 4, 1995 provided for the significant reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of \$11.6 million in 1995/96 and \$5.75 million in the years 1996/97 to 2004/05.

Actuarial Valuations of the Civil Service Superannuation Fund are carried out every three years. The most recent Actuarial Valuation was carried out at April 1, 1996. An estimated update, which is a partial calculation only, and indicates the present value of commitments, is provided as at March 31, 1999:

	Actuarial Valuation 01-Apr-96	Estimate 31-Mar-99
Actuarial Liability	\$292,126,000	\$358,976,000
Fund Assets	222,206,000	327,648,000
Present value of future special payments	38,482,000	29,431,047
Unfunded Liability	31,438,000	1,896,953

(b) 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 to which teacher and employer matching contributions and investment income are credited, and payments to pensioners and terminating employees are charged. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer.

The Teachers' Superannuation Fund is not part of the Consolidated Fund of the Province. The Plan is funded by employee contributions plus equal contributions by the employer. By Act the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due.

An amendment to the Teachers' Superannuation Act on May 4, 1995 provided for the significant reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of \$23.6 million in 1995/96 and \$11.76 million in the years 1996/97 to 2004/05.

Actuarial Valuations of the Teacher's Superannuation Fund are carried out every three years. The most recent Actuarial Valuation was carried out at July 1, 1996. An estimated update, which is a partial calculation only, and indicates the present value of commitments, is provided as at March 31, 1999:

	Actuarial Valuation 01-Jul-96	Estimate 31-Mar-99
Actuarial Liability	\$309,841,000	\$357,595,000
Fund Assets	162,627,000	226,498,000
Present value of future special payments	68,114,000	60,192,075
Unfunded Liability	79,100,000	70,904,925

(c) MLA Pension Fund (Prior plan)

The Legislative Assembly Retirement Allowances Act and Legislature and Executive Pensions Act provided a pension plan for members of the Legislative Assembly. Amendments in 1994 resulted in this plan being replaced by a new pension plan. Participants of the prior plan will be entitled to benefits accruing under the terms of the plan up to and including June 30, 1994. As a result, contributions to this fund cease on June 30, 1994; however, investment interest and payments to existing pensioners will continue to be recorded to this fund. As well, the province provided \$5 million in funding to eliminate the unfunded liability at June 30, 1994. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer.

Actuarial Valuations of the Fund are carried out every three years. The most recent Actuarial Valuation was carried out at April 1, 1997. An estimated update, which is a partial calculation only, and indicates the present value of commitments, is provided as at March 31, 1999:

	Actuarial Valuation 01-Apr-97	Estimate 31-Mar-99
Actuarial Liability	\$14,354,700	\$14,674,000
Fund Assets	17,576,200	19,404,300
Unfunded Liability (Surplus)	(3,221,500)	(4,730,300)

(d) Pension plan for Members of the Legislative Assembly (1994)

An Amendment to the Legislative Assembly Act in 1994 provided 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, the Speaker, Opposition House Leader, Government Whip and Opposition Whip. As a result of this amendment, a pension plan called the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" was established by the Commission with an effective start date of July 1, 1994. Contributions of Government and Members of the Legislative Assembly and investment income are credited, and payments to pensioners of this fund will be charged as they arise. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. The matched contributions plus income are expected to be enough to allow the fund to continue to be fully funded.

Actuarial Valuations of the Fund are carried out every three years. The most recent Actuarial Valuation was carried out at April 1, 1997. An estimated update, which is a partial calculation only, and indicates the present value of commitments, is provided as at March 31, 1999:

	Actuarial Valuation 01-Apr-97	Estimate 31-Mar-99
Actuarial Liability	\$359,300	\$820,000
Fund Assets	407,800	756,400
Unfunded Liability (Surplus)	(48,500)	63,600

9 Canada Health and Social Transfer

The Province will be receiving funding from the Government of Canada under the Canada Health and Social Transfer. The Federal Government has set up a trust fund to administer this program. The Province will record revenue from this program per the following schedule:

1999 - 2000	\$9.0 million
2000 - 2001	4.5 million
2001 - 2002	2.2 million

10 Eliminations to Adjust Consolidated Agencies Financial Statements

The following elimination adjustments were made to consolidated agencies financial statements for accounts set up by agencies which the Province does not recognize as accounts payable, or receivable, at March 31, 1999.

(a) Innovative Solutions Agency (PEI) Inc

Account receivable from the Province in the amount of \$450,000. Innovative Solutions has set up deferred revenue for this account receivable.

(b) The Health Region Authorities

Account receivable from the Province in the amount of \$1,170,307 set up by four of the five health regions. Four of the health region authorities have set up an accrual for employee retirement allowances totalling \$1,170,307. They have set up an offsetting account receivable from the Province for the amount of the accrual.

(c) P.E.I. Lending Agency

Account payable to the Province in the amount of \$24,170. The Lending Authority has increased its provision for possible losses expense with this accounts payable.

11 Comparative Figures

Certain 1998 financial statement figures have been restated to conform with the presentation used in 1999.

12 Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The Province may experience the effects of the year 2000 issue before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Province's ability to conduct normal business operations.

The Province is working to mitigate any potential effects that may be experienced in critical business systems due to the year 2000 Issue. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Province, including those related to the efforts of customers, suppliers, or other parties, will be fully resolved. However, any potential costs associated with modifying computer systems for the Year 2000 are not expected to have a material affect on the Province's financial condition.

**Province of Prince Edward Island
Consolidated (Summary) Financial Statements
Schedules to Statements of Financial Position
as at March 31, 1999**

	1999	1998
	\$	Restated
		\$
1 Cash and Short Term Deposits		
Operating Fund	23,500,000	4,706,120
Consolidated Agencies & Crown Corporations	15,003,782	8,372,075
	<u>38,503,782</u>	<u>13,078,195</u>
2 Accounts and Taxes Receivable		
Taxes	45,403,341	48,947,244
Government of Canada	21,533,139	10,197,575
Consolidated Agencies & Crown Corporations	9,303,994	30,888,108
Other	18,526,489	10,691,563
	94,766,963	100,724,490
Allowance for Doubtful Accounts (Schedule 20)	(1,444,562)	(3,316,778)
	<u>93,322,401</u>	<u>97,407,712</u>
3 Treasury Advances		
Employee Computer Purchases	481,089	268,188
Petty Cash	13,125	32,154
Travel	-	2,910
Salary	22,200	2,216
Other	2,280	-
	<u>518,694</u>	<u>305,468</u>
4 Inventory and Property for Resale		
Leased Property (Net of Provision for Losses)	5,903,653	7,283,772
Property Holdings (Net of Provision for Losses)	3,488,596	2,793,051
Other	604,986	1,166,404
	<u>9,997,235</u>	<u>11,243,227</u>
5 Investments		
Industrial Malls (Net of Provision for Losses)	11,429,129	3,561,503
Investments held by Agencies	247,774	48,321
	<u>11,676,903</u>	<u>3,609,824</u>

6 Investment in Government Enterprises

	Charlottetown Area Development Corporation	Island Investment Development Inc	P.E.I. Agricultural Insurance Corporation	P.E.I. Energy Corporation	P.E.I. Grain Elevators Corporation	P.E.I. Liquor Control Commission	P.E.I. Lotteries Commission	P.E.I. Regulatory & Appeals Commission	Summerside Regional Development Corporation	1999 Total	1998 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets	46,621,633	84,030,043	8,053,329	356,828	1,475,476	4,039,409	959,128	934,310	12,031,392	158,501,548	134,906,193
Liabilities	41,125,037	84,307,029	399,907	357,644	1,455,030	4,039,409	959,128	630,432	9,697,965	142,971,581	119,706,110
Equity	5,496,596	(276,986)	7,653,422	(816)	20,446	-	-	303,878	2,333,427	15,529,967	15,200,083
	46,621,633	84,030,043	8,053,329	356,828	1,475,476	4,039,409	959,128	934,310	12,031,392	158,501,548	134,906,193
Percentage of Ownership	85%	100%	100%	100%	100%	100%	100%	100%	75%		
Province of PEI's Equity	4,672,107	(276,986)	7,653,422	(816)	20,446	-	-	303,878	1,750,070	14,122,121	13,858,372
Revenue	3,209,659	2,817,801	3,813,661	361,432	5,470,464	38,772,793	11,142,529	1,742,258	2,603,289	69,933,886	71,692,374
Expenditures	2,712,155	2,834,664	3,805,122	348,076	5,607,403	29,114,582	11,142,529	1,562,267	2,636,759	59,763,557	61,900,714
Net Income (Loss)	497,504	(16,863)	8,539	13,356	(136,939)	9,658,211	-	179,991	(33,470)	10,170,329	9,791,660
Province's Increase in Equity	422,879	(16,863)	8,539	11,236	(136,939)	-	-	-	(25,103)	263,749	(585,991)

Net income from the P.E.I. Liquor Control Commission and the P.E.I. Lotteries Commission are included in the Province's Operating Fund revenues. See Schedule 21 - Sales.

Complete financial statements of government enterprises, consolidated agencies and other agencies and crown corporations are provided in Volume II of the Public Accounts of the Province of Prince Edward Island.

	1999	1998 Restated
	\$	\$
7 Loans Receivable		
 Debentures - Long Term		
P.E.I. Housing Corporation	11,367,200	10,886,100
P.E.I. Liquor Control Commission	1,576,459	1,747,402
Charlottetown Area Pollution Control	276,672	382,195
Community Development	106,990	193,712
Stratford Pollution Control Commission	179,814	202,429
Charlottetown Area Development Corporation	800,000	800,000
Summerside Regional Development Corporation	149,684	167,383
City of Summerside	82,715	103,160
School Board Loans	267,975	600,304
Town of Montague	22,687	32,867
P.E.I. Grain Elevators Corporation	44,864	68,960
	<u>14,875,060</u>	<u>15,184,512</u>
 Debentures - Short Term		
Island Regulatory and Appeals Commission	125,000	125,000
Total - Debentures	<u>15,000,060</u>	<u>15,309,512</u>
 Mortgages		
Enterprise P.E.I.	-	62,471,244
P.E.I. Lending Agency	84,097,833	-
Allowance for Doubtful Accounts (Schedule 20)	<u>(5,688,057)</u>	<u>(2,712,628)</u>
Net Mortgages	<u>78,409,776</u>	<u>59,758,616</u>
	<u>93,409,836</u>	<u>75,068,128</u>
8 Deferred Charges		
Debenture Discount	5,439,075	5,968,755
Prepaid Expenses	976,323	2,101,508
	<u>6,415,398</u>	<u>8,070,263</u>
9 Bank Advances		
Operating Fund	8,644,875	-
Consolidated Agencies & Crown Corporations	-	-
	<u>8,644,875</u>	<u>-</u>
10 Deferred Revenue/Credits		
General	3,108,385	2,329,430
Pension Accrual	60,941,582	116,343,020
Motor Vehicle	4,640,449	4,424,940
	<u>68,690,416</u>	<u>123,097,390</u>
11 Accounts Payable		
Goods and Services	29,175,131	30,456,606
Federal	24,250,285	26,954,426
Consolidated Agencies and Crown Corporations	28,590,428	25,589,671
Obligation under Capital Lease (Note 6d)	21,735,000	19,254,613
Other	29,623,946	17,284,242
	<u>133,374,790</u>	<u>119,539,558</u>

	1999	1998
	\$	Restated \$
12 Accrued Liabilities		
Accrued Payroll & Benefits	58,012,435	52,231,345
Debentures	19,228,432	19,236,614
Canada Pension Bonds	5,215,517	5,427,172
Civil Service Salaries	126,493	95,659
Pension Contributions	36,303,572	38,545,674
Other	17,456	-
	<u>118,903,905</u>	<u>115,536,464</u>
13 Short Term Loans		
Treasury Notes	55,000,000	7,000,000
Provincial Deposit Receipts - Principal	56,746,672	74,574,652
Provincial Deposit Receipts - Accumulated Interest	11,350,999	11,712,426
	<u>123,097,671</u>	<u>93,287,078</u>
14 Loans Payable		
School Construction Program	2,337,830	2,696,694
Land Development Corporation	1,797,000	1,797,000
Consolidated Agencies & Crown Corporations	37,365,332	38,158,964
Other	393,686	478,133
	<u>41,893,848</u>	<u>43,130,791</u>
15 Pension Obligations		
Teachers' Superannuation Fund	70,904,925	49,421,900
Civil Service Superannuation Fund	1,896,953	(21,044,202)
MLA Pension Fund (Prior Plan)	(4,730,300)	(3,221,500)
Pension plan for Members of the Legislative Assembly	63,600	(48,500)
	<u>68,135,178</u>	<u>25,107,698</u>
16 Trust Fund Reserves		
Operating Fund	583,560,514	539,788,224
East Prince Health Authority	28,820	27,619
Eastern Kings Health Authority	198,548	190,187
Queens Region Health Authority	94,077	102,902
Southern Kings Health Authority	8,780	9,252
West Prince Health Authority	12,892	12,971
Eastern School Board	52,339	54,128
Western School Board	113,622	114,640
Enterprise P.E.I.	17,860,343	11,373,092
P.E.I. Housing Corporation	28,800	47,400
P.E.I. Museum and Heritage Foundation	370,022	358,001
	<u>602,328,757</u>	<u>552,078,416</u>

17 Debentures less Sinking Fund

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt	Contingency and Sinking Fund	Net Funded Debt
Public and Private Issues:						
16-Feb-76	16-Feb-01	10.750%	25	1,984,000	5,616,115	(3,632,115)
15-Dec-81	15-Dec-01	16.250%	20	13,488,000	6,179,054	7,308,946
30-Apr-92	30-Apr-02	9.750%	10	45,943,000	5,493,825	40,449,175
4-Jul-77	4-Jul-02	9.500%	25	2,991,000	3,613,300	(622,300)
1-Dec-78	1-Dec-03	10.250%	25	2,367,000	1,611,621	755,379
18-Apr-79	18-Apr-04	10.625%	25	4,526,000	2,937,198	1,588,802
15-Jun-94	15-Jun-04	9.375%	10	59,058,000	5,243,651	53,814,349
12-Dec-84	12-Dec-04	12.750%	20	31,352,000	9,534,141	21,817,859
3-Apr-86	3-Apr-06	10.625%	20	33,298,000	8,473,997	24,824,003
15-Jan-87	15-Jan-07	9.875%	20	30,186,000	6,858,691	23,327,309
22-Jun-88	22-Jun-08	11.375%	20	47,980,000	11,109,291	36,870,709
1-Dec-88	1-Dec-08	10.750%	20	44,687,000	9,663,161	35,023,839
16-Aug-90	16-Aug-10	11.500%	20	60,000,000	9,818,169	50,181,831
14-Mar-91	14-Mar-11	11.000%	20	50,000,000	7,314,301	42,685,699
19-Sep-91	19-Sep-11	11.000%	20	50,000,000	6,713,948	43,286,052
17-Dec-92	17-Dec-12	9.750%	20	50,000,000	5,214,615	44,785,385
18-Mar-93	18-Mar-13	9.250%	20	60,000,000	7,058,796	52,941,204
27-Oct-95	27-Oct-15	8.500%	20	75,000,000	4,290,411	70,709,589
15-Dec-95	15-Dec-04	7.769%	20	19,432,110	-	19,432,110
15-Dec-93	15-Dec-23	8.500%	30	60,000,000	5,978,735	54,021,265
3-Oct-97	3-Oct-07	6.000%	10	35,000,000	728,023	34,271,977
				<u>777,292,110</u>	<u>123,451,043</u>	<u>653,841,067</u>
Canada Pension Plan Issues						
1979-80	1999-2000	10.660%	20	8,329,000	8,329,000	-
1980-81	2000-2001	12.730%	20	9,136,000	9,136,000	-
1981-82	2001-2002	15.560%	20	11,504,000	11,504,000	-
1982-83	2002-2003	14.240%	20	11,360,000	11,360,000	-
1983-84	2003-2004	11.670%	20	11,135,000	11,105,255	29,745
1984-85	2004-2005	13.210%	20	10,500,000	9,124,871	1,375,129
1985-86	2005-2006	11.230%	20	8,975,000	6,554,067	2,420,933
1986-87	2006-2007	9.560%	20	13,526,000	8,468,354	5,057,646
1987-88	2007-2008	9.950%	20	10,010,000	5,438,163	4,571,837
1988-89	2008-2009	10.090%	20	9,703,000	4,426,104	5,276,896
1989-90	2009-2010	9.660%	20	10,544,000	3,901,479	6,642,521
1990-91	2010-2011	10.770%	20	9,603,000	2,937,425	6,665,575
1991-92	2011-2012	9.930%	20	9,794,000	2,383,742	7,410,258
1992-93	2012-2013	9.340%	20	6,971,000	1,261,673	5,709,327
1998-99	2018-2019	5.930%	20	376,000	376,000	-
				<u>141,466,000</u>	<u>96,306,133</u>	<u>45,159,867</u>
Market Contingency Fund				-	<u>53,319,551</u>	<u>(53,319,551)</u>
				918,758,110	273,076,727	645,681,383
Less: Investments pledged to reduce Pension Obligations				-	<u>53,319,551</u>	<u>(53,319,551)</u>
				<u>918,758,110</u>	<u>219,757,176</u>	<u>699,000,934</u>

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

**18 Tangible Capital Assets
(unaudited)**

	Land and Improvements	Buildings and Improvements	Roads and Bridges	Motor Vehicles	Equipment	Other	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	144,290,806	346,271,972	690,247,988	45,480,313	74,894,083	28,896,301	1,330,081,463
Additions	<u>3,117,269</u>	<u>9,282,340</u>	<u>30,267,841</u>	<u>2,123,477</u>	<u>7,060,390</u>	<u>(211,447)</u>	<u>51,639,870</u>
Balance, end of year	<u>147,408,075</u>	<u>355,554,312</u>	<u>720,515,829</u>	<u>47,603,790</u>	<u>81,954,473</u>	<u>28,684,854</u>	<u>1,381,721,333</u>
Accumulated Amortization, beginning of year	283,597	97,527,410	400,934,066	40,388,599	45,409,600	12,581,172	597,124,444
Amortization	<u>320,653</u>	<u>7,037,070</u>	<u>26,966,505</u>	<u>918,278</u>	<u>3,893,404</u>	<u>1,017,003</u>	<u>40,152,913</u>
Accumulated Amortization, end of year	<u>604,250</u>	<u>104,564,480</u>	<u>427,900,571</u>	<u>41,306,877</u>	<u>49,303,004</u>	<u>13,598,175</u>	<u>637,277,357</u>
Net Book Value	<u>146,803,825</u>	<u>250,989,832</u>	<u>292,615,258</u>	<u>6,296,913</u>	<u>32,651,469</u>	<u>15,086,679</u>	<u>744,443,976</u>

This schedule includes the tangible capital assets of the Province's Operating Fund and the tangible capital assets of consolidated agencies. Land of the Operating Fund is valued at assessed value per the Provincial property assessment and taxation system. The Province is in the process of capitalizing tangible capital assets in the Operating Fund. Leasehold improvements and capital lease assets are not included in this schedule, they will be included in future schedules. At the time of preparation of this schedule work on compiling historical information on buildings, motor equipment and other assets of the Operating Fund was incomplete, the amounts shown for these assets depicts the information available at time of printing. The totals for capital expenditures on Statement 3 are for the Operating Fund only and thus do not relate to the capital additions on this schedule.

19 Guaranteed Debt

	Principal Guaranteed \$	1999 Outstanding March 31 \$	1998 Outstanding March 31 \$
1 Loan Guarantees			
Lines of Credit	3,000,000	1,099,985	2,209,472
2 Debenture/Share Issues	12,362,357	11,709,169	218,235
3 Agencies and Crown Corporations	11,657,478	11,657,478	4,456,440
Total Guaranteed Debt	<u>27,019,835</u>	<u>24,466,632</u>	<u>6,884,147</u>

	Maturity Date	Interest Rate	Principal Guaranteed \$	Outstanding 31-Mar-99 \$	Outstanding 31-Mar-98 \$
1 Loan Guarantees					
Lines of Credit					
P.E.I. Grain Elevators Corp.	15-Jan-00	Prime	<u>3,000,000</u>	<u>1,099,985</u>	<u>2,209,472</u>
2 Debenture / Share Issues					
Prince County Hospital	4-Dec-08	5.375%	390,815	167,474	195,135
City of Summerside	1-Mar-99	8.500%	127,000	-	11,000
Ch'town Area Dev. Corp.	15-May-13	5.781%	11,800,000	11,531,596	-
Town of Souris	1-Feb-03	5.375%	19,800	4,300	5,240
Village of Tignish	1-Jan-03	5.125%	15,713	3,397	4,050
Village of Crapaud	1-Dec-03	5.375%	9,029	2,402	2,810
			<u>12,362,357</u>	<u>11,709,169</u>	<u>218,235</u>

Notes:

Both principal and interest are guaranteed for loan guarantees and debenture share issues.

Guarantee balance at March 31 includes both principal and interest.

During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

3 Agencies and Crown Corporations					
Enterprise P.E.I.			11,278,617	11,278,617	4,183,426
P.E.I. Lending Agency			378,861	378,861	273,014
			<u>11,657,478</u>	<u>11,657,478</u>	<u>4,456,440</u>

20 Continuity of Allowance for Doubtful Accounts

	Allowance March 31 1998 Restated \$	Written Off During Year 1998-99 \$	Increase (Decrease) Provided 1998-99 \$	Allowance March 31 1999 \$
Accounts and Taxes Receivable:				
Provincial Taxes	1,414,138	694,576	700,000	1,419,562
Enterprise P.E.I.	1,902,640	-	(1,877,640)	25,000
	<u>3,316,778</u>	<u>694,576</u>	<u>(1,177,640)</u>	<u>1,444,562</u>
Inventory and Property for Resale:				
Enterprise P.E.I.	2,164,816	1,613,504	51,593	602,905
P.E.I. Lending Agency	410,320	25,513	(66,154)	318,653
	<u>2,575,136</u>	<u>1,639,017</u>	<u>(14,561)</u>	<u>921,558</u>
Investments:				
Enterprise P.E.I.	3,452,500	-	(746,470)	2,706,030
Loans Receivable:				
Enterprise P.E.I.	467,500	-	245,500	713,000
P.E.I. Lending Agency	2,245,128	599,025	3,328,954	4,975,057
	<u>2,712,628</u>	<u>599,025</u>	<u>3,574,454</u>	<u>5,688,057</u>
Contingent Liabilities				
Enterprise P.E.I.	400,000	-	(400,000)	-
P.E.I. Lending Agency	50,000	-	-	50,000
	<u>450,000</u>	<u>-</u>	<u>(400,000)</u>	<u>50,000</u>
Total	<u><u>12,507,042</u></u>	<u><u>2,932,618</u></u>	<u><u>1,235,783</u></u>	<u><u>10,810,207</u></u>

Inventory and Property for Resale and Investments are presented on Statement 1 net of Allowance for Possible Losses.

The Allowance for Possible Losses for Contingent Liabilities is included in Accounts Payable.

**Province of Prince Edward Island
Consolidated (Summary) Financial Statements
Schedules to Revenue and Expenditure Statement
for the year ended March 31, 1999**

<u>Revenue</u>	1999	1998
	\$	Restated \$
21 Taxes		
Personal Income Tax	129,746,501	137,184,842
Sales Tax	133,388,657	123,450,627
Real Property Tax	41,080,113	40,363,439
Gasoline Tax	31,445,870	29,889,799
Corporate Income Tax	26,561,787	25,406,888
Health Tax on Tobacco	14,182,891	13,848,966
Health Tax on Liquor	9,442,469	9,171,701
Insurance Premium Tax	5,347,125	4,148,474
Corporation Capital Tax	1,557,281	1,602,658
Environment Tax	235,163	217,593
Fire Prevention Tax	256,991	237,040
	<u>393,244,848</u>	<u>385,522,027</u>
Licenses and Permits		
Motor Vehicle Registry	10,768,604	9,680,386
Registration & Licensing Act	620,334	592,056
Securities Act	882,346	843,710
Other	2,578,373	2,318,422
	<u>14,849,657</u>	<u>13,434,574</u>
Fees and Services		
Patient Fees	8,683,220	8,463,166
Housing Rental	4,418,702	4,414,178
Waste Reduction Program	2,541,952	2,314,810
Land Title and Registry Fees	1,631,648	1,544,486
Green Fees	-	1,649,785
Fines and Penalties	664,288	648,982
Court Fees	165,122	530,507
R.C.M.P. Recoveries	692,500	688,000
Campground Fees	567,438	490,383
Third Party Insurance	639,173	-
Probate Court Fees	922,018	200,807
Consolidated Agencies and Crown Corporations	5,812,551	5,861,991
Other	6,382,819	6,962,606
	<u>33,121,431</u>	<u>33,769,701</u>

	1999	1998
	\$	Restated
	\$	\$
Sales		
Lottery Revenue	11,142,529	14,550,997
Liquor Control Commission	9,658,211	9,800,122
Consolidated Agencies and Crown Corporations	6,018,498	184,742
Other	1,738,425	2,274,750
	<u>28,557,663</u>	<u>26,810,611</u>
Investment Interest		
Operating Fund	4,177,844	4,382,881
PEI Lending Authority	6,627,806	-
Enterprise PEI	54,486	6,797,171
Other Consolidated Agencies	156,863	299,486
	<u>11,016,999</u>	<u>11,479,538</u>
Other Income		
East Prince Health Authority	1,040,336	851,245
Eastern Kings Health Authority	272,343	410,795
Queens Region Health Authority	4,878,555	4,571,610
Southern Kings Health Authority	227,530	261,548
West Prince Health Authority	333,509	356,620
Enterprise PEI	3,055,690	3,559,550
Innovative Solutions Agency (PEI) Inc.	526,816	-
PEI Lending Agency	710,452	-
PEI Museum and Heritage Foundation	195,322	221,401
PEI Self Insurance and Risk Management Fund	14,370	6,712
Tourism PEI	90,010	-
	<u>11,344,933</u>	<u>10,239,481</u>
Total Provincial Sources	<u>492,135,531</u>	<u>481,255,932</u>
22 Federal Sources		
Equalization	268,495,000	208,334,000
Canada Health and Social Transfer	62,323,000	59,074,000
Economic Regional Dev. Agreement	3,881,904	5,722,934
Canada Assistance Plan	746,567	4,460,306
Housing Programs	1,921,580	2,104,238
Young Offenders Services	1,793,200	1,859,655
Canada Employment	498,250	860,000
Minority & Second Language	1,102,357	1,288,575
Choice and Opportunity Program	1,000,000	1,394,000
French Service Agreement	1,130,905	1,104,000
Infrastructure Program	1,255,849	-
Statutory Subsidy	674,458	674,458
Rehabilitation Programs	727,250	324,258
Atlantic Freight Transistion Program	707,105	951,224
Community Access Program (Technology PEI)	798,397	-
Other	2,952,994	3,395,875
	<u>350,008,815</u>	<u>291,547,523</u>

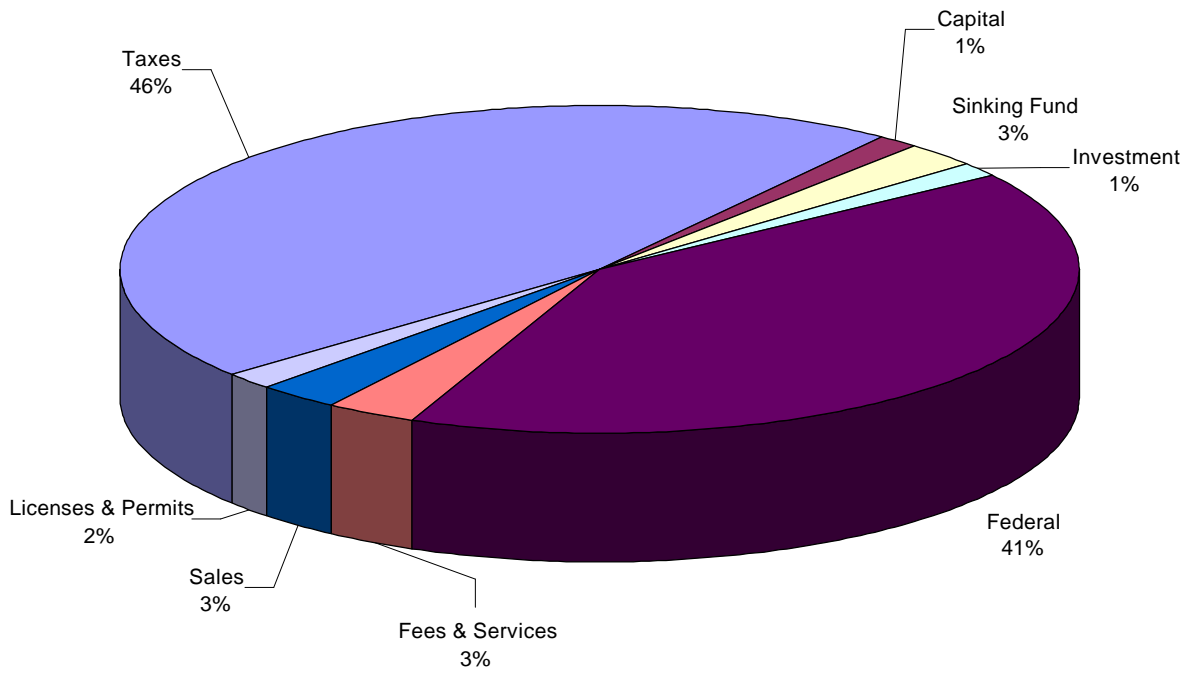
	1999	1998
<u>Expenditures</u>	\$	Restated \$
23 Ordinary Expenditures		
Department of Agriculture and Forestry	19,510,829	18,816,410
P.E.I. Grain Elevators Corporation	105,000	147,700
Auditor General	1,076,822	1,001,020
Department of Community Services and Attorney Ge	32,458,885	21,581,218
Department of Development	9,583,479	8,309,868
Enterprise P.E.I.	21,737,502	23,048,285
Employment Development Agency	4,588,525	4,177,680
P.E.I. Lending Agency	2,194,087	843,714
P.E.I. Energy Corporation	64,172	106,887
Department of Education	183,756,106	168,752,356
Island Regulatory & Appeals Commission	1,020,236	743,750
Executive Council	2,093,567	1,931,185
Department of Fisheries and Tourism	17,613,192	12,821,187
Department of Health and Social Services	310,157,987	305,945,322
Legislative Assembly	2,686,723	2,629,643
Department of Provincial Treasury	10,608,896	11,657,576
General Government	4,841,983	7,024,854
Employee Benefits	10,698,254	14,703,012
Council of Maritime Premiers	185,000	175,882
Interministerial Women's Secretariat	285,520	260,021
Public Service Commission	3,118,607	2,646,947
Department of Technology and Environment	15,613,655	11,814,858
Department of Transportation & Public Works	62,100,218	46,471,959
P.E.I. Crown Building Corp.	901	304,255
	<u>716,100,146</u>	<u>665,915,589</u>

**Province of
Prince Edward Island**

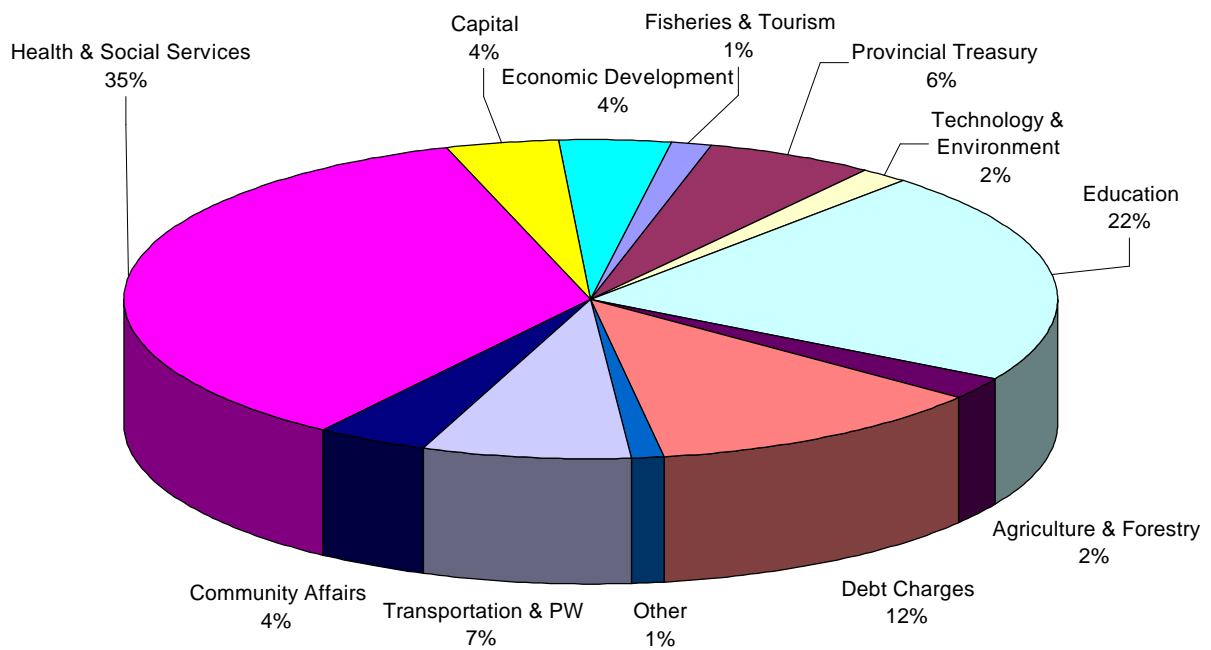
Operating Fund

Statements and Schedules

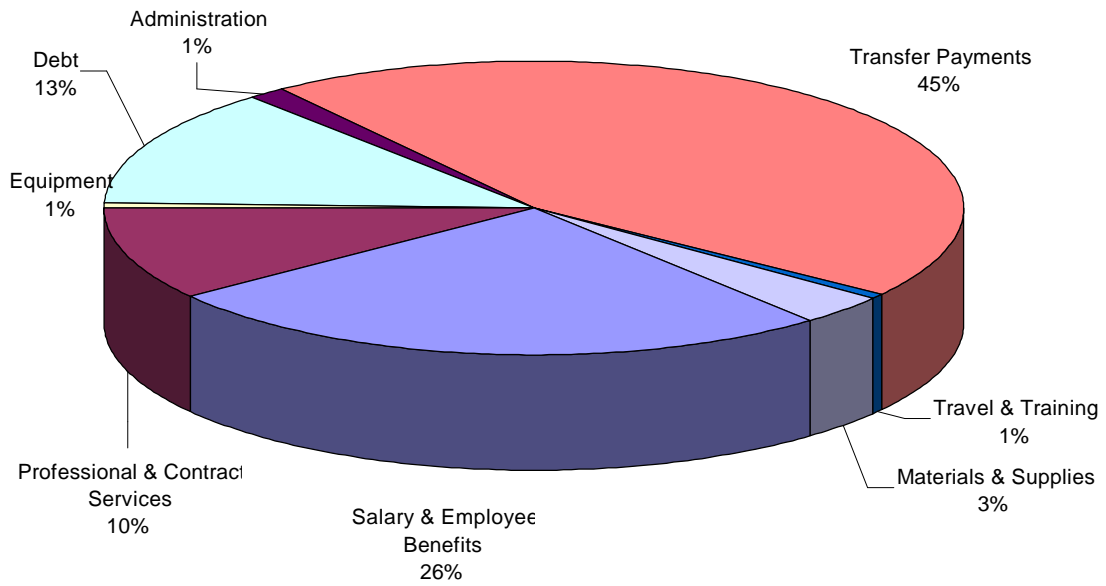
Total Revenue Operating Fund



Total Expenditures Operating Fund



Total Expenditure by Object Operating Fund



AUDITOR'S REPORT

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

I have audited the operating fund statement of financial position of the Province of Prince Edward Island as at March 31, 1999 and the statement of revenue and expenditure, changes in net debt and changes in financial position for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these operating fund financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 1999 and the results of its operations, the changes in net debt and the changes in its financial position for the year then ended in accordance with the basis of accounting disclosed in the notes to the financial statements.

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

J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
November 12, 1999

**Province of Prince Edward Island
Operating Fund
Statement of Financial Position
as at March 31, 1999**

Statement 1

Schedule	Assets	1999	1998
		\$	Restated \$
	Cash and Short Term Deposits	23,500,000	4,706,120
1	Accounts and Taxes Receivable	89,035,718	72,894,351
2	Treasury Advances	496,494	303,394
3	Inventories	273,119	243,823
4	Investments	3,745	3,745
5	Loans Receivable	123,818,197	109,591,193
6	Deferred Charges	<u>5,439,842</u>	<u>7,118,787</u>
	Total Assets	<u>242,567,115</u>	<u>194,861,413</u>
	Net Direct Debt (Statement 5)	<u>990,405,278</u>	<u>996,750,080</u>
		<u>1,232,972,393</u>	<u>1,191,611,493</u>
Liabilities			
7	Bank Advances	8,644,875	-
8	Deferred Revenue/Credits	66,955,062	121,613,809
9	Accounts Payable	155,338,902	117,390,254
10	Accrued Liabilities	105,920,335	102,934,619
11	Short Term Loans	124,448,592	94,776,912
12	Loans Payable	4,528,515	4,971,827
13	Pension Obligations		
	Gross Obligations	157,758,300	126,373,133
	Less: Committed Payments	<u>89,623,122</u>	<u>101,265,435</u>
14	Debentures		25,107,698
	Gross Funded	918,758,110	928,511,913
	Less: Sinking Fund	<u>219,757,176</u>	<u>203,695,539</u>
	Total Liabilities	<u>1,232,972,393</u>	<u>1,191,611,493</u>
15	Tangible Capital Assets		
16	Trust Fund Reserves		
17	Guaranteed Debt		

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

**Province of Prince Edward Island
Operating Fund
Statement of Revenue and Expenditure
for the year ended March 31, 1999**

Statement 2

Schedule	Revenue	1999	1999	1999	1998
		\$ Unaudited Estimate	\$ Unaudited Forecast	\$ Actual	\$ Restated Actual
Provincial Sources					
20	Taxes	383,983,500	389,413,200	393,244,848	385,522,027
21	Licenses and Permits	13,534,200	14,427,400	14,849,657	13,434,574
22	Fees and Services	25,395,800	26,855,900	27,308,880	27,907,710
23	Sales	24,046,500	22,892,500	22,539,165	26,625,869
24	Investment Interest	11,389,000	11,118,300	11,673,368	12,053,344
	Total Provincial	458,349,000	464,707,300	469,615,918	465,543,524
Federal Sources					
	Equalization	209,000,000	264,748,000	268,495,000	208,334,000
	Canada Health and Social Transfer	59,950,000	62,323,000	62,323,000	59,903,000
25	Other Federal Payments	18,614,000	19,772,000	19,190,816	23,310,523
	Total Federal	287,564,000	346,843,000	350,008,816	291,547,523
	Total Current Revenue	745,913,000	811,550,300	819,624,734	757,091,047
	Capital Revenue (Statement 4)	5,660,000	11,012,600	10,590,813	9,134,983
	Sinking Fund Earnings (Statement 7-1)	21,225,000	21,225,000	21,743,711	21,550,851
	Total Revenue	772,798,000	843,787,900	851,959,258	787,776,881
Expenditures					
26	Agriculture and Forestry	18,717,900	19,544,000	19,285,052	18,739,157
	Auditor General	1,142,700	1,129,400	1,076,822	1,001,020
	Community Services and the Attorney General	32,213,200	32,494,200	32,458,882	21,581,218
27	Economic Development	29,381,300	32,155,900	32,044,049	33,329,122
28	Education	174,267,500	183,546,800	185,660,060	168,638,697
	Executive Council	2,196,900	2,169,200	2,093,567	1,931,185
	Fisheries and Tourism	11,404,200	11,768,800	12,126,918	12,768,686
	Health and Social Services	281,997,700	296,941,300	299,274,096	296,077,538
	Legislative Assembly	2,585,700	2,717,300	2,686,723	2,629,643
29	Provincial Treasury	23,842,700	51,554,000	49,386,902	33,110,405
	Public Service Commission	3,122,300	3,562,500	3,118,607	2,646,947
	Technology and Environment	11,708,600	13,903,700	13,826,402	11,814,858
30	Transportation & Public Works	58,525,100	62,220,200	62,100,219	46,764,734
	Interest Charges on Debt	102,191,000	101,533,000	101,374,915	102,290,509
	Total Current Expenditure	753,296,800	815,240,300	816,513,214	753,323,719
	Capital Expenditure (Statement 4)	28,943,700	34,668,000	35,071,179	50,681,093
	Total Expenditure	782,240,500	849,908,300	851,584,393	804,004,812
	Surplus (Deficit) before Pension Adjustment	(9,442,500)	(6,120,400)	374,865	(16,227,931)
	Pension Adjustment	6,000,000	9,000,000	5,969,937	9,282,628
	Surplus (Deficit)	(3,442,500)	2,879,600	6,344,802	(6,945,303)

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

Province of Prince Edward Island
Operating Fund
Ordinary Expenditure by Object
as at March 31, 1999

Statement 3

Department	Administration	Debt	Equipment	Materials and Supplies	Professional & Contract Services	Salaries & Employee Benefits	Travel & Training	Transfer Payments	Total	Unaudited Estimate
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Agriculture and Forestry	407,489	-	304,590	798,457	1,168,948	8,249,731	834,460	7,521,377	19,285,052	18,717,900
Auditor General	26,449	-	19,734	6,044	89,667	894,254	29,368	11,306	1,076,822	1,142,700
Community Services and Attorney Gr	540,085	-	643,312	871,583	8,845,802	16,077,960	639,019	4,841,121	32,458,882	32,213,200
Economic Development	304,803	-	71,055	236,582	563,779	3,109,600	135,547	27,622,683	32,044,049	29,381,300
Education	471,861	-	500,612	1,831,454	335,713	117,810,177	353,955	64,356,288	185,660,060	174,267,500
Executive Council	67,479	-	29,571	7,420	325,732	1,547,474	109,091	6,800	2,093,567	2,196,900
Fisheries and Tourism	249,789	-	67,143	523,538	491,013	3,347,228	192,573	7,255,634	12,126,918	11,404,200
Health and Social Services	694,548	5,321,968	674,837	1,851,305	54,420,450	7,169,047	359,001	228,782,940	299,274,096	281,997,700
Legislative Assembly	114,614	-	14,670	24,065	66,973	2,231,279	125,190	109,932	2,686,723	2,585,700
Provincial Treasury	1,999,231	700,000	414,606	802,543	728,647	17,380,630	520,282	26,840,963	49,386,902	23,842,700
Public Service Commission	125,323	-	80,007	54,250	282,502	2,484,245	92,280	-	3,118,607	3,122,300
Technology and Environment	324,661	-	540,308	1,738,952	4,052,407	5,089,440	459,922	1,620,712	13,826,402	11,708,600
Transportation and Public Works	4,839,357	-	1,333,522	17,396,531	11,312,040	26,006,537	1,123,989	88,243	62,100,219	58,525,100
Interest Charges on Debt	-	101,374,915	-	-	-	-	-	-	101,374,915	102,191,000
Total Expenditures	10,165,689	107,396,883	4,693,967	26,142,724	82,683,673	211,397,602	4,974,677	369,057,999	816,513,214	753,296,800
Percentage of Total Expenditures	1.2	13.2	0.6	3.2	10.1	25.9	0.6	45.2	100.0	

Note 1 - Salaries include the salaries paid to School Unit Employees.

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

Province of Prince Edward Island
Operating Fund
Statement of Capital Revenue and Expenditure
for the year ended March 31, 1999

Statement 4

	1999 \$	1999 \$	1999 \$	1998 \$
Revenue	Unaudited Estimate	Unaudited Forecast	Actual	Restated Actual
Federal Sources	4,895,000	9,672,600	9,713,103	7,369,295
Land Sales	310,000	310,000	252,874	337,018
Other	455,000	1,030,000	624,836	1,428,670
Total Capital Revenue	<u>5,660,000</u>	<u>11,012,600</u>	<u>10,590,813</u>	<u>9,134,983</u>
Expenditures				
Highways				
Paving	10,815,000	21,097,800	21,394,044	19,209,268
Reconstruction	10,402,100	4,400,000	5,094,461	11,279,515
Bridges and Culverts	2,560,000	1,525,000	1,571,033	1,408,753
Bridges and Roads Under Lease	2,500,000	2,500,000	2,208,303	14,373,260
Administration	-	-	-	1,138,071
Equipment and Lighting	500,000	600,000	645,002	631,546
Total Highways	<u>26,777,100</u>	<u>30,122,800</u>	<u>30,912,843</u>	<u>48,040,413</u>
Buildings				
Government House - Renovations	100,000	100,000	71,254	-
Shaw Building - Renovations	236,000	126,000	127,830	216,912
Coles Building - Renovations	145,000	202,000	201,359	24,011
Province House - Renovations	79,500	125,000	106,600	-
Jones Building - Renovations	144,000	144,000	209,144	163,496
Bridgetown Highway Depot	920,000	1,100,000	1,111,574	25,405
Borden - Scales Relocation	-	9,200	12,452	636,022
Highway Material Testing Lab	-	600,000	618,506	-
O'Leary Community Hospital - Flooring	-	105,000	52,567	-
Montgomery Hall - Holland College	-	150,000	147,293	-
Provincial Addiction Facility	-	100,000	5,724	-
Other	116,000	244,000	160,475	1,057,765
Total Buildings	<u>1,740,500</u>	<u>3,005,200</u>	<u>2,824,778</u>	<u>2,123,611</u>
Other Capital Assets				
Land Purchase	310,000	310,000	1,171,625	267,200
P.A.B. Parking Lot	-	50,000	32,036	-
Golf Courses	-	400,000	-	-
Email Infrastructure	116,100	130,000	129,897	-
Brudenell Waste Treatment Facilities	-	650,000	-	-
Other	-	-	-	249,869
Total Other Capital	<u>426,100</u>	<u>1,540,000</u>	<u>1,333,558</u>	<u>517,069</u>
Total Capital Expenditure	<u>28,943,700</u>	<u>34,668,000</u>	<u>35,071,179</u>	<u>50,681,093</u>
Net Capital Expenditure	<u>23,283,700</u>	<u>23,655,400</u>	<u>24,480,366</u>	<u>41,546,110</u>

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

**Province of Prince Edward Island
Operating Fund
Statement of Changes in Net Debt
for the year ended March 31, 1999**

Statement 5

	1999	1998
	\$	\$
Net Debt Beginning of Year	<u>996,750,080</u>	<u>989,804,777</u>
Increased by:		
Capital deficit	24,480,366	41,546,110
Decreased by:		
Ordinary surplus	<u>30,825,168</u>	<u>34,600,807</u>
Surplus (Deficit) arising from Operations	<u>6,344,802</u>	<u>(6,945,303)</u>
Net Debt End of Year	<u><u>990,405,278</u></u>	<u><u>996,750,080</u></u>

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

Province of Prince Edward Island		Statement 6	
Operating Fund			
Statement of Changes in Financial Position			
for the year ended March 31, 1999			
(thousands of dollars)			
	1999	1998	
	\$	Restated	\$
Balance Beginning of Year	<u>4,706</u>	<u>7,857</u>	
Operating Transactions			
Revenues	851,959	787,777	
Expenditures	<u>851,584</u>	<u>804,005</u>	
Net Expenditures	375	(16,228)	
Adjustments:			
- Non-Cash items included in Net Expenditures (Note 2)	27,327	23,372	
- Cash Items applicable to other periods (Note 3)	1,669	5,444	
- Sinking Fund Earnings	<u>(21,744)</u>	<u>(21,551)</u>	
Derived (Used) from Operations	<u>7,627</u>	<u>(8,963)</u>	
Financing Transactions			
Receipts:			
Short Term Loans	48,000	7,000	
Debentures Issued	-	35,000	
Payments:			
Net Loans Receivable	14,227	(12,681)	
Provincial Deposit Receipts	18,091	35,900	
Debentures Redeemed	2,593	2,403	
Federal Loans	442	1,028	
Sinking Fund Provisor	<u>10,125</u>	<u>9,538</u>	
Derived from Financing Transactions	<u>2,522</u>	<u>5,812</u>	
Balance End of Year (Note 1)	<u>14,855</u>	<u>4,706</u>	
NOTES:			
1 Cash and Temporary Investments			
Cash and Short Term Deposits	23,500	4,706	
Bank Advances	<u>8,645</u>	<u>-</u>	
	<u>14,855</u>	<u>4,706</u>	
2 Non Cash Items Included in Net Expenditures			
Net (Increase) Decrease in Accounts Receivable	(16,142)	20,434	
Net (Increase) Decrease in Amortization of Debenture Discount	530	791	
Net Increase (Decrease) in Accounts Payable	37,949	2,167	
Net Increase (Decrease) in Deposit Receipts Interest	(238)	(409)	
Net Increase (Decrease) in Accrued Interest and Other Liabilities	<u>5,228</u>	<u>389</u>	
	<u>27,327</u>	<u>23,372</u>	
3 Cash Items Applicable to Other Periods			
Net (Increase) Decrease in Inventories	(29)	(201)	
Net (Increase) Decrease in Prepaid Expenses	1,149	4,408	
Net (Increase) Decrease in Treasury Advances	(193)	177	
Net Increase (Decrease) in Deferred Revenue	<u>742</u>	<u>1,060</u>	
	<u>1,669</u>	<u>5,444</u>	

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

**Province of Prince Edward Island
Sinking Fund
Statement of Financial Position
as at March 31, 1999**

Statement 7

	1999	1998
Assets	\$	\$
Cash	60,809	(504,088)
Accrued Interest	4,211,357	4,394,703
Accounts Receivable	16,469,521	6,005,359
Investments (Statement 7-2)	199,016,543	193,801,234
Pledged Investments (Statement 7-2)	<u>53,319,551</u>	<u>62,719,761</u>
Total	<u>273,077,781</u>	<u>266,416,969</u>
Liabilities and Sinking Fund Reserve		
Liabilities		
Accounts Payable	<u>53,320,605</u>	<u>62,721,430</u>
Sinking Fund Reserve		
Balance, Beginning of Year	203,695,539	297,151,678
Add:		
Income for Year (Statement 7-1)	31,868,761	31,088,372
Change in Pledged Investments	9,400,210	45,040,489
Debentures Issued During Year (Schedule 19)	376,000	-
Less:		
Defeased	-	87,140,000
Payment to Pension Funds	18,046,334	17,510,000
Debentures Matured During Year (Schedule 19)	<u>7,537,000</u>	<u>64,935,000</u>
Balance, End of Year	<u>219,757,176</u>	<u>203,695,539</u>
Total	<u>273,077,781</u>	<u>266,416,969</u>

Note - Pledged Investments

Acts to amend the Civil Service and Teachers' Superannuation Funds reflect that the Province shall pay \$63.4 and \$129.44 million into the Funds respectively, from 1996 to 2005. Management Board has directed that these payments will be paid annually out of the Market Contingency Fund, of the Sinking Fund.

Province of Prince Edward Island Sinking Fund Statement of Financial Activities for the year ended March 31, 1999		Statement 7-1
	1999 \$	1998 \$
Sinking Fund Earnings		
Interest-Debentures	17,064,964	16,406,254
-Bank	188,827	335,207
Amortization of Debenture Discount	4,468,289	4,611,933
Gain on Sale of Debentures	41,930	1,036,043
	<u>21,764,010</u>	<u>22,389,437</u>
Expenses		
Bank Charges	20,299	21,621
Loss on Defeasement	-	816,965
Net Sinking Fund Earnings	<u>21,743,711</u>	<u>21,550,851</u>
Instalments	<u>10,125,050</u>	<u>9,537,521</u>
Net Income	<u><u>31,868,761</u></u>	<u><u>31,088,372</u></u>

Province of Prince Edward Island Sinking Fund Statement of Investments as at March 31, 1999		Statement 7-2
	1999 \$	1998 \$
Debentures-Par Value	180,232,000	193,851,000
Add: Unamortized Premium	1,800,341	1,830,030
	<u>182,032,341</u>	<u>195,681,030</u>
Debentures-Residuals	69,853,691	53,289,904
Term Deposits	-	7,100,000
Mortgage Receivable	450,062	450,062
Book Value of Investments	<u><u>252,336,094</u></u>	<u><u>256,520,996</u></u>
Market Value of-Debentures	295,903,194	293,649,896
-Term Deposit Receipts	-	7,100,000
-Mortgage Receivable	452,582	464,689
Market Value of Investments	<u><u>296,355,776</u></u>	<u><u>301,214,585</u></u>

**Province of Prince Edward Island
Notes to the Operating Fund Financial Statements
For the year ended March 31, 1999**

1 (a) Reporting Entity

In accordance with the Financial Administration Act, the financial position of the Province is presented by a Statement of Financial Position of the Operating Fund.

(b) Definitions

Capital Expenditure

Expenditures incurred in the acquisition, development or construction of capital assets and equipment with a purchase price of \$50,000 or greater. Capital expenditures are generally for highway construction and buildings.

Tangible Capital Assets

Non-financial assets that are held for use in the production or supply of goods and services, have useful lives extending beyond one accounting period and are not intended for sale in the ordinary course of operations.

Ordinary Expenditures:

Administration

Includes the costs associated with the operation and administration of an office.

Debt

Includes the cost of servicing the public debt and provision for losses.

Equipment

Includes equipment costing less than \$50,000 and not permanently attached to buildings.

Materials and Supplies

Includes the cost of consumable supplies required in day to day operations.

Professional and Contract Services

Includes professional and contract services from non - government individuals or organizations.

Salary and Employee Benefits

Includes costs associated with employment of individuals such as salaries, severance and retirement allowances, workers compensation and employer share of insurance, Blue Cross, Canada Pension Plan, unemployment insurance, etc.

Travel and Training

Includes all costs associated with travel and training of provincial government employees.

Transfer Payments

Payments for which the government will not receive any tangible goods or services.

Inventory

Includes only that which is held for resale. Other commodities relating to consumable goods are valued at nil.

2 Basis of Accounting

- (a) The Province complies with the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants wherever applicable.
- (b) The financial transactions recorded in the Accounts of the Province and reflected in the Public Accounts are classified as budgetary and non-budgetary.

In general terms budgetary transactions are those which enter into the calculation of the annual budgetary surplus or deficit and are disclosed in the Statement of Revenue and Expenditure - both Capital and Ordinary Revenues and Expenditures are included. Non-budgetary transactions lead to the acquisition or disposal of financial assets, or to the creation or discharge of financial obligations which are disclosed in the Statement of Financial Position.

- (c) The Province's financial statements are presented so as to highlight Net Debt, a measurement of financial position. The Net Debt of the Province is determined by its liabilities less its listed assets.
- (d) The Province presents revenues and expenditures on the accrual basis, however, payments from Canada under the Federal-Provincial Fiscal Arrangements, the Canada Health and Social Transfer and the Tax Collection Agreement are based on estimates which will be adjusted against future years revenues when actual results become available.
- (e) Tangible capital assets are reported as expenditures in the year the assets are acquired, they are not included in the Province's Statement of Financial Position. Schedule 15 (unaudited) is provided to inform users of the net book value of the tangible capital assets on hand and available for use by the Province.

3 Prince Edward Self-Insurance and Risk Management Fund

The Prince Edward Island Self-Insurance and Risk Management Fund was established in 1988 under Part II of the Financial Administration Act. The fund insures against liability claims. At March 31, 1999, fund reserves were \$7.5 million (\$7.2 in 1998). Claims amounting to \$183,090 (\$180,040 in 1998), were settled in the current year. The fund also carries an excess liability policy limiting the liability of the fund to \$5,000,000.

4 Province of Prince Edward Island Sinking Fund

The Province of Prince Edward Island Sinking Fund was established to reserve funds to meet future commitments and for debt retirement. Earnings on sinking funds are reflected as current account revenue. The Sinking Fund is made up of three components:

(a) Debentures

Installment payments are made to the Sinking Fund from the Operating Fund, they are allocations within the Operating Fund, and as such, are treated as a non-budgetary item. The installment payments for the next five years are:

1999-2000	10,125,050
2000-2001	10,065,530
2001-2002	9,930,650
2002-2003	9,311,497
2003-2004	9,287,827

As at March 31, 1999 Sinking Fund investments include PEI Issues held but not cancelled in the amounts of:

Debentures - Par Value	\$ 19,855,000	Book Value	\$21,331,720
Residuals - Par Value	101,352,796	Book Value	44,277,723

(b) Canada Pension Plan Debentures

Canada Pension Plan debentures are callable by the Federal Minister of Finance on six months notice under certain conditions. No calls have occurred to date and none are expected. Beginning in March 1999 the Province began re-financing CPP debentures as they become due. There are no installment requirements for Canada Pension Plan debentures and there are no restrictions on funds contributed to the Sinking Fund for the retirement of Canada Pension Plan debentures.

(c) Market Contingency Fund

The Market Contingency Fund was established from over-funding of Provincial debenture issues and Canada Pension Plan loans. In the 1995/96 fiscal year the Province committed to reduce the unfunded liability in the Teacher's Superannuation Fund and the Civil Service Superannuation Fund. The payments associated with this reduction are committed from the Market Contingency Fund. At March 31, 1999 the balance of this fund, \$53.3million, is restricted by this commitment.

5 Claims Outstanding

There are seventy-two claims outstanding, totaling approximately \$3.5 billion, arising from legal action in progress against the Crown in respect of breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

One of the seventy-two claims outstanding is a Hepatitis C class action suit seeking \$3.5 billion in damages. The remaining seventy-one claims total approximately \$44.7 million.

6 Commitments

(a) Central Mortgage and Housing Corporation

The Province is committed to pay half the cost of a loan from Central Mortgage and Housing Corporation, for the development of the Charlottetown Area Pollution Control and Summerside Sewage Disposal systems.

The outstanding loan balance as at March 31, 1999 was \$653,532. An amount of \$187,300 is included in the 1999-2000 budget of the Department of Community Services and Attorney General, to meet the Province's principal and interest share for the fiscal year.

(b) K.C. Irving Chemistry Building

The Province is committed to make payments over a ten year period totaling \$1.0 million plus interest on the outstanding balance. The outstanding balance as at March 31, 1999 was \$800,000. An amount of \$155,000 is included in the 1999-2000 budget of the Department of Education to meet the Province's principal and interest share for the fiscal year.

(c) Leases

The Province is party to a significant number of lease agreements. The following list contains those leases where the annual lease payments exceed one hundred thousand dollars.

Asset Description	Annual Lease Cost	Lease Period
Sir Henry Davies Law Courts	452,000	Apr-01-79 - Oct-31-99
Health and Social Services Office Space	295,800	Feb-01-97 - Feb-01-12
Queens Regional Health Authority Office	340,800	Feb-01-97 - Feb-01-13
Ch'town Highway Safety Division Office	136,800	Jul-01-97 - Jun-30-07
Kelly Building (Provincial Court House)	275,700	Nov-01-99 - Nov-01-26
Access PEI Summerside Office	510,400	Feb-01-98 - Jan-31-18
Eastern Kings Regional Services Centre	185,800	Jan-01-99 - Dec-31-00
Morell Library	163,200	Apr-01-93 - Mar-31-03
Blanchard Building	170,900	Sep-01-88 - Aug-31-03
Concorde Building	115,300	Jul-01-94 - Nov-30-09
Cambridge Building	119,100	Dec-01-78 - Nov-30-99
Hillsborough Bridge *	1,358,900	Aug-01-96 - Aug-21-01
DocuTech 135 High Speed Copier	120,900	Nov-01-95 - Apr-30-03
Unisys Mainframe Computer	254,500	Jan-01-95 - Dec-31-99
Law Court Case Management System	450,000	Sep-01-97 - Aug-31-03

* Hillsborough Bridge

The Province has replaced the Hillsborough Bridge with a structure that contains two additional lanes and has upgraded approach highways on either side. The total cost of the project (\$21.7 million) has been financed by a lease which is being treated as a capital lease. Cost of the bridge replacement has been charged to Capital Expenditures and the lease obligation is recorded as a liability under Accounts Payable.

7 Pension Funds**(a) Civil Service Superannuation Fund**

Employees of the Province and certain of its' entities are entitled to receive pension benefits pursuant to the provisions of a pension plan under the Civil Service Superannuation Act. The plan is operated within the Civil Service Superannuation Fund to which employee and employer matching contributions and investment income are credited, and payments to pensioners and terminating employees and certain other expenses are charged. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer.

The Civil Service Superannuation Fund is not part of the Operating Fund of the Province. The Plan is funded by employee contributions plus equal contributions by the Province. By Act the Province is committed to make payments if the Civil Service Superannuation Fund is insufficient to provide for pension payments as they become due.

An amendment to the Civil Service Superannuation Act on May 4, 1995 provided for the significant reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of \$11.6 million in 1995/96 and \$5.75 million in the years 1996/97 to 2004/05.

Actuarial Valuations of the Civil Service Superannuation Fund are carried out every three years. The most recent Actuarial Valuation was carried out at April 1, 1996. An estimated update, which is a partial calculation only, and indicates the present value of commitments, is provided as at March 31, 1999:

	Actuarial Valuation 01-Apr-96	Estimate 31-Mar-99
Actuarial Liability	\$292,126,000	\$358,976,000
Fund Assets	222,206,000	327,648,000
Present value of future special payments	38,482,000	29,431,047
Unfunded Liability	31,438,000	1,896,953

(b) 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 to which teacher and employer matching contributions and investment income are credited, and payments to pensioners and terminating employees are charged. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer.

The Teachers' Superannuation Fund is not part of the Operating Fund of the Province. The Plan is funded by employee contributions plus equal contributions by the employer. By Act the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due.

An amendment to the Teachers' Superannuation Act on May 4, 1995 provided for the significant reduction of the unfunded liability of the fund. The amendment calls for a contribution from the government of \$23.6 million in 1995/96 and \$11.76 million in the years 1996/97 to 2004/05.

Actuarial Valuations of the Teacher's Superannuation Fund are carried out every three years. The most recent Actuarial Valuation was carried out at July 1, 1996. An estimated update, which is a partial calculation only, and indicates the present value of commitments, is provided as at March 31, 1999:

	Actuarial Valuation 01-Jul-96	Estimate 31-Mar-99
Actuarial Liability	\$309,841,000	\$357,595,000
Fund Assets	162,627,000	226,498,000
Present value of future special payments	68,114,000	60,192,075
Unfunded Liability	79,100,000	70,904,925

(c) MLA Pension Fund (Prior plan)

The Legislative Assembly Retirement Allowances Act and Legislature and Executive Pensions Act provided a pension plan for members of the Legislative Assembly. Amendments in 1994 resulted in this plan being replaced by a new pension plan. Participants of the prior plan will be entitled to benefits accruing under the terms of the plan up to and including June 30, 1994. As a result, contributions to this fund ceased on June 30, 1994; however, investment interest and payments to existing pensioners will continue to be recorded to this fund. As well, the province provided \$5 million in funding to eliminate the unfunded liability at June 30, 1994.

Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer.

Actuarial Valuations of the Fund are carried out every three years. The most recent Actuarial Valuation was carried out at April 1, 1997. An estimated update, which is a partial calculation only, and indicates the present value of commitments, is provided as at March 31, 1999:

	Actuarial Valuation 01-Apr-97	Estimate 31-Mar-99
Actuarial Liability	\$14,354,700	\$14,674,000
Fund Assets	17,576,200	19,404,300
Unfunded liability (Surplus)	(3,221,500)	(4,730,300)

(d) Pension plan for Members of the Legislative Assembly (1994)

An Amendment to the Legislative Assembly Act in 1994 provided 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, the Speaker, Opposition House Leader, Government Whip and Opposition Whip. As a result of this amendment, a pension plan called the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" was established by the Commission with an effective start date of July 1, 1994. Contributions of Government and Members of the Legislative Assembly and investment income are credited, and payments to pensioners of this fund will be charged as they arise. Investments are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. The matched contributions plus income are expected to be enough to allow the fund to continue to be fully funded.

Actuarial Valuations of the Fund are carried out every three years. The most recent Actuarial Valuation was carried out at April 1, 1997. An estimated update, which is a partial calculation only, and indicates the present value of commitments, is provided as at March 31, 1999:

	Actuarial Valuation 01-Apr-97	Estimate 31-Mar-99
Actuarial Liability	\$359,300	\$820,000
Fund Assets	407,800	756,400
Unfunded liability (Surplus)	(48,500)	63,600

8 Canada Health and Social Transfer

The Province will be receiving funding from the Government of Canada under the Canada Health and Social Transfer. The Federal Government has set up a trust fund to administer this program. The Province will record revenue from this program per the following schedule:

1999 - 2000	\$9.0 million
2000 - 2001	4.5 million
2001 - 2002	2.2 million

9 Comparative Figures

Certain 1998 financial statement figures have been restated to conform with the presentation in 1999.

10 Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The Province may experience the effects of the year 2000 issue before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Province's ability to conduct normal business operations.

The Province is working to mitigate any potential effects that may be experienced in critical business systems due to the year 2000 Issue. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Province, including those related to the efforts of customers, suppliers, or other parties, will be fully resolved. However, any potential costs associated with modifying computer systems for the Year 2000 are not expected to have a material affect on the Province's financial condition.

**Province of Prince Edward Island
Operating Fund
Schedules to Statement of Financial Position
as at March 31, 1999**

	1999	1998
	\$	Restated
		\$
1 Accounts and Taxes Receivable		
Taxes	45,403,341	48,947,244
Government of Canada	21,533,139	10,197,575
Crown Corporations, Boards & Agencies	3,086,887	5,226,364
Interest	1,906,658	1,944,593
Atlantic Lottery Corporation	959,027	1,272,122
Other	<u>17,566,228</u>	<u>6,720,591</u>
	90,455,280	74,308,489
Allowance for Doubtful Accounts (Schedule 18)	<u>(1,419,562)</u>	<u>(1,414,138)</u>
	<u><u>89,035,718</u></u>	<u><u>72,894,351</u></u>
 2 Treasury Advances		
Employee Computer Purchases	481,089	268,188
Petty Cash	13,125	30,080
Travel	-	2,910
Salary	<u>2,280</u>	<u>2,216</u>
	<u><u>496,494</u></u>	<u><u>303,394</u></u>
 3 Inventories		
Land, Tax Sales	<u>273,119</u>	<u>243,823</u>
	<u><u>273,119</u></u>	<u><u>243,823</u></u>
 4 Investments		
Summerside Regional Development Corporation	1,875	1,875
Charlottetown Area Development Corporation	<u>1,870</u>	<u>1,870</u>
	<u><u>3,745</u></u>	<u><u>3,745</u></u>

	1999	1998
	\$	Restated
		\$
5 Loans Receivable		
Debentures - Long Term		
Enterprise P.E.I.	14,978,424	10,224,665
P.E.I. Lending Agency	82,328,418	70,504,940
P.E.I. Housing Corporation	21,324,298	21,224,522
P.E.I. Liquor Control Commission	1,576,459	1,747,402
Charlottetown Area Pollution Control	276,672	382,195
Community Development	106,990	193,712
Stratford Pollution Control Commission	179,814	202,429
Charlottetown Area Development Corporation	800,000	800,000
Summerside Regional Development Corporation	149,684	167,383
City of Summerside	82,715	103,160
Town of Montague	22,687	32,867
P.E.I. Grain Elevators Corporation	44,864	68,960
Gateway Village Development Inc	717,594	-
	<u>122,588,619</u>	<u>105,652,235</u>
Debentures - Short Term		
Enterprise P.E.I.	1,950,000	-
P.E.I. Lending Agency	7,677,248	14,306,558
Island Regulatory & Appeals Commission	125,000	125,000
	<u>9,752,248</u>	<u>14,431,558</u>
Total - Debentures	132,340,867	120,083,793
Provision for Doubtful Accts (Schedule 18)	(8,790,645)	(11,092,904)
Net Debentures	123,550,222	108,990,889
Other Loans		
School Board Computer Loans	267,975	600,304
	<u>123,818,197</u>	<u>109,591,193</u>
6 Deferred Charges		
Debenture Discount	5,439,075	5,968,755
Prepaid Expenses	767	1,150,032
	<u>5,439,842</u>	<u>7,118,787</u>
7 Bank Advances		
Overdraft	4,160,336	-
Uncashed Cheques	4,484,539	-
	<u>8,644,875</u>	<u>-</u>
8 Deferred Revenue/Credits		
Motor Vehicle	4,640,449	4,424,940
Pension Adjustment	60,941,582	116,343,020
General	1,373,031	845,849
	<u>66,955,062</u>	<u>121,613,809</u>

	1999	1998
	\$	Restated
		\$
9 Accounts Payable		
Goods & Services	29,175,131	30,456,606
Federal	24,250,285	26,954,426
Boards, Agencies, & Crown Corporations	34,238,334	30,925,826
Obligation under Capital Lease (Note 6)	21,735,000	19,254,613
Workforce Adjustment	5,316,646	-
Funding Arrangement	39,550,000	-
Other	1,073,506	9,798,783
	<u>155,338,902</u>	<u>117,390,254</u>
10 Accrued Liabilities		
Accrued Payroll and Benefits	45,028,865	39,629,500
Debentures	19,228,432	19,236,614
Canada Pension Bonds	5,215,517	5,427,172
Deferred Salaries	126,493	95,659
Pension Contributions	36,303,572	38,545,674
Other	17,456	-
	<u>105,920,335</u>	<u>102,934,619</u>
11 Short Term Loans		
Treasury Notes	55,000,000	7,000,000
Provincial Deposit Receipts - Principal	57,973,983	76,064,486
Provincial Deposit Receipts - Interest	11,474,609	11,712,426
	<u>124,448,592</u>	<u>94,776,912</u>
12 Loans Payable		
Federal Secured by Debentures		
School Construction Program	2,337,830	2,696,694
Land Development Corporation	1,797,000	1,797,000
Charlottetown Area Pollution Control	165,402	199,549
Summerside Regional Development Corporation	124,132	143,723
Summerside Seweage Disposal	81,464	101,994
Urban Services and Development	22,687	32,867
	<u>4,528,515</u>	<u>4,971,827</u>
13 Pension Obligations		
Civil Service Superannuation Fund	1,896,953	(21,044,202)
Teachers' Superannuation Fund	70,904,925	49,421,900
MLA Pension Fund (Prior Plan)	(4,730,300)	(3,221,500)
Pension plan for Members of the Legislative Assembly	63,600	(48,500)
	<u>68,135,178</u>	<u>25,107,698</u>

14 Debentures less Sinking Fund

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Term of Years</u>	<u>Gross Funded Debt</u>	<u>Contingency and Sinking Fund</u>	<u>Net Funded Debt</u>
Public and Private Issues:						
16-Feb-76	16-Feb-01	10.750%	25	1,984,000	5,616,115	(3,632,115)
15-Dec-81	15-Dec-01	16.250%	20	13,488,000	6,179,054	7,308,946
30-Apr-92	30-Apr-02	9.750%	10	45,943,000	5,493,825	40,449,175
4-Jul-77	4-Jul-02	9.500%	25	2,991,000	3,613,300	(622,300)
1-Dec-78	1-Dec-03	10.250%	25	2,367,000	1,611,621	755,379
18-Apr-79	18-Apr-04	10.625%	25	4,526,000	2,937,198	1,588,802
15-Jun-94	15-Jun-04	9.375%	10	59,058,000	5,243,651	53,814,349
12-Dec-84	12-Dec-04	12.750%	20	31,352,000	9,534,141	21,817,859
3-Apr-86	3-Apr-06	10.625%	20	33,298,000	8,473,997	24,824,003
15-Jan-87	15-Jan-07	9.875%	20	30,186,000	6,858,691	23,327,309
22-Jun-88	22-Jun-08	11.375%	20	47,980,000	11,109,291	36,870,709
1-Dec-88	1-Dec-08	10.750%	20	44,687,000	9,663,161	35,023,839
16-Aug-90	16-Aug-10	11.500%	20	60,000,000	9,818,169	50,181,831
14-Mar-91	14-Mar-11	11.000%	20	50,000,000	7,314,301	42,685,699
19-Sep-91	19-Sep-11	11.000%	20	50,000,000	6,713,948	43,286,052
17-Dec-92	17-Dec-12	9.750%	20	50,000,000	5,214,615	44,785,385
18-Mar-93	18-Mar-13	9.250%	20	60,000,000	7,058,796	52,941,204
27-Oct-95	27-Oct-15	8.500%	20	75,000,000	4,290,411	70,709,589
15-Dec-95	15-Dec-04	7.769%	20	19,432,110	-	19,432,110
15-Dec-93	15-Dec-23	8.500%	30	60,000,000	5,978,735	54,021,265
3-Oct-97	3-Oct-07	6.000%	10	35,000,000	728,023	34,271,977
				<u>777,292,110</u>	<u>123,451,043</u>	<u>653,841,067</u>
Canada Pension Plan Issues						
1979-80	1999-2000	10.660%	20	8,329,000	8,329,000	-
1980-81	2000-2001	12.730%	20	9,136,000	9,136,000	-
1981-82	2001-2002	15.560%	20	11,504,000	11,504,000	-
1982-83	2002-2003	14.240%	20	11,360,000	11,360,000	-
1983-84	2003-2004	11.670%	20	11,135,000	11,105,255	29,745
1984-85	2004-2005	13.210%	20	10,500,000	9,124,871	1,375,129
1985-86	2005-2006	11.230%	20	8,975,000	6,554,067	2,420,933
1986-87	2006-2007	9.560%	20	13,526,000	8,468,354	5,057,646
1987-88	2007-2008	9.950%	20	10,010,000	5,438,163	4,571,837
1988-89	2008-2009	10.090%	20	9,703,000	4,426,104	5,276,896
1989-90	2009-2010	9.660%	20	10,544,000	3,901,479	6,642,521
1990-91	2010-2011	10.770%	20	9,603,000	2,937,425	6,665,575
1991-92	2011-2012	9.930%	20	9,794,000	2,383,742	7,410,258
1992-93	2012-2013	9.340%	20	6,971,000	1,261,673	5,709,327
1998-99	2018-2019	5.930%	20	376,000	376,000	-
				<u>141,466,000</u>	<u>96,306,133</u>	<u>45,159,867</u>
Market Contingency Fund				-	<u>53,319,551</u>	<u>(53,319,551)</u>
				918,758,110	273,076,727	645,681,383
Less: Investments pledged to reduce Pension Obligations				-	<u>53,319,551</u>	<u>(53,319,551)</u>
				<u>918,758,110</u>	<u>219,757,176</u>	<u>699,000,934</u>

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

**15 Tangible Capital Assets
(unaudited)**

	Land	Buildings	Roads and Bridges	Motor Vehicles	Equipment	Other	Total
Estimated useful life	Indefinite	40 years	40 years	5-10 years	5-10 years	5-40 years	
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	137,784,800	44,541,196	690,247,988	30,848,845	6,589,813	28,343,581	938,356,223
Additions	<u>2,775,200</u>	<u>2,824,778</u>	<u>30,267,841</u>	<u>754,140</u>	<u>617,095</u>	<u>161,933</u>	<u>37,400,987</u>
Balance, end of year	<u>140,560,000</u>	<u>47,365,974</u>	<u>720,515,829</u>	<u>31,602,985</u>	<u>7,206,908</u>	<u>28,505,514</u>	<u>975,757,210</u>
Accumulated Amortization, beginning of year	-	16,341,136	400,934,066	28,124,330	4,856,020	12,468,703	462,724,255
Amortization	<u>-</u>	<u>775,621</u>	<u>26,966,505</u>	<u>856,871</u>	<u>793,722</u>	<u>994,712</u>	<u>30,387,431</u>
Accumulated Amortization, end of year	<u>-</u>	<u>17,116,757</u>	<u>427,900,571</u>	<u>28,981,201</u>	<u>5,649,742</u>	<u>13,463,415</u>	<u>493,111,686</u>
Net Book Value	<u>140,560,000</u>	<u>30,249,217</u>	<u>292,615,258</u>	<u>2,621,784</u>	<u>1,557,166</u>	<u>15,042,099</u>	<u>482,645,524</u>

Land is valued at assessed value (per the Provincial property assessment and taxation system), the remaining capital assets are valued at historical cost, or estimated cost where historical cost information is not available.

The Province is in the process of capitalizing all tangible capital assets in the Operating Fund. Leasehold improvements and capital lease assets are not included in this schedule, they will be included in future schedules.

At the time of preparation of this schedule work on compiling historical information on buildings, motor vehicles, equipment and other assets was incomplete, the amounts shown for these assets depicts the information available at time of printing.

Amortization is calculated using the straight line method based on the estimated useful life of each asset, except for buildings and roads and bridges which are amortized on the declining balance method.

The totals for capital expenditures on Statement 4 do not relate to capital addition totals on this schedule due to the fact that the policy for inclusion of assets in this schedule differs from the policy classifying capital expenditures in the Operating Fund (see Note 1b).

16 Reserves and Trust Funds

Balance			Accrued	Contributions	Accounts	Balance
	Cash	Investments	Interest Receivable	Receivable	Payable	of Fund
Carnegie Endowment Fund	-	102,700	-	-	-	102,700
Civil Service Superannuation Fund (unaudited)	196,262	327,647,931	-	492,447	313,916	328,022,724
M.L.A.'s Superannuation Fund	25,191	19,305,127	-	4,607	-	19,334,925
Pension Plan for M.L.A.'s	58,381	800,895	-	1,704	4,373	856,607
Cable Replacement Fund	-	2,969,044	6,063	-	-	2,975,107
Public Trustee	1,209,598	8,029,040	-	39,355	9,182,167	95,826
Supreme Court	52,868	1,233,915	-	-	1,122,952	163,831
Teachers' Superannuation Fund *	818,104	231,314,368	3,260	2,741	443,158	231,695,315
Utility Capital Replacement Fund	-	310,888	-	2,591	-	313,479
	<u>2,360,404</u>	<u>591,713,908</u>	<u>9,323</u>	<u>543,445</u>	<u>11,066,566</u>	<u>583,560,514</u>

Continuity	Utility Capital	Public	Supreme	Civil Service	Pension	M.L.A.'s
	Replacement	Trustee	Court	Superannuation	Plan for	Superannuation
	Fund			Fund	M.L.A.'s	Fund
				(unaudited)		
Balance March 31, 1998	312,293	6,674	134,726	323,316,618	671,237	20,242,487
Add:						
Operating Fund Special Payments	-	-	-	6,290,698	-	-
Contributions	748	-	-	13,982,661	215,362	-
Interest Income	14,008	18,763	64,162	13,682,608	31,453	827,367
Recoveries and Commission	-	80,543	-	-	-	-
Increase in Book Value of Bonds	-	-	-	(11,642,328)	(47,465)	(690,439)
	<u>327,049</u>	<u>105,980</u>	<u>198,888</u>	<u>345,630,257</u>	<u>870,587</u>	<u>20,379,415</u>
Less:						
Pensions	-	-	-	14,817,217	4,373	997,133
Refunds and Transfers of Contributions	-	-	-	2,136,031	-	-
Expenses	13,570	10,154	35,057	654,285	9,607	47,357
Balance March 31, 1999	<u>313,479</u>	<u>95,826</u>	<u>163,831</u>	<u>328,022,724</u>	<u>856,607</u>	<u>19,334,925</u>

	Teachers'	Cable	Carnegie	Total
	Superannuation	Replacement	Endowment	
	Fund	Fund	Fund	
Balance March 31, 1998	191,651,095	2,833,245	102,700	539,271,075
Add:				
Operating Fund Special Payments	23,883,141	-	-	30,173,839
Contributions	10,865,851	-	-	25,064,622
Interest Income	7,099,733	141,862	4,557	21,884,513
Recoveries and Commission	-	-	-	80,543
Increase in Book Value of Bonds	15,267,973	-	-	2,887,741
	<u>248,767,793</u>	<u>2,975,107</u>	<u>107,257</u>	<u>619,362,333</u>
Less:				
Pensions	16,170,288	-	-	31,989,011
Refunds and Transfers of Contributions	335,752	-	-	2,471,783
Expenses	566,438	-	4,557	1,341,025
Balance March 31, 1999	<u>231,695,315</u>	<u>2,975,107</u>	<u>102,700</u>	<u>583,560,514</u>

* As at June 30, 1998

17 Guaranteed Debt

	Principal Guaranteed \$	1999 Outstanding March 31 \$	1998 Outstanding March 31 \$
1 Loan Guarantees			
Lines of Credit	3,000,000	1,099,985	2,209,472
2 Debenture/Share Issues	<u>12,362,357</u>	<u>11,709,169</u>	<u>218,235</u>
Total Guaranteed Debt	<u>15,362,357</u>	<u>12,809,154</u>	<u>2,427,707</u>

	Maturity Date	Interest Rate	Principal Guaranteed \$	Outstanding 31-Mar-99 \$	Outstanding 31-Mar-98 \$
1 Loan Guarantees					
Lines of Credit					
P.E.I. Grain Elevators Corp.	15-Jan-00	Prime	<u>3,000,000</u>	<u>1,099,985</u>	<u>2,209,472</u>
2 Debenture / Share Issues					
Prince County Hospital	4-Dec-08	5.375%	390,815	167,474	195,135
City of Summerside	1-Mar-99	8.500%	127,000	-	11,000
Ch'town Area Dev. Corp.	15-May-13	5.781%	11,800,000	11,531,596	-
Town of Souris	1-Feb-03	5.375%	19,800	4,300	5,240
Village of Tignish	1-Jan-03	5.125%	15,713	3,397	4,050
Village of Crapaud	1-Dec-03	5.375%	9,029	2,402	2,810
			<u>12,362,357</u>	<u>11,709,169</u>	<u>218,235</u>

Notes:

Both principal and interest are guaranteed for loan guarantees and debenture share issues.

Guarantee balance at March 31 includes both principal and interest.

During the term authorized, lines of credit may revolve up to the original principal guaranteed plus interest due.

18 Continuity of Allowance for Doubtful Accounts

	Allowance March 31 1998 \$ Restated	Written Off During Year 1998-99 \$	Increase (Decrease) Provided 1998-99 \$	Allowance March 31 1999 \$
Loans Receivable:				
Enterprise P.E.I.	6,429,956	1,613,504	(769,517)	4,046,935
P.E.I. Lending Agency	<u>4,662,948</u>	<u>624,538</u>	<u>705,300</u>	<u>4,743,710</u>
	11,092,904	2,238,042	(64,217)	8,790,645
Accounts Receivable:				
Provincial Taxes	<u>1,414,138</u>	<u>694,576</u>	<u>700,000</u>	<u>1,419,562</u>
Total	<u><u>12,507,042</u></u>	<u><u>2,932,618</u></u>	<u><u>635,783</u></u>	<u><u>10,210,207</u></u>

19 Schedule of Debentures Issued and Matured

Issued	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue	Price Received
Sinking Fund					
Canada Pension Plan	1-Mar-99	5.930%	1-Mar-19	<u>376,000</u>	100.00
Matured/Called					
Matured/Called	Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue	Amount Matured
Operating Fund					
Provincial Debenture	15-Dec-95	7.769%	15-Dec-97	25,000,000	<u>2,592,803</u>
Sinking Fund					
Canada Pension Plan	3-Apr-78	9.400%	3-Apr-98	842,000	842,000
	1-May-78	9.490%	1-May-98	1,022,000	1,022,000
	1-Jun-78	9.410%	1-Jun-98	1,025,000	1,025,000
	4-Jul-78	9.460%	4-Jul-98	715,000	715,000
	1-Aug-78	9.490%	1-Aug-98	577,000	577,000
	1-Sep-78	9.360%	1-Sep-98	632,000	632,000
	2-Oct-78	9.350%	2-Oct-98	483,000	483,000
	1-Nov-78	9.460%	1-Nov-98	668,000	668,000
	1-Dec-78	9.840%	1-Dec-98	307,000	307,000
	2-Jan-79	9.820%	2-Jan-99	321,000	321,000
	1-Mar-79	10.160%	1-Mar-99	945,000	945,000
					<u>7,537,000</u>
					<u>10,129,803</u>

**Province of Prince Edward Island
Operating Fund
Schedules to Revenue and Expenditure Statement
for the year ended March 31, 1999**

<u>Revenue</u>	1999 \$ Unaudited Estimate	1999 \$ Unaudited Forecast	1999 \$ Actual	1998 \$ Restated Actual
20 Taxes				
Personal Income Tax	130,602,000	130,346,100	129,746,501	137,184,842
Sales Tax	127,255,000	130,472,600	133,388,657	123,450,627
Real Property Tax	40,200,000	40,966,700	41,080,113	40,363,439
Gasoline Tax	30,100,000	32,067,400	31,445,870	29,889,799
Corporate Income Tax	25,329,900	25,748,400	26,561,787	25,406,888
Health Tax on Tobacco	13,975,000	13,406,900	14,182,891	13,848,966
Health Tax on Liquor	9,453,600	9,435,000	9,442,469	9,171,701
Insurance Premium Tax	5,018,000	4,900,000	5,347,125	4,148,474
Corporation Capital Tax	1,650,000	1,612,100	1,557,281	1,602,658
Environment Tax	200,000	218,000	235,163	217,593
Fire Prevention Tax	200,000	240,000	256,991	237,040
	<u>383,983,500</u>	<u>389,413,200</u>	<u>393,244,848</u>	<u>385,522,027</u>
21 Licenses and Permits				
Motor Vehicle Registry	10,368,400	10,657,800	10,768,604	9,680,386
Registration & Licensing Act	575,000	579,600	620,334	592,056
Securities Act	550,000	800,000	882,346	843,710
Other	2,040,800	2,390,000	2,578,373	2,318,422
	<u>13,534,200</u>	<u>14,427,400</u>	<u>14,849,657</u>	<u>13,434,574</u>
22 Fees and Services				
Patient Fees	7,824,500	8,167,900	8,683,220	8,463,166
Housing Rental	4,500,000	4,412,000	4,418,702	4,414,178
Waste Reduction Program	2,625,800	2,625,800	2,541,952	2,314,810
Land Title and Registry Fees	1,400,000	1,400,000	1,631,648	1,544,486
Green Fees	-	-	-	1,649,785
Fines and Penalties	635,000	700,000	664,288	648,982
Court Fees	526,000	200,000	165,122	530,507
R.C.M.P. Recoveries	710,000	710,000	692,500	688,000
Campground Fees	460,000	592,700	567,438	490,383
Third Party Insurance	535,000	600,000	639,173	-
Probate Court Fees	792,600	860,900	922,018	200,807
Other	5,386,900	6,586,600	6,382,819	6,962,606
	<u>25,395,800</u>	<u>26,855,900</u>	<u>27,308,880</u>	<u>27,907,710</u>

	1999 \$ Unaudited Estimate	1999 \$ Unaudited Forecast	1999 \$ Actual	1998 \$ Restated Actual
23 Sales				
Lottery Revenue	11,575,000	10,878,100	11,142,529	14,550,997
Liquor Control Commission	10,519,100	9,967,200	9,658,211	9,800,122
Other	1,952,400	2,047,200	1,738,425	2,274,750
	<u>24,046,500</u>	<u>22,892,500</u>	<u>22,539,165</u>	<u>26,625,869</u>
24 Investment Interest				
Enterprise P.E.I.	681,000	771,000	1,116,057	805,589
PEI Lending Agency	7,405,000	6,541,000	6,488,204	6,864,874
Housing Corporation	2,197,000	2,134,000	1,964,698	2,051,096
Other	1,106,000	1,672,300	2,104,409	2,331,785
	<u>11,389,000</u>	<u>11,118,300</u>	<u>11,673,368</u>	<u>12,053,344</u>
25 Other Federal Payments				
Economic Regional Dev. Agreement	4,093,800	4,284,100	3,881,904	4,376,232
Canada Assistance Plan	400,000	600,000	746,567	4,460,306
Housing Programs	1,913,000	2,100,000	1,921,580	2,104,238
Young Offenders Services	1,793,200	1,793,200	1,793,200	1,859,655
Canada Employment	500,000	500,000	498,250	860,000
Minority & Second Language	1,297,800	1,297,800	1,102,357	1,288,575
Choice and Opportunity Program	-	1,000,000	1,000,000	1,394,000
French Service Agreement	1,091,600	1,128,400	1,130,905	1,104,000
Infrastructure Program	1,271,500	1,205,000	1,255,849	1,346,702
Statutory Subsidy	674,000	674,000	674,458	674,458
Rehabilitation Programs	257,000	625,000	727,250	324,258
Atlantic Freight Transition Program	725,000	725,000	707,105	951,224
Community Access Program (Technology PEI)	-	798,300	798,397	-
Other	4,597,100	3,041,200	2,952,994	2,566,875
	<u>18,614,000</u>	<u>19,772,000</u>	<u>19,190,816</u>	<u>23,310,523</u>
<u>Expenditures</u>				
26 Agriculture and Forestry				
Department of Agriculture and Forestry	18,612,900	19,439,000	19,180,052	18,591,457
P.E.I. Grain Elevators Corp.	105,000	105,000	105,000	147,700
	<u>18,717,900</u>	<u>19,544,000</u>	<u>19,285,052</u>	<u>18,739,157</u>

	1999 \$	1999 \$	1999 \$	1998 \$
	Unaudited Estimate	Unaudited Forecast	Actual	Restated Actual
27 Economic Development				
Department of Development	7,256,700	8,606,000	8,523,442	8,309,868
Enterprise P.E.I.	17,606,400	18,134,100	18,129,154	19,890,973
Employment Development Agency	3,744,700	4,644,700	4,621,981	4,177,680
P.E.I. Lending Agency	705,300	705,300	705,300	843,714
P.E.I. Energy Corporation	68,200	65,800	64,172	106,887
	<u>29,381,300</u>	<u>32,155,900</u>	<u>32,044,049</u>	<u>33,329,122</u>
28 Education				
Department of Education	173,247,200	182,526,500	184,639,824	167,894,947
Island Regulatory & Appeals Commission	1,020,300	1,020,300	1,020,236	743,750
	<u>174,267,500</u>	<u>183,546,800</u>	<u>185,660,060</u>	<u>168,638,697</u>
29 Provincial Treasury				
Department of Provincial Treasury	10,634,700	10,654,500	10,608,896	11,677,576
General Government	3,960,600	31,220,000	27,609,232	6,293,914
Employee Benefits	8,782,200	9,203,600	10,698,254	14,703,012
Council of Maritime Premiers	187,500	187,500	185,000	175,882
Interministerial Women's Secretariat	277,700	288,400	285,520	260,021
	<u>23,842,700</u>	<u>51,554,000</u>	<u>49,386,902</u>	<u>33,110,405</u>
30 Transportation & Public Works				
Department of Transportation & Public Works	58,525,100	62,220,200	62,100,219	46,451,959
P.E.I. Crown Building Corp.	-	-	-	312,775
	<u>58,525,100</u>	<u>62,220,200</u>	<u>62,100,219</u>	<u>46,764,734</u>