

Public Accounts

of the Province of

Prince Edward Island

Volume I
Consolidated Financial Statements

For the Year Ended March 31st

2014



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2014



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

May it please Your Honour:

The undersigned has the honour to submit herewith the Public Accounts Volume I of the Province of Prince Edward Island for the fiscal year ended March 31, 2014.

Respectfully submitted,

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

Honourable Wesley J. Sheridan
Minister of Finance, Energy & Municipal Affairs
January 30, 2015

Department of Finance, Energy & Municipal Affairs
Charlottetown, Prince Edward Island

To the Honourable Wesley J. Sheridan
Minister of Finance, Energy & Municipal Affairs

Sir:

I have the honour to submit herewith the Public Accounts Volume I of the Province of Prince Edward Island for the fiscal year ended March 31, 2014.

Respectfully submitted,

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

Gordon MacFadyen, CPA, CA
Comptroller
January 30, 2015

Office of the Comptroller
Charlottetown, Prince Edward Island

Province of Prince Edward Island
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For the Fiscal Year Ended March 31, 2014

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Introduction

The consolidated financial statements of the Province of Prince Edward Island are presented through the publication of the Public Accounts, Volume I. These statements consolidate the financial statements of the Province's Operating Fund with the financial statements of Agencies, Boards and Crown Corporations owned or controlled by the Province. The Operating Fund is comprised of all departments and government units of the Province, it does not include Agencies, Boards and Crown Corporations and it is the level at which the annual estimates are prepared in detail for approval by the Legislature.

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with Canadian accounting standards for the public sector. Other significant accounting policies used by the Province are described in the Notes to the Consolidated Financial Statements. The consolidated financial statements are prepared by the Comptroller and are audited by the Auditor General, who presents an independent auditor's report to the Legislative Assembly on the results of the audit.

The Public Accounts for the year ended March 31, 2014 consists of three volumes:

Volume I – Consolidated Financial Statements presents the audited consolidated financial statements of the provincial reporting entity as described in Note 1 to the consolidated financial statements. Volume I commences with a Financial Statement Discussion and Analysis section, which provides a narrative review of the financial performance of the Province including presentation of trends along with illustrations of key figures and relationships. The objective of this narrative is to explain and highlight information contained in the consolidated financial statements. It is presented by management to provide a clearer understanding of the Province's financial health.

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

Volume III – Financial Statements of Agencies, Boards and Crown Corporations and Funds presents the reproduction of the available audited financial statements of the Agencies, Boards and Crown Corporations owned or controlled by the Province.

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

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

www.gov.pe.ca/publications

Financial Statement Discussion and Analysis

Introduction to Financial Statement Discussion and Analysis

The Prince Edward Island Public Accounts is an annual financial summary and accountability report of the Government of Prince Edward Island. The purpose of the Financial Statement Discussion and Analysis is to provide additional analysis and key indicators of the Province's performance. The Province's consolidated financial statements show an annual deficit for the year ended March 31, 2014 of \$45.9 million which is an improvement to the deficit reported for the previous fiscal year of \$79.8 million. The reduction in the annual deficit is the result of strengthening revenues. The accumulated deficit now stands at \$1,110.3 million.

A significant event occurred during the 2014 fiscal year which affected the timeliness of the Province's financial statements. Substantive changes were initiated to address the long term sustainability of the Public Sector pension plans. Discussions were held with both current employees and retirees resulting in a number of reforms taking place. Included in the notes to the consolidated financial statements are the specific changes to the plans.

The following tables and charts illustrate summary financial information for the fiscal year ended March 31, 2014.

Summary Financial Information

The tables below show a summary of key financial measures for the Province for the fiscal years ending 2013 and 2014.

PROVINCE OF PRINCE EDWARD ISLAND

Summary Financial Information

Consolidated Statement of Financial Position

(Millions)

	2014	2013 Restated
Liabilities	\$ 3,328.2	\$ 2,869.3
Financial Assets	(1,229.2)	(829.7)
Net Debt	\$ 2,099.0	\$ 2,039.6
Net Tangible Capital Assets	975.1	950.7
Other Non-Financial Assets	13.6	24.5
Total Non-Financial Assets	\$ 988.7	\$ 975.2
Accumulated Deficit	\$ 1,110.3	\$ 1,064.4

Consolidated Statement of Operations and Accumulated Deficit

(Millions)

	2014	2013 Restated
Revenue-Provincial Sources	\$ 1,040.0	\$ 1,001.7
Revenue-Federal Sources	651.8	595.4
Total Revenue	\$ 1,691.8	\$ 1,597.1
Expenses	\$ 1,737.7	\$ 1,676.9
Annual Deficit	\$ (45.9)	\$ (79.8)

Consolidated Statement of Changes in Net Debt

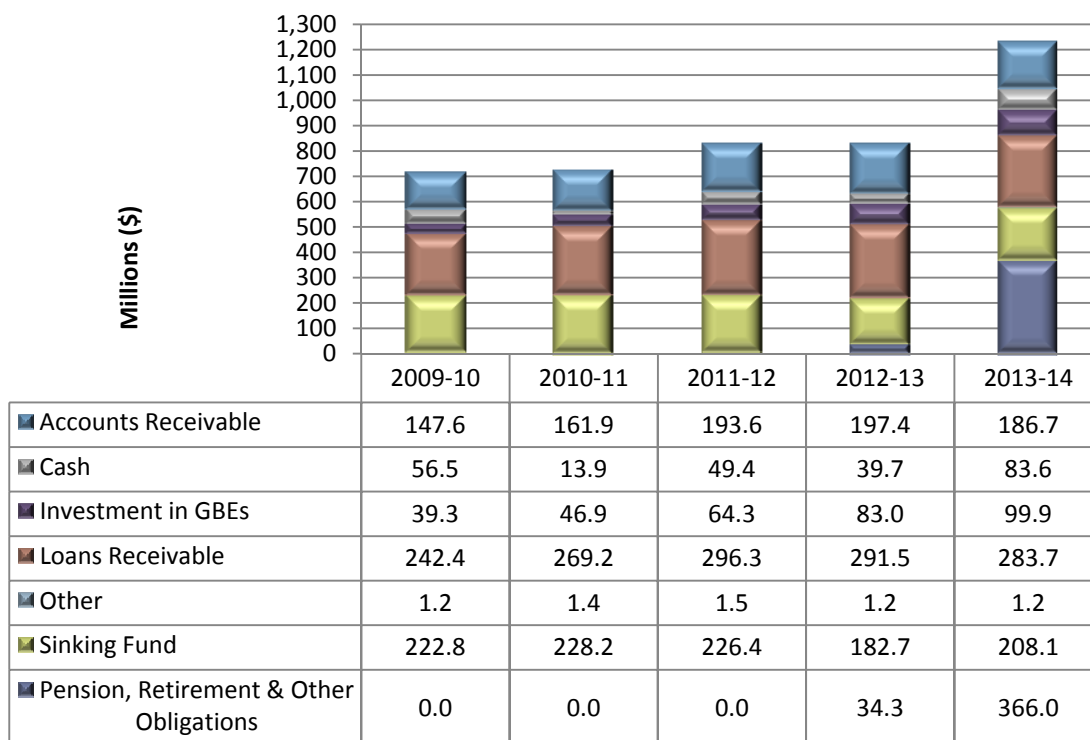
(Millions)

	2014	2013 Restated
Opening Net Debt	\$ 2,039.6	\$ 1,908.1
Annual Deficit	45.9	79.8
Change in Net Investment in Tangible Capital Assets	24.4	40.4
Change in Other Non-Financial Assets	(10.9)	11.3
Total Change in Net Debt	\$ 59.4	\$ 131.5
Ending Net Debt	\$ 2,099.0	\$ 2,039.6

Changes in Financial Position

Financial Assets are assets such as cash, receivables and investments which could provide resources to discharge existing liabilities or finance future operations. The financial assets increased by \$399.5 million (48.2%) since 2013. The significant increase is a result of the changes made to the pension plans.

Financial Assets - 5 Year Trend



Non-Financial Assets are assets consumed in the delivery of government services. They do not normally provide resources to discharge existing liabilities. Non-financial assets increased by \$13.5 million (1.4%) since 2013.

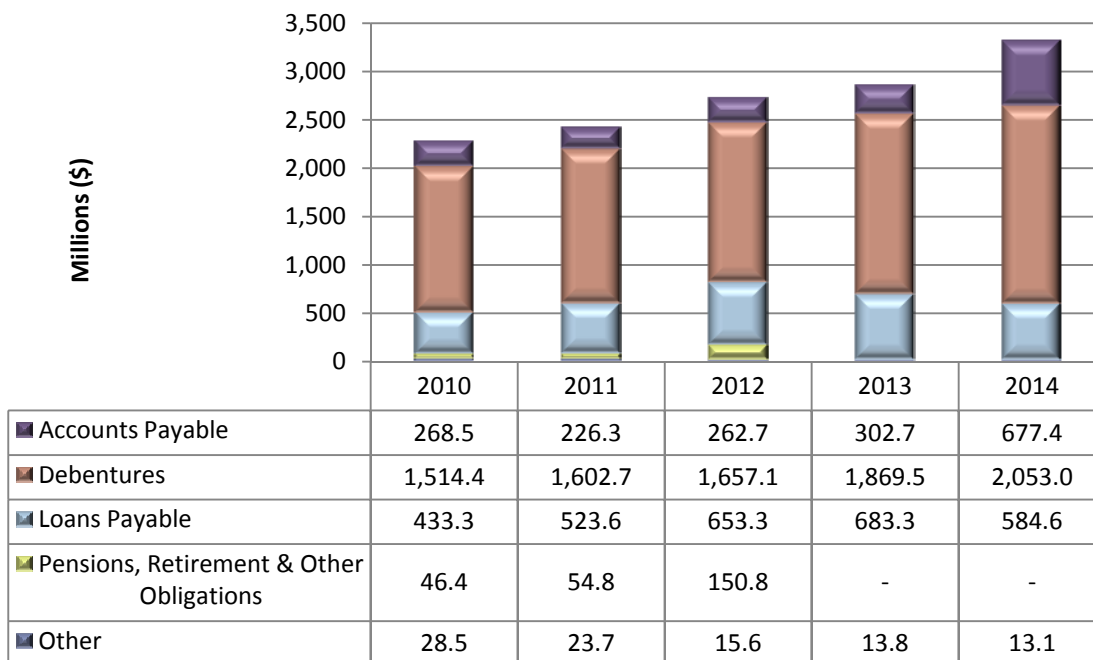
Net Tangible Capital Assets

(Millions)

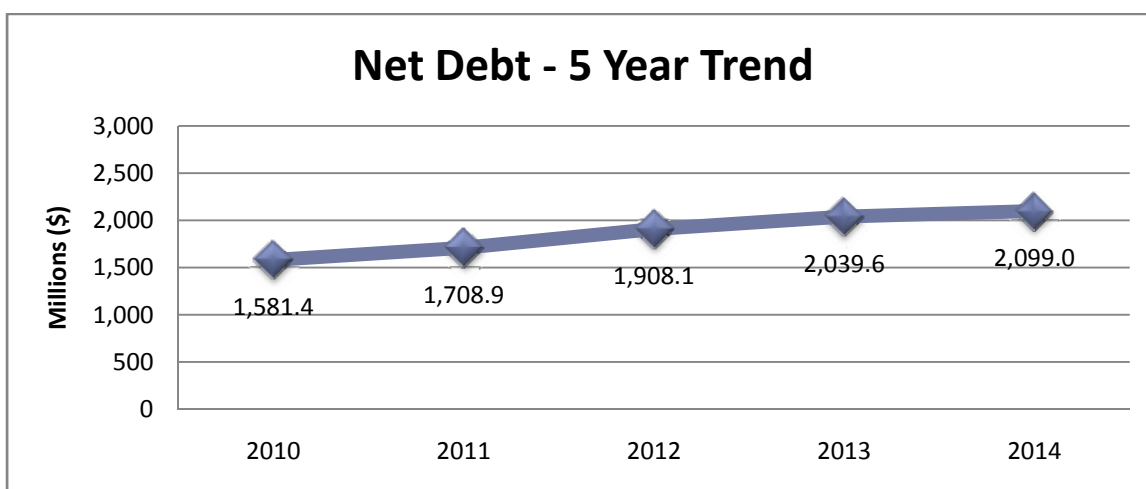
	2014	2013
Opening Balance	\$ 950.7	\$ 910.2
Adjustments	(0.2)	(1.6)
Adjusted Opening Balance	\$ 950.5	\$ 908.6
Additions	91.1	108.1
Net Disposals	(1.6)	(2.7)
Amortization	(64.9)	(63.3)
Closing Balance	\$ 975.1	\$ 950.7

Liabilities are debts or monetary obligations such as accounts payable, loans payable and debentures. The liabilities have increased by \$458.9 million (16.0%) since 2013. The significant increase is a result of the changes made to the pension plans.

Liabilities - 5 Year Trend

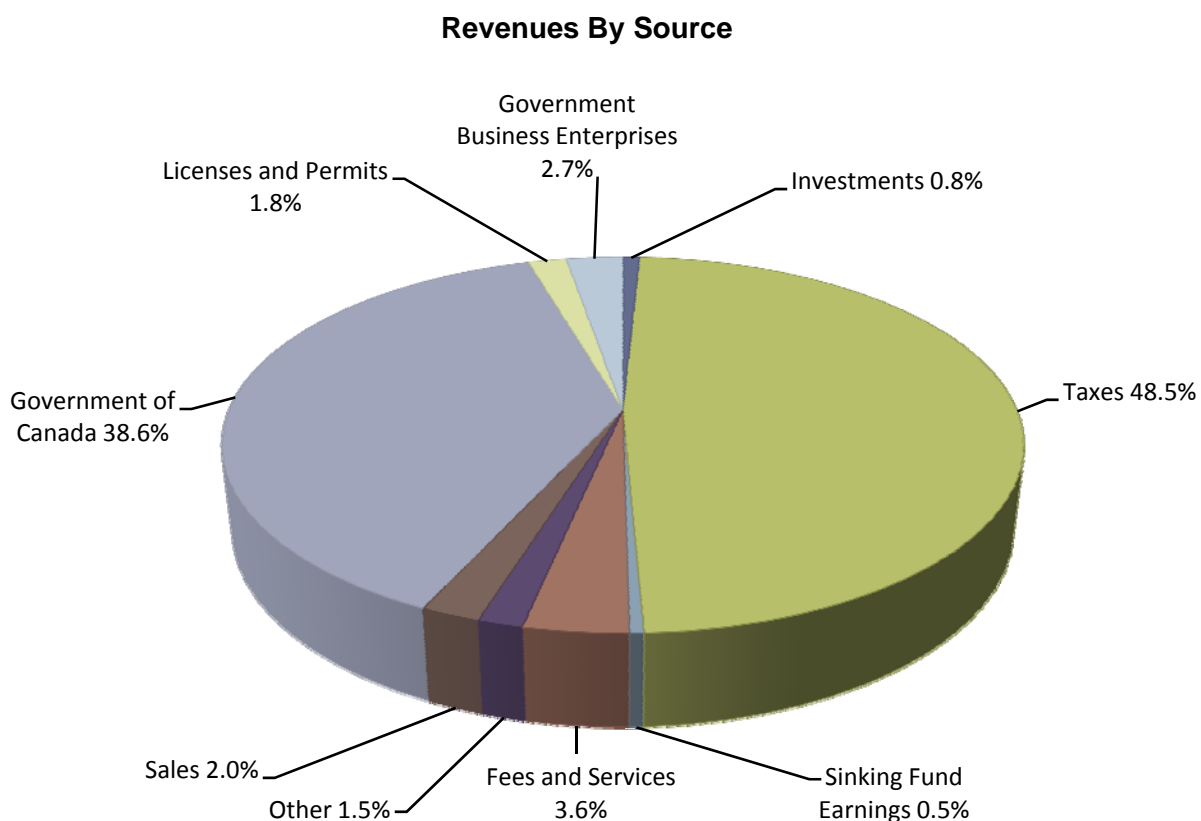


Net Debt represents the amount of liabilities to be funded from future revenue. This includes the funding of capital assets that will be used in future periods. The net debt increased by \$59.4 million as a result of the 2014 deficit and changes in fixed assets.

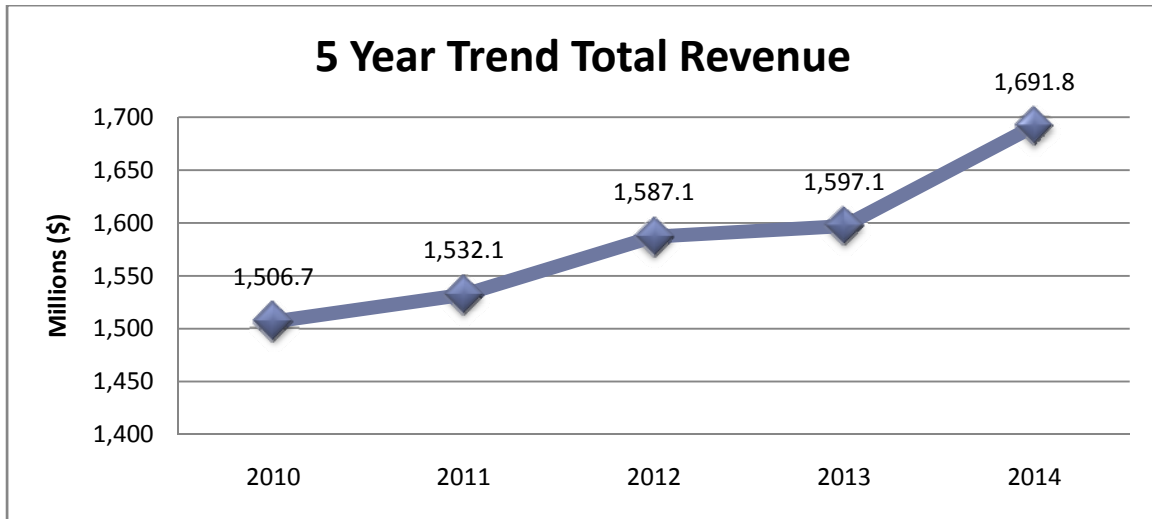


Revenues

Revenues are monies received for the sale of goods, fees and services, licenses and permits, taxes and transfers from the Government of Canada. Revenue for the year was \$1,691.8 million an increase of \$94.8 million (5.9%) over 2013.



Revenues		
<i>(Millions)</i>		
	2014	2013
<i>Provincial Sources</i>		
Taxes	\$ 820.6	\$ 782.5
Fees and Services	60.3	58.2
Other	159.1	161.0
Total Provincial Sources	\$ 1,040.0	\$ 1,001.7
<i>Federal Sources</i>		
Equalization	339.5	337.1
Canada Health and Social Transfers	179.9	170.5
Other	132.4	87.8
Total Federal Sources	\$ 651.8	\$ 595.4
Total Revenue	\$ 1,691.8	\$ 1,597.1

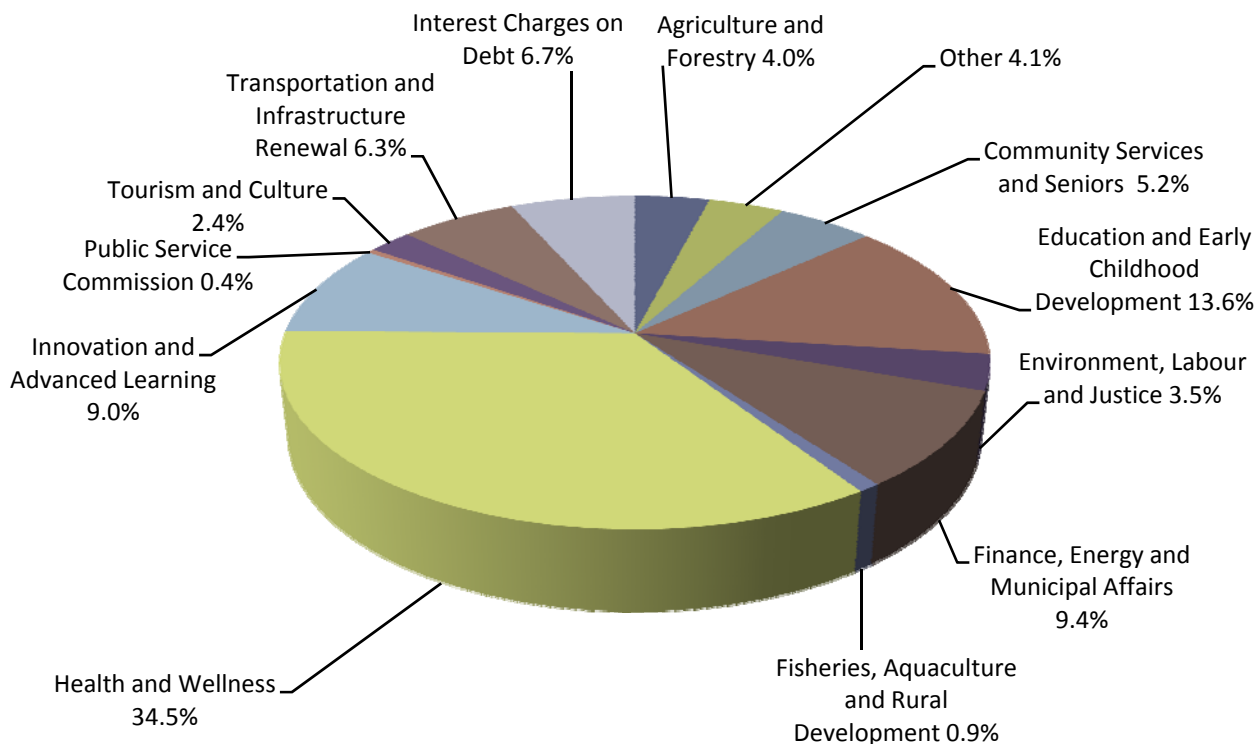


The Province's revenue has been increasing steadily over the last four years with a 5.9% increase in the 2014 fiscal year.

Expenses

Expenses for the Province in 2014 were \$1,737.7 million, an increase of \$60.8 million (3.6%) over 2013. Program expenditures were up \$59.3 million, while interest and amortization increased by \$1.6 million.

Expenses by Ministry

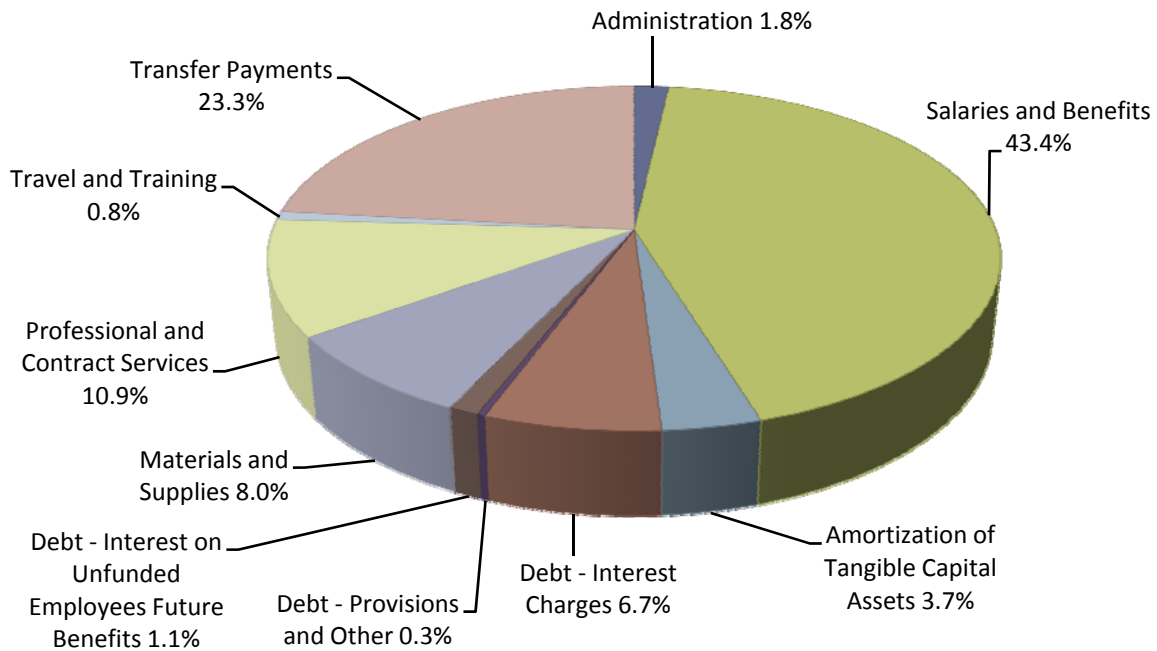


Expenses (Millions)

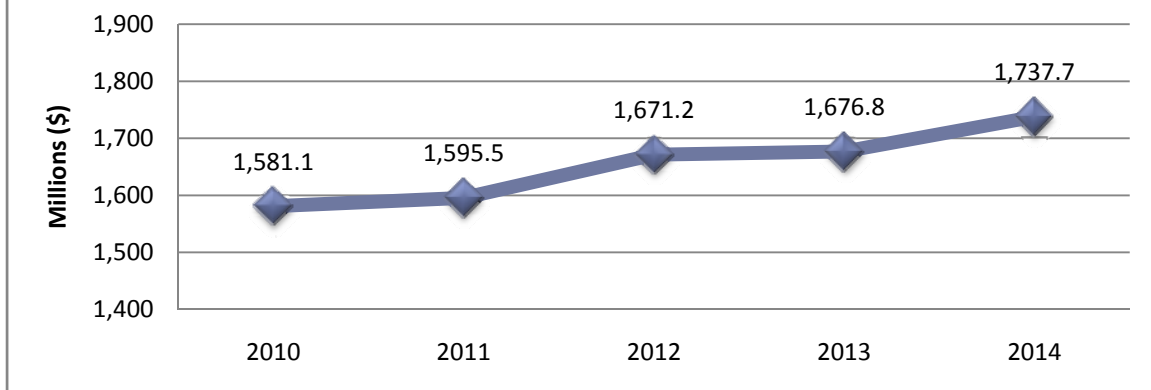
	2014	2013 Restated
Expenses		
Program Expenses	\$ 1,556.6	\$ 1,497.3
Interest Charges on Debt	116.2	116.2
Amortization	64.9	63.4
Total	\$ 1,737.7	\$ 1,676.9

The two major types of expenditures in the 2014 year were Salaries and Benefits at \$754.8 million (43.4%) and Transfer Payments at \$404.3 million (23.3%).

Expenses by Object Type



5 Year Trend Total Expenditures



The Province's expenditures have been steadily increasing over the last five years.

Indicators of Financial Health

This section provides indicators of the Province's financial condition and follows Chartered Professional Accountants (CPA) of Canada guidelines; using information provided in the Province's consolidated financial statements as well as other standard socio-economic indicators such as nominal Gross Domestic Product (GDP). GDP is the measure of the value of the goods and services produced in the Province in a year. The Province's GDP is measured and reported by Statistics Canada.

The analysis provides results in a manner that improves transparency and provides a clearer understanding of recent trends in the Province's financial health. Trends over the last five years are evaluated using sustainability, flexibility and vulnerability criteria established by the CPA. These terms are defined as follows:

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

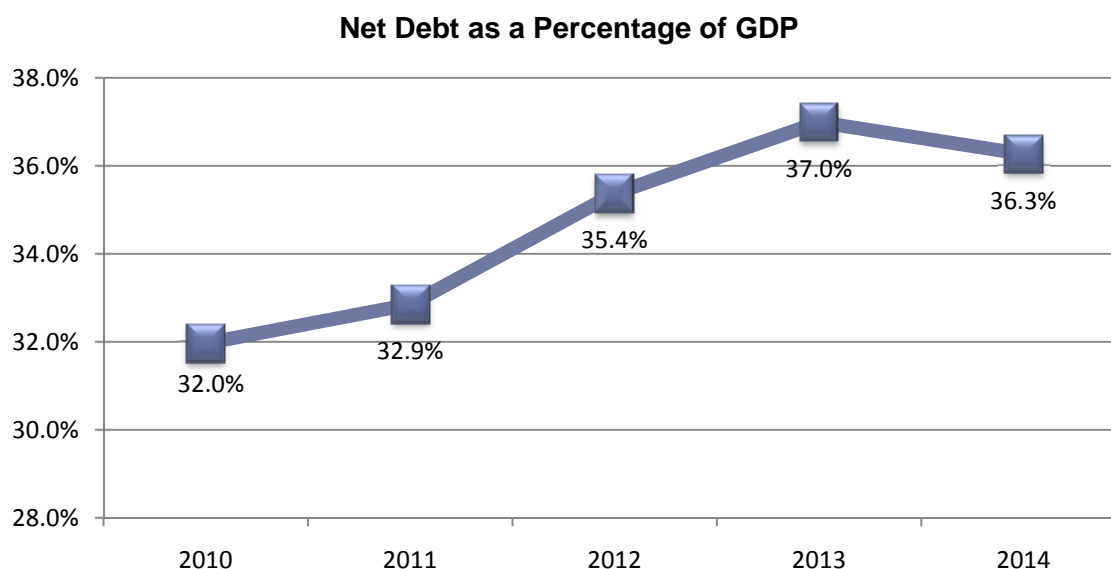
Though many potential indicators are available, those we found to be the most relevant, measurable and transparent to users of government financial information are included. Similar data series are also widely used by banks and other financial institutions, investors and credit-rating agencies.

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

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

Sustainability

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



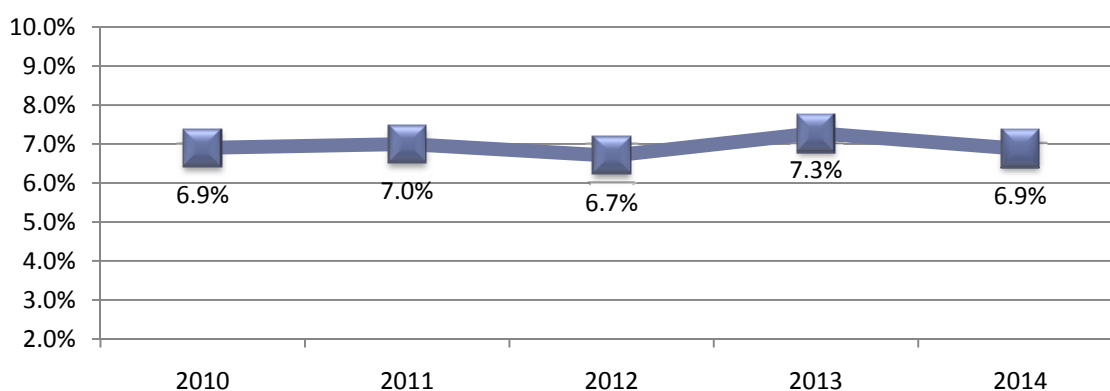
The net debt-to-GDP ratio has increased over the last five years with a slight decrease in the 2014 year¹. The increase in the ratio impacted by acceleration of capital expenditures that were incurred as part of stimulus actions to support the economy during the global economic and financial downturn.

¹ Prior year GDP figures have been revised due to a new calculation method by Statistics Canada. This has impacted previously reported ratios.

Flexibility

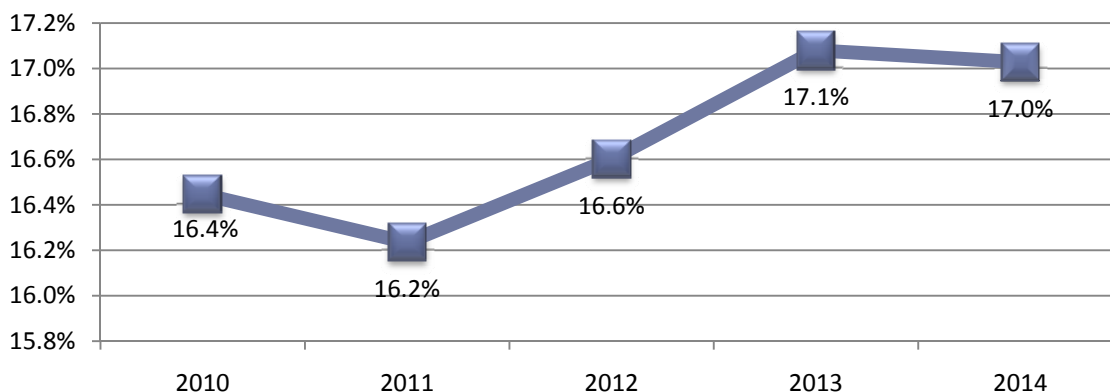
Debt service costs as a percentage of total revenue is an indicator of the Province's ability to satisfy existing credit requirements in the context of the government's overall revenue. Debt service costs can be impacted by variables outside the direct control of government, such as credit ratings, interest rates, financial markets and currency fluctuations. Investment in public infrastructure resulting in a change in the amount of debt can also influence borrowing requirements. An increase in this ratio indicates that debt service costs are a larger financial burden on the Province's finances. A decrease in this ratio indicates that debt service costs are a smaller financial burden on the Province's finances, allowing for a greater percentage of financial resources to provide public programs and services.

Interest Costs as a Percentage of Total Revenue



The Province's percentage of debt service costs to revenue has held relatively constant from 2010 to 2014.

Own Source Revenue as a Percentage of GDP



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

Vulnerability

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

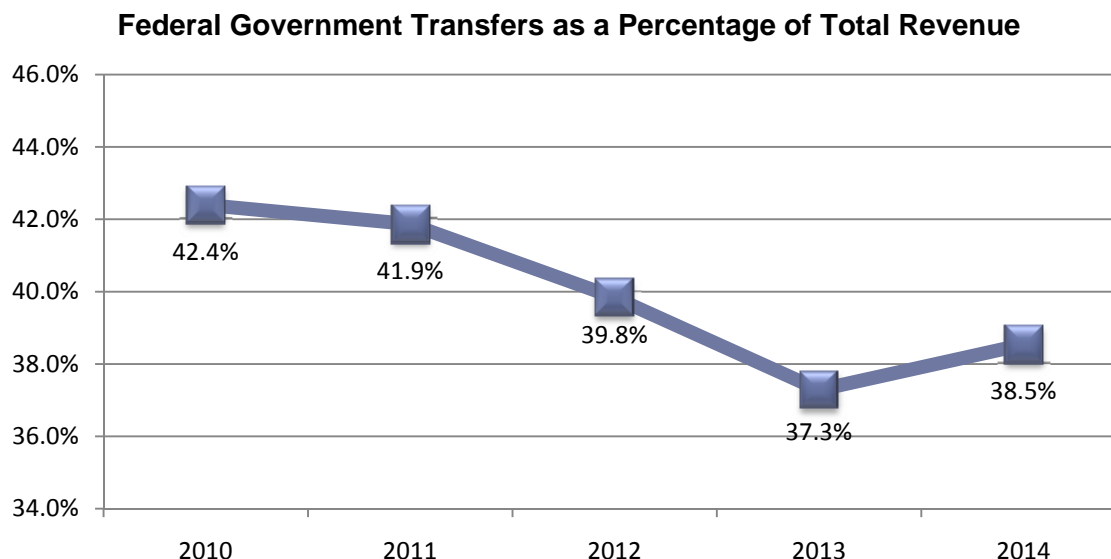
Revenue from federal sources is comprised of conditional and unconditional grants from the federal government, including:

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

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

Federal Government Transfers as a Percentage of Total Revenue

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



The dependence of the Province on federal revenues has steadily declined since 2010 with a slight increase in 2014 due to one time HST transitional funding (\$39.0 million).

Government of the Province of Prince Edward Island

Statement of Responsibility

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

These financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations and Accumulated Deficit, a Consolidated Statement of Changes in Net Debt, a Consolidated Statement of Cash Flow and notes and schedules integral to the statements. Together, they present fairly, in all material respects the Province's financial position at the fiscal year-end and results of operations for the year ended March 31, 2014. More detailed information regarding the Province's financial position and operating results can be found in other sections of either Volume I, Volume II or Volume III.

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

On behalf of the Province,



Honourable Wesley J. Sheridan

Minister of Finance, Energy & Municipal Affairs

January 30, 2015



Prince Edward Island

Office of the
Auditor General

PO Box 2000, Charlottetown PE
Canada C1A 7N8

Île-du-Prince-Édouard

Bureau du
vérificateur général

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

I have audited the consolidated financial statements of the **Province of Prince Edward Island** which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and accumulated deficit, changes in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Government's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2014, and the results of its consolidated operations, changes in its net debt and cash flow for the year then ended in accordance with the basis of accounting as disclosed in Note 2 to the consolidated financial statements, which are Canadian public sector accounting standards.

Report on Legal and Regulatory Requirements

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

B. Jane MacAdam, CA
Auditor General

Charlottetown, Prince Edward Island
January 30, 2015

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Financial Position as at March 31, 2014

	2014	2013
	((\$000))	Restated (\$000)
FINANCIAL ASSETS		
Schedule		
1 Cash and Short-Term Investments (Note 4)	83,575	39,647
2 Accounts and Taxes Receivable	186,720	197,415
3 Investments	1,204	1,231
4 Investment in Government Business Enterprises (Note 1)	99,902	82,985
5 Sinking Fund (Note 5)	208,100	182,701
6 Loans Receivable	283,655	291,469
7 Pension, Retirement and Other Obligations (Note 10)	366,047	34,259
Total Financial Assets	1,229,203	829,707
LIABILITIES		
8 Deferred Revenue and Credits	11,251	11,490
9 Accounts Payable and Accrued Liabilities	677,419	302,719
10 Short-Term Loans Payable	296,784	346,536
11 Obligation Under Capital Leases	1,879	2,292
12 Loans Payable	287,805	336,819
13 Debentures	2,053,036	1,869,455
Total Liabilities	3,328,174	2,869,311
NET DEBT	2,098,971	2,039,604
NON-FINANCIAL ASSETS		
14 Tangible Capital Assets (Note 3)	975,063	950,662
15 Inventories and Property Holdings	11,130	22,473
16 Prepaid Expenses and Other Deferred Charges	2,515	2,079
Total Non-Financial Assets	988,708	975,214
ACCUMULATED DEFICIT	1,110,263	1,064,390

Supplementary Information

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

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

PROVINCE OF PRINCE EDWARD ISLAND
Consolidated Statement of Operations and Accumulated Deficit
for the year ended March 31, 2014

		2014 Budget Unaudited (\$000)	2014 Actual (\$000)	2013 Actual Restated (\$000)
REVENUES				
Schedule				
21	Taxes	813,292	820,563	782,547
22	Licenses and Permits	30,828	30,903	27,661
23	Fees and Services	58,343	60,328	58,244
24	Sales	34,464	34,263	27,927
25	Investment Income	13,771	13,569	14,515
26	Other Income	23,360	25,974	30,990
27	Government of Canada	624,005	651,856	595,373
4	Government Business Enterprises	54,641	46,268	48,531
5	Sinking Fund Earnings	8,088	8,114	11,235
	Total Revenues	<u>1,660,792</u>	<u>1,691,838</u>	<u>1,597,023</u>
EXPENSES				
28	Agriculture and Forestry	86,162	70,013	78,986
	Auditor General	1,805	1,662	1,594
29	Community Services and Seniors	96,285	89,858	88,611
30	Education and Early Childhood Development	234,065	238,393	230,199
31	Environment, Labour and Justice	60,787	60,183	60,392
	Executive Council	8,784	8,737	8,436
32	Finance, Energy and Municipal Affairs	126,938	154,151	133,593
33	Fisheries, Aquaculture and Rural Development	15,532	15,088	14,703
34	Health and Wellness	601,209	599,727	580,789
35	Innovation and Advanced Learning	154,579	156,183	153,068
	Legislative Assembly	4,851	4,822	4,859
	Public Service Commission	7,470	7,059	7,563
36	Tourism and Culture	40,757	41,031	32,182
37	Transportation and Infrastructure Renewal	100,701	109,650	102,330
	Total Program Expenses	<u>1,539,925</u>	<u>1,556,557</u>	<u>1,497,305</u>
	Interest Charges on Debt	115,095	116,283	116,219
14	Amortization of Tangible Capital Assets	64,626	64,871	63,341
	Total Expenses	<u>1,719,646</u>	<u>1,737,711</u>	<u>1,676,865</u>
	ANNUAL DEFICIT	<u>(58,854)</u>	<u>(45,873)</u>	<u>(79,842)</u>
	Accumulated Deficit, Beginning of Year		(1,064,390)	(930,715)
	Prior Period Adjustment (Note 3)		-	(53,833)
	ACCUMULATED DEFICIT, END OF YEAR		<u>(1,110,263)</u>	<u>(1,064,390)</u>

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

PROVINCE OF PRINCE EDWARD ISLAND**Consolidated Statement of Changes in Net Debt
for the year ended March 31, 2014**

	2014 Budget Unaudited (\$000)	2014 Actual (\$000)	2013 Actual Restated (\$000)
NET DEBT, BEGINNING OF YEAR	2,039,604	2,039,604	1,908,061
Changes in Year			
Annual Deficit	58,854	45,873	79,842
Acquisition of Tangible Capital Assets	83,856	91,105	108,064
Amortization of Tangible Capital Assets	(64,626)	(64,871)	(63,341)
Net Book Value of Tangible Capital Asset Disposals	-	(1,602)	(2,721)
Net Book Value of Tangible Capital Asset Adjustments	-	(231)	(1,585)
Change in Inventories and Property Holdings	-	(11,343)	10,528
Change in Prepaid Expenses and Other Deferred Charges	-	436	756
Increase in Net Debt	78,084	59,367	131,543
NET DEBT, END OF YEAR	2,117,688	2,098,971	2,039,604

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

PROVINCE OF PRINCE EDWARD ISLAND**Consolidated Statement of Cash Flow
for the year ended March 31, 2014**

	2014	2013
	(\$000)	Restated (\$000)
Operating Activities		
Deficit for the year	(45,873)	(79,842)
Amortization of Tangible Capital Assets	64,871	63,341
Changes in:		
Accounts and Taxes Receivable	10,695	(3,847)
Prepaid Expenses and Other Deferred Charges	(436)	(756)
Inventories and Property Holdings	11,343	(10,528)
Deferred Revenue and Credits	(239)	(1,432)
Accounts Payable and Accrued Liabilities	374,700	39,976
Pension, Retirement and Other Obligations	(331,788)	(185,076)
Cash Provided by (Used for) Operating Activities	83,273	(178,164)
Investing Activities		
Changes in:		
Loans Receivable	7,814	4,826
Investments	27	228
Investment in Government Business Enterprises	(16,917)	(18,724)
Cash Provided by (Used for) Investing Activities	(9,076)	(13,670)
Capital Activities		
Acquisition of Tangible Capital Assets	(91,105)	(108,064)
Disposal of Tangible Capital Assets	1,602	2,721
Adjustment of Tangible Capital Assets	231	1,585
Cash Provided by (Used for) Capital Activities	(89,272)	(103,758)
Financing Activities		
Debentures Issued	200,000	331,971
Debentures Matured	-	(116,971)
Changes in:		
Short-Term Loans Payable	(49,752)	(174,715)
Loans Payable	(49,014)	204,846
Debenture Discount	(16,419)	(2,648)
Obligation Under Capital Leases	(413)	(385)
Sinking Fund	(25,399)	43,697
Cash Provided by (Used for) Financing Activities	59,003	285,795
Change in Cash and Short-Term Investments	43,928	(9,797)
Cash and Short-Term Investments, Beginning of Year	39,647	49,444
Cash and Short-Term Investments, End of Year	83,575	39,647

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

PROVINCE OF PRINCE EDWARD ISLAND**Notes to the Consolidated Financial Statements****as at March 31, 2014****1 Reporting Entity****(a) The Provincial Reporting Entity**

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

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

A listing of the organizations within the provincial reporting entity is provided in Schedule 41 – Provincial Reporting Entity.

The consolidated financial statements do not include the Workers Compensation Board of Prince Edward Island. The Board, as at December 31, 2013, had assets of \$225.8 million (2012 - \$194.2 million) and liabilities of \$166.9 million (2012 - \$155.8 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

The consolidated financial statements do not include Holland College. The Province has reviewed the nature of the relationship between it and the College and has made legislative changes regarding that relationship. These legislative changes received royal assent on May 14, 2014. The College, at March 31, 2014 had assets of \$97.3 million (2013 - \$100.4 million) and liabilities of \$93.0 million (2013 - \$93.2 million). For the year ended March 31, 2014 the College had revenues of \$59.8 million (2013 - \$59.5 million) and expenses of \$57.7 million (2013 - \$57.3 million).

(b) Methods of Consolidation

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

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

2 Significant Accounting Policies

(a) Basis of Accounting

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

(b) Financial Assets

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

Cash and Short-Term Investments represents the cash position including bank balances and short-term investments. The Province has an available credit facility with a financial institution in the amount of \$20 million for the General Account. The credit facility expires December 31, 2015.

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

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

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

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

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

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

(c) Liabilities

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

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

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

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

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

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

(d) Net Debt

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

(e) Non-Financial Assets

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

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

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

The Province does not adjust the tangible capital asset policies of Agencies, Board and Crown Corporations that are consolidated to that of the Province's. Policy differences may include amortization rates, estimates of useful lives and dollar thresholds for capitalization.

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

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

Property Holdings are recorded at the lower of cost or net realizable value.

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

(f) Accumulated Deficit

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

(g) Revenues

Revenues are recorded on an accrual basis.

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

Transfers from the Government of Canada are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recognized as revenue when the funds are used as intended.

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

Harmonized Sales Tax is collected by the Government of Canada under a Comprehensive Integrated Tax Coordination Agreement and is remitted to the Province weekly, net of credits. The remittances are based on the Government of Canada Department of Finance's best estimates, which are periodically adjusted until finalized. The Province recognizes sales tax revenues based on these estimates. Any adjustments upon finalization are recorded in the year they are identified.

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

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

(h) Expenses

Expenses are recorded on an accrual basis.

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

Transfer payments are transfers of money to individuals, organizations or other governments for which the government making the transfer does not receive any goods or services directly in return.

Transfer payments are recognized by the Province as expenses in the period during which both the payment is authorized and any eligibility criteria are met.

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

3 **Prior Period Adjustments**

As a result of changes to the *School Act*, effective April 1, 2013, the tangible capital assets of the English Language School Board and the French Language School Board were transferred to the Government of P.E.I. Operating Fund. Upon the transfer, a detailed analysis of the assets was completed. As a result of the analysis, the comparative Consolidated Statement of Operations and Accumulated Deficit for 2013 has been restated to reflect an increase in Accumulated Deficit in the amount of \$53.8 million at April 1, 2012 and an increase in amortization expense in the amount of \$1.2 million for the fiscal year 2012-2013. The Consolidated Statement of Financial Position for 2013 has been restated to reflect a decrease in Tangible Capital Assets in the amount of \$55.0 million and an increase in Accumulated Deficit by the same amount.

4 **Restricted Cash and Short-Term Investments**

As at March 31, 2014, Cash and Short-Term Investments of \$9.9 million (2013 - \$15.8 million) have been restricted for designated purposes by external parties. Restricted cash includes: \$7.9 million for the Labour Market Development Agreement, \$0.8 million for the Supreme Court, \$0.7 million for Health PEI, \$0.3 million for the Northumberland Power Cable and \$0.2 million for four other funds. As at March 31, 2014, two crown entities have funds that are internally restricted totalling \$0.3 million.

5 **Sinking Fund**

(a) **Description of Sinking Fund**

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

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

	(\$000)
2014-2015	12,225
2015-2016	11,100
2016-2017	11,100
2017-2018	11,100
2018-2019	11,100

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

As at March 31, 2014, Sinking Fund investments include P.E.I. issues held but not cancelled in the amounts of:

		(\$000)		(\$000)
Debentures	Par Value	81,145	Book Value	89,399
Residuals	Par Value	50,054	Book Value	21,720

6 Solid Waste Landfill Closure and Post-Closure Liability

The collection and disposal of all solid waste generated in Prince Edward Island is included in the mandate of Island Waste Management Corporation (IWMC). IWMC is responsible for liabilities related to the closure and post-closure costs of the East Prince Landfill Site, which was in use at March 31, 2014. IWMC is also responsible for monitoring and administering post-closure issues at four landfill sites and a number of smaller government owned community dumps, which were closed prior to 2003.

The Province is responsible for the costs associated with the closure and decommissioning of the sites closed prior to 2003. It is unable to estimate the costs if any, to remediate these sites due to the absence of a formal action plan. A provision of \$1.8 million has been recorded to deal with future costs; it is recorded in Accounts Payable and Accrued Liabilities.

IWMC has included in its liabilities at March 31, 2014 an obligation associated with the retirement, closure and post-closure costs of the East Prince Landfill Site in the amount of \$1.9 million (2013 - \$1.8 million).

7 Contractual Obligations

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

	2015 (000)	2016 (000)	2017 (000)	2018 (000)	2019 (000)	Thereafter (000)	Total (000)
Operating Fund							
911 Contract	679	693	707	721	735	2,294	5,829
Atlantic Beef Producers	3,322	1,987	-	-	-	-	5,309
Beverage Container Program	2,864	230	230	230	230	-	3,784
Building Leases	4,973	4,329	3,927	3,597	3,313	13,964	34,103
Community Care & Other Support Services	7,900	-	-	-	-	-	7,900
Early Years Centres	7,125	-	-	-	-	-	7,125
Highway Capital	3,263	408	-	-	-	-	3,671
Highway Maintenance & Safety	9,821	9,337	9,267	9,302	7,810	1,157	46,694
Holland College & UPEI ¹	10,203	9,764	9,389	8,916	8,392	74,716	121,380
Infrastructure	3,300	3,300	-	-	-	-	6,600
IT Service Contracts	1,025	713	713	520	368	1,588	4,927
Peoplesoft Upgrade	1,624	630	630	630	-	-	3,514
Provincial Policing Service Agreement	13,284	13,556	13,834	14,082	14,334	211,412	280,502
Public Works & Planning	2,156	2,115	2,115	2,115	2,115	13,398	24,014
Telephone Services	1,800	1,800	1,350	-	-	-	4,950
Training, Recruiting, Life Works Programs	788	788	656	-	-	-	2,232
Other Significant Obligations	7,492	6,382	1,260	525	350	-	16,009
Agencies and Crown Corporations							
Health PEI	33,605	12,322	12,081	3,657	3,571	2,702	67,938
Island Waste Management Corporation	6,450	6,390	6,082	6,151	5,461	13,148	43,682
P.E.I. 2014 Inc.	2,795	-	-	-	-	-	2,795
P.E.I. Energy Corporation	3,141	2,906	2,348	2,348	2,348	13,856	26,947
P.E.I. Grain Elevators Corporation ²	3,400	-	-	-	-	-	3,400
P.E.I. Housing Corporation	843	868	895	921	949	2,030	6,506
P.E.I. Liquor Control Commission	451	203	41	-	-	-	695
P.E.I. Regulatory & Appeals Commission	180	180	180	180	180	540	1,440
Tourism PEI	1,143	288	-	-	-	-	1,431
Total	133,627	79,189	65,705	53,895	50,156	350,805	733,377

¹ The Province has various agreements to make debt service payments to Holland College and the University of Prince Edward Island (UPEI). The Province has provided to a financial institution written confirmation that the Province has approved annual funding grants to Holland College equal to the annual debt servicing requirements associated with the College's loans, provided annual eligibility criteria are met. The aggregate of the debt service payment commitments to Holland College and UPEI is \$121.4 million. The commitments for the next five years are:

	Holland College (\$000)	UPEI (\$000)	Total (\$000)
2014-2015	5,011	5,192	10,203
2015-2016	4,615	5,149	9,764
2016-2017	4,613	4,776	9,389
2017-2018	4,612	4,304	8,916
2018-2019	4,613	3,779	8,392

² P.E.I. Grain Elevators Corporation has a year end of July 31, 2013. The amount of \$3.4 million as at March 31, 2014 is estimated.

8 Commitments

The nature of the Province's activities results in commitments against future appropriations. Significant financial commitments at March 31, 2014 include:

(a) Loans

	2014 (\$000)	2013 (\$000)
Loans approved but not disbursed at March 31:		
Island Investment Development Inc.	4,739	12,957
Finance PEI	4,260	8,922
	<u>8,999</u>	<u>21,879</u>

(b) Innovation PEI

The Agency has committed to disbursing \$48.5 million (2013 - \$29.1 million) for labour rebate program assistance, \$10.1 million (2013 - \$8.1 million) for enriched investment tax credits, nil (2013 - \$343 thousand) in industry chair program assistance, \$236 thousand (2013 - \$262 thousand) for specialized labour rebates and \$89 thousand (2013 - \$97 thousand) for share purchase tax credit, over the next four years, provided the companies meet their eligibility requirements.

(c) Island Waste Management Corporation

The Corporation has entered into a waste processing agreement dated August 8, 1995 to supply P.E.I. Energy Systems with a minimum annual guaranteed amount of 30,617 metric tonnes of waste. The 30 year agreement, expiring in August 2025, provides for the payment by IWMC of a \$45 per metric tonne quarterly fee adjusted for consumer price index fluctuations. Any shortage is the responsibility of IWMC. Current annual costs for the waste processing are estimated at \$2.07 million (2013 - \$2.02 million).

(d) P.E.I. Lotteries Commission

The Commission has committed \$300 thousand on an annual basis to support the implementation of the Responsible Gaming Strategy.

The Commission provides a grant to the City of Charlottetown pursuant to an arrangement between the City and the Province, whereby the City will receive \$400 thousand per annum for ten years beginning with the year ended December 31, 2005. This amount is subject to adjustment when the Red Shores Racetrack & Casino at the Charlottetown Driving Park operates less than 300 days in a given year.

On behalf of the Commission, Atlantic Lottery Corporation Inc. operates Red Shores at Summerside Raceway, occupying facilities, which are leased from the City of Summerside. The lease is an operating lease having future minimum lease payments of \$335 thousand for each of the next five years and minimum future aggregate lease payments to the end of the 15-year lease term totalling \$3.5 million.

Prior to year-end, Atlantic Lottery Corporation (ALC) approved a contribution of \$250 thousand toward parking lot development at the new stabling barn at Red Shores Racetrack & Casino at the Charlottetown Driving Park. ALC will be recovering its debt amortization costs through depreciation charges, to be included in the cost of operating the Red Shores Racetrack.

In addition, ALC committed to providing a loan guarantee in the amount of \$500 thousand on a loan that was taken out subsequent to year end to be used to build the stabling barn. ALC has entered into a contractual obligation with the holder of the loan, in which they have agreed to pay the monthly payments required under the loan agreement, to be recovered through stall rentals collected. In September 2016, ownership of the barns will transfer to ALC.

As a result of the above commitments, ALC's profit distribution to the Commission will be adjusted to reflect both the debt amortization charge as well as the net amount of revenues, expenses and loan payments for new stabling barns.

(e) Health PEI

Health PEI has outstanding contractual commitments for capital assets relating to projects that commenced on or before March 31, 2014, and are still incomplete. It is expected that Health PEI will pay \$5.2 million to complete the projects.

(f) P.E.I. Energy Corporation

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

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

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

(g) P.E.I. Liquor Control Commission

The Commission leases fourteen retail outlets. Twelve of those outlets are classified as operating leases and two retail outlets are classified as finance leases. The following are the future minimum lease payments as at March 31, 2014:

	Within 1 Year (\$000)	1-5 Years (\$000)	After 5 years (\$000)	Total (\$000)
Operating Leases	640	1,195	672	2,507
Finance Leases	87	348	1,258	1,693
Total	<u>727</u>	<u>1,543</u>	<u>1,930</u>	<u>4,200</u>

9 Contingent Liabilities

(a) Claims Outstanding

The Province is subject to legal actions arising in the normal course of business. At March 31, 2014 there were a number of outstanding claims arising from legal action in progress against the Crown.

The cost, if any, of most of the claims outstanding will be paid through the P.E.I. Self-Insurance and Risk Management Fund. The P.E.I. Self-Insurance and Risk Management Fund was established in 1988 under Part II of the *Financial Administration Act*. The Fund provides general liability insurance, errors and omissions insurance, primary property and crime insurance, and automobile liability insurance. At March 31, 2014, Fund reserves were \$6.5 million (2013 - \$5.8 million). Claims amounting to \$2.2 million were settled in the current year (2013 - \$2.0 million). The estimated amount for claims outstanding at March 31, 2014 is \$5.2 million (2013 - \$4.4 million). The Fund carries an excess liability policy limiting the liability of the Fund.

At March 31, 2014, a loss provision of \$0.5 million (2013 - \$1.2 million) has been recorded for legal action claims not covered through the P.E.I. Self-Insurance and Risk Management Fund. The cost to the Province resulting from legal actions cannot be determined because the outcome of these actions is uncertain.

(b) Credit Union Deposit Insurance Corporation

The *Credit Unions Act* states that the Province shall ensure that the obligations of the Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits within established limits held by P.E.I. credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. The Province holds two director positions on the CUDIC Board of Directors. At December 31, 2013 the CUDIC had an equity balance of \$12.3 million (2012 - \$11.7 million).

Deposits insured by CUDIC, on the basis of returns received from its member institutions, as at December 31, 2013, were \$771.2 million (2012 - \$647.1 million). The Province's contingent liability, if any, is offset by equity held by the CUDIC, Atlantic Central Credit Union and the ten credit unions on P.E.I.

(c) Finance PEI

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

(d) P.E.I. Grain Elevators Corporation

An employee of the Corporation has submitted a claim to the P.E.I. Human Rights Commission. No loss provision has been recorded as the cost, if any, to the Corporation resulting from this legal action cannot be determined.

(e) Guaranteed Debt

The Province has guaranteed the repayment of a variety of types of loans. Guarantees amounting to \$244.1 million (2013 - \$279.9 million) are reported in Schedule 18.

10 Pension, Retirement and Other Obligations

(a) Basis of Accounting for Obligations

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

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

For the year ended March 31, 2014, the contingent indexation liability is calculated based on total plan assets less the accrued benefit obligation assuming no future contingent indexation. This calculation does not incorporate the potential impact of future events such as contributions, gains, losses on asset returns and new benefit accruals.

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

(b) Pension Funds

Civil Service Superannuation Fund

Employees of the Province, and some of its entities, are entitled to receive pension benefits pursuant to the provisions of a pension plan under the *Civil Service Superannuation Act*. The plan is operated within the Civil Service Superannuation Fund (CSSF) which is not part of the Operating Fund of the Province. Investments of the Fund are held within the Province of Prince Edward Island Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Minister of Finance, Energy and Municipal Affairs. The plan is funded by employee contributions, which are matched by the employer, as well as, employer special contributions as described below.

Changes were made to the *Civil Service Superannuation Act* effective January 1, 2014 (conversion date). The Plan was amended to address financial challenges regarding the sustainability of the Plan. The most substantial change was the transition of inflation protection provided after the conversion date for both active and inactive members from the previous guaranteed basis to a rules-based formula under which inflation protection is contingent on the Plan's financial strength. Other Plan modifications included the introduction of a rules-based funding strategy and a gradual

transition to delayed eligibility for an unreduced retirement pension. In addition to setting the Plan on a more stable and sustainable financial footing, these amendments were designed to be consistent with the principle that, measured over the long term and in the normal course of events, benefits should be cost shared roughly equally between members and participating employers. However, to help establish a sound initial financial footing for the Plan, the Province committed to make an additional one-time transitional contribution to the Plan before the end of 2014 as described below.

A summary of the main benefit provisions of the pre-conversion Plan design and how they have been treated in the conversion to the new Plan design are as follows:

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

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

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

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

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

4. If triggered, contributions based on funded benefits ratio $\geq 135\%$ remain in effect until funded benefits ratio of $\leq 130\%$ is attained.

5. If triggered, contributions based on funded benefits ratio $\geq 145\%$ remain in effect until funded benefits ratio of $\leq 140\%$ is attained.

- Pension Formula:** The annual pension under the pre-conversion Plan design was based on the number of years of service times 2 percent of the best three years' average salary with an offset at age 65 for estimated Canada Pension Plan (CPP) benefits. Under the post-conversion Plan design, the basic pension formula is maintained. However, in place of the 3-year best average salary base for benefit determination, pension amounts will be based on an indexed average earnings formula in which the indexation is contingent on the Plan's financial health. If the Plan maintains a solid financial position, member benefits at retirement will be very similar to the previous best average salary formula. Conversely, if Plan finances deteriorate, member pensions may not keep pace with future inflation. A key aspect of the transition to rules-based, contingent inflation protection under the new design was that the dollars of pension benefits earned prior to the conversion not be reduced. This was accomplished by calculating member benefits at the conversion date based on the best 3-year average salary up to the end of 2013 and using this as the starting point for future benefit determination. The legislation requires that the salary amount used in benefit calculations as determined at December 31, 2013 never be reduced. Further, annual accruals after 2013 and any indexation that may be awarded in the future will, once awarded,

also become part of the base pension and will not be reduced if the Plan's funded position deteriorates in the future.

- Pre-Retirement Indexation:* Prior to conversion, pre-retirement inflation protection was enabled by using members' highest 3-year average salary in the benefit calculation formula. Post-conversion, indexation has become conditional on the funded level of the Plan. However, there are some transitional indexation rules for the first three years. For indexation awarded during 2014 to 2016, pensionable salaries and the year's maximum pensionable earnings will be automatically indexed at 1.5 percent per annum. As this indexation is guaranteed, it is included in the Base Benefits, which are the guaranteed Plan benefits prior to any future contingent indexation. In 2017 and beyond, pre-retirement indexation will only be awarded if the funded benefits ratio (as determined at the April 1st immediately prior to the calendar year in which indexation is to be awarded) is greater than 100 percent. If the funded benefits ratio is below 100 percent then no indexation will be awarded in that year. If there are years that full indexation is not awarded, and if the funded benefits ratio subsequently reaches 115 percent, then a portion of Plan funds is available to make up for missed indexation in the past. The maximum indexation is 100 percent of the increase in the Average Industrial Wage (AIW) in Canada, however, if in any year the assets available to be spent on inflation protection are not adequate to provide the full amount, partial indexation will be awarded.
- Post-Retirement Indexation:* Prior to conversion, the post-retirement benefit was automatically increased every year by 100 percent of the increase in consumer price index (CPI) as measured over the previous year, to a maximum of 6 percent. Post-conversion, indexation has become conditional on the funded level of the Plan. However, there are some transitional indexation rules for the first three years. For 2014 to 2016, post-retirement indexation will automatically be awarded at 1.5 percent per annum. As this indexation is guaranteed, it is included in the Base Benefits, which are the Plan benefits prior to any future contingent indexation. In 2017 and beyond, post-retirement indexation will only be awarded if the funded benefits ratio (as determined at the April 1st immediately prior to the calendar year in which indexation is to be awarded) is greater than 110 percent. If the funded benefits ratio is below 110 percent, then no post-retirement indexation will be awarded in that year. If there are years that full post-retirement indexation is not awarded, and if the funded benefit ratio subsequently reaches 118 percent, then a portion of Plan funds is available to make up for missed past indexation on a go-forward basis (i.e. no retroactive payments). The maximum indexation is 100 percent of CPI; however, if the Plan cannot afford that amount, partial indexation will be awarded. Indexation also applies to deferred vested benefits and is applied in the same manner as the post-retirement indexation described above.
- Retirement Age:* For pensionable service prior to January 1, 2019 (5 years after the conversion date), the earliest unreduced retirement age remains at the earlier of 30 years of pensionable service (minimum of age 55) and attained age 60. For pensionable service after December 31, 2018, the earliest unreduced retirement age will be the earlier of 32 years of pensionable service (minimum of age 55) and attained age 62. The earliest retirement age remains at age 55 with 2 years of continuous service both prior to and after the conversion date.

Prior to the Plan conversion, the Province was committed to make payments if the CSSF was insufficient to provide for pension payments as they became due. In addition, a funding policy existed which required the Province to make special contributions when the CSSF's funding level declined below 90 percent. Special contributions made under this funding policy were as follows:

- As a result of an unfunded liability at April 1, 2005, the Province made a special contribution through the signing of a \$52.0 million promissory note. The note, which is held by the Fund, is receivable in ten equal annual instalments of \$5.2 million beginning October 15, 2006. Interest on the note is accrued at a rate of 4.41 percent per annum and is receivable semi-annually on April 15 and October 15.
- On December 11, 2012, the Province made a special contribution to the Fund by issuing a \$150.8 million promissory note. The note is receivable in ten equal annual instalments of \$15.1 million beginning April 1, 2013. Interest on the note is accrued at a rate of 2.90 percent per annum and is receivable semi-annually on April 1 and October 1.

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

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

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

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

The transitional government funding amount was contributed to the CSSF by the Province on December 22, 2014 through the issuance of a \$231.5 million promissory note. The note is receivable in seven equal annual instalments of \$33.1 million beginning January 1, 2023. Interest on the note is accrued at a rate of 4.14 percent per annum and is receivable semi-annually on January 1 and July 1.

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

Teachers' Superannuation Fund

The *Teachers' Superannuation Act* established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. The plan is operated within the Teachers' Superannuation Fund (TSF) which is not part of the Operating Fund of the Province. Investments of the Fund are held within the Province of Prince Edward Island Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Minister of Finance, Energy and Municipal

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

Changes were made to the *Teachers' Superannuation Act* effective January 1, 2014 (conversion date). The Plan was amended to address financial challenges regarding the sustainability of the Plan. The most substantial change was the transition of inflation protection provided after the conversion date for both active and inactive members from the previous guaranteed basis to a rules-based formula under which inflation protection is contingent on the Plan's financial strength. Other Plan modifications included the introduction of a rules-based funding strategy and a gradual transition to delayed eligibility for an unreduced retirement pension. In addition to setting the Plan on a more stable and sustainable financial footing, these amendments were designed to be consistent with the principle that, measured over the long term and in the normal course of events, benefits should be cost shared roughly equally between members and participating employers. However, to help establish a sound initial financial footing for the Plan, the Province committed to make an additional one-time transitional contribution to the Plan before the end of 2014 as described below.

A summary of the main benefit provisions of the pre-conversion Plan design and how they have been treated in the conversion to the new Plan design are as follows:

- Contributions:** Starting January 1, 2013, members were required to contribute 8.3 percent of their pensionable salary up to the year's maximum pensionable earnings plus 10.0 percent of pensionable salary in excess of the year's maximum pensionable earnings. Participating employers match member contributions. Herein these are considered the Base Contributions. For 2014 to 2016, contributions will remain fixed unless they are deemed ineligible based on the maximum contributions allowed under the ITA. As part of the conversion, variable contributions have been introduced based on the funded benefits ratio as defined below (note that contribution changes by funded level are total and not cumulative).

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

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

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

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

4. If triggered, contributions based on funded benefits ratio $\geq 135\%$ remain in effect until funded benefits ratio of $\leq 130\%$ is attained.

5. If triggered, contributions based on funded benefits ratio $\geq 145\%$ remain in effect until funded benefits ratio of $\leq 140\%$ is attained.

- Pension Formula:** The annual pension under the pre-conversion Plan design was based on the number of years of service times 2 percent of the best five years' average salary with an offset at age 65 for estimated Canada Pension Plan ("CPP") benefits. Under the post-conversion Plan design, the basic pension formula is maintained. However, in place of the 5-year best average salary base for benefit determination, pension amounts will be based on an indexed average earnings formula in which the indexation is contingent on the Plan's financial health. If the Plan maintains a solid financial position, member benefits at retirement will be very similar to the previous best average salary formula. Conversely, if Plan finances

deteriorate, member pensions may not keep pace with future inflation. A key aspect of the transition to rules-based, contingent inflation protection under the new design was that the dollars of pension benefits earned prior to the conversion not be reduced. This was accomplished by calculating member benefits at the conversion date based on the best 5-year average salary up to the end of 2013 and using this as the starting point for future benefit determination. The legislation requires that the salary amount used in benefit calculations as determined at December 31, 2013 never be reduced. Further, annual accruals after 2013 and any indexation that may be awarded in the future will, once awarded, also become part of the base pension and will not be reduced if the Plan's funded position deteriorates in the future.

- Pre-Retirement Indexation:* Prior to conversion, pre-retirement inflation protection was enabled by using members' highest 5-year average salary in the benefit calculation formula. Post-conversion, indexation has become conditional on the funded level of the Plan. However, there are some transitional indexation rules for the first three years. For indexation awarded during 2014 to 2016, pensionable salaries and the year's maximum pensionable earnings will be automatically indexed at 1.5 percent per annum. As this indexation is guaranteed, it is included in the Base Benefits, which are the guaranteed Plan benefits prior to any future contingent indexation. In 2017 and beyond, pre-retirement indexation will only be awarded if the funded benefits ratio (as determined at the April 1st immediately prior to the calendar year in which indexation is to be awarded) is greater than 100 percent. If the funded benefits ratio is below 100 percent then no indexation will be awarded in that year. If there are years that full indexation is not awarded, and if the funded benefits ratio subsequently reaches 115 percent, then a portion of Plan funds is available to make up for missed indexation in the past. The maximum indexation is 100 percent of the increase in the Average Industrial Wage (AIW) in Canada, however, if in any year the assets available to be spent on inflation protection are not adequate to provide the full amount, partial indexation will be awarded.
- Post-Retirement Indexation:* Prior to conversion, the post-retirement benefit was automatically increased every year by 60 percent of the increase in CPI as measured over the previous year, to a maximum of 4 percent. Post-conversion, indexation has become conditional on the funded level of the Plan. However, there are some transitional indexation rules for the first three years. For 2014 to 2016, post-retirement indexation will automatically be awarded at 0.9 percent per annum. As this indexation is guaranteed, it is included in the Base Benefits, which are the Plan benefits prior to any future contingent indexation. In 2017 and beyond, post-retirement indexation will only be awarded if the funded benefits ratio (as determined at the April 1st immediately prior to the calendar year in which indexation is to be awarded) is greater than 110 percent. If the funded benefits ratio is below 110 percent, then no post-retirement indexation will be awarded in that year. If there are years that full post-retirement indexation is not awarded, and if the funded benefit ratio subsequently reaches 118 percent, then a portion of Plan funds is available to make up for missed past indexation on a go-forward basis (i.e. no retroactive payments). The maximum indexation is 100 percent of CPI; however, if the Plan cannot afford that amount, partial indexation will be awarded. Indexation also applies to deferred vested benefits and is applied in the same manner as the post-retirement indexation described above.
- Retirement Age:* For pensionable service prior to January 1, 2019 (5 years after the conversion date), the earliest unreduced retirement age remains at the earlier of 30 years of pensionable service (minimum of age 55) and attained age 60. For pensionable service after December 31, 2018, the earliest unreduced retirement age will be the earlier of 32 years of

pensionable service (minimum of age 55) and attained age 62. The earliest retirement age remains at age 55 with 2 years of pensionable service both prior to and after the conversion date.

Prior to the Plan conversion, the Province was committed to make payments if the TSF was insufficient to provide for pension payments as they became due. In addition, a funding policy existed which required the Province to make special contributions when the TSF's funding level declined below 90 percent. Special contributions made under this funding policy were as follows:

- As a result of an unfunded liability at July 1, 2005, the Province made a special contribution through the signing of a \$160.0 million promissory note. The note, which is held by the Fund, is receivable in ten equal annual instalments of \$16.0 million beginning April 15, 2005. Interest on the note is accrued at a rate of 4.345 percent per annum and is receivable semi-annually on April 15 and October 15.
- On December 11, 2012, the Province made a special contribution to the Fund by issuing an \$80.4 million promissory note. The note is receivable in ten equal annual instalments of \$8.04 million beginning April 1, 2013. Interest on the note is accrued at a rate of 2.90 percent per annum and is receivable semi-annually on April 1 and October 1.

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

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

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

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

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

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

Pension Plan for Members of the Legislative Assembly

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

- (i) For the period up to and including June 30, 1994, annual Members' pensions are equal to the lesser of 75 percent of contributions and the average annual indemnity during the last five years of service. Annual Ministers' pensions are equal to the lesser of 75 percent of contributions and one half of the highest annual salary as a Minister.
- (ii) For the period July 1, 1994 to March 31, 2001, benefits are based on the number of years of service times 2 percent of the best thirty-six consecutive months' average indemnity and salary earned by the member.
- (iii) For the period April 1, 2001 to April 12, 2014, benefits are 25 percent of the required contributions made by the participant.
- (iv) For the period on or after April 13, 2014, benefits are 22.22 percent of the required contributions made by the participant.

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

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

This plan operates within the Pension Plan for Members of the Legislative Assembly of Prince Edward Island Fund and is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 percent of their salary up to April 12, 2014 and 9 percent of their salary thereafter. Investments of the Fund are held within the Province of Prince Edward Island Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Minister of Finance, Energy and Municipal Affairs. The Province is required to make contributions to the Fund to ensure that there is sufficient money to cover the cost of current service accruals as well as provide for the proper amortization of any unfunded liability. The plan text requires that an employer contribution holiday must be taken while the plan is in a surplus position.

Pension Plan for Members of the Legislative Assembly (Supplementary)

The supplementary to the Pension Plan for Members of the Legislative Assembly was established effective April 1, 1999. The plan provides a pension which is supplementary to the benefits provided under the Pension Plan for Members of the Legislative Assembly. Supplementary benefits are provided for service rendered subsequent to June 30, 1994 and the amount of benefit is approximately equal to those benefits provided under the Pension Plan for Members of the Legislative Assembly of Prince Edward Island. Effective upon the commencement of the 65th General

Assembly, the benefit will be reduced on a prospective basis to approximately 75 percent of the benefits provided under the Pension Plan for Members of the Legislative Assembly of Prince Edward Island. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. Up to the end of 2014, the plan will provide for inflation protection to a maximum of 8 percent. Commencing January 1, 2015, inflation protection will be no longer be guaranteed. Rather, it will be provided at the same level as provided in the *Civil Service Superannuation Act*.

Senior Compensation Program

An executive compensation plan is provided to the senior management of the Province. The plan provides a pension which is supplementary to the benefits provided under the *Civil Service Superannuation Act*. Prior to January 1, 2014, pension benefits were based on the number of years' participation in the Senior Compensation Program to a maximum of 5 years times 2 percent of the best three years' average salary. Effective January 1, 2014, the best three years' average salary will be replaced by indexed average earnings in which the indexation is contingent on the Civil Service Superannuation Fund's financial health. To ensure no reduction in pre-2014 benefits as a result of this change, the best 3-year average salary up to the end of 2013 will be used as the starting point for future benefit determination. Pre- and post-retirement inflation protection is provided at the same level as provided in the *Civil Service Superannuation Act*. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due.

Pension Plan for Judges – Old

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

Pension Plan for Judges – New

The *Provincial Court Act* established a Judicial Remuneration Review Commission which reviews salary, benefits and expenses paid to judges. In February 2002, the Commission approved the establishment of a pension plan for judges appointed after March 31, 1997, which is supplementary to the benefits provided under the *Civil Service Superannuation Act*. Pension benefits are based on the number of years' service times 3 percent of the best three years' average salary less benefits received under the *Civil Service Superannuation Act*, based on the provisions in existence prior to the January 1, 2014 amendments. This plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The plan provides for inflation protection to a maximum of 6 percent.

Summary of Plan Membership, Contributions and Payments

	2014	2013
<u>Civil Service Superannuation Fund</u>		
Number of Active Members	7,090	7,104
Employee Current Service Contributions	\$30.1 million	\$27.0 million
Number of Retirees	3,502	3,343
Benefit Payments	\$60.1 million	\$54.6 million

Teachers' Superannuation Fund

Number of Active Members	1,836	1,857
Employee Current Service Contributions	\$10.7 million	\$9.4 million
Number of Retirees	1,533	1,540
Benefit Payments	\$42.8 million	\$42.7 million

Pension Plan for Members of the Legislative Assembly

Number of Active Members	27	27
Employee Current Service Contributions	\$202.0 thousand	\$196.1 thousand
Number of Retirees	88	83
Benefit Payments	\$1.28 million	\$1.31 million

Pension Plan for Members of the Legislative Assembly (Supplementary)

Number of Active Members	27	27
Number of Retirees	48	47
Benefit Payments	\$322.1 thousand	\$320.9 thousand

Senior Compensation Program

Number of Active Members	33	29
Number of Retirees	52	48
Benefit Payments	\$617.7 thousand	\$543.5 thousand

Pension Plan for Judges – Old

Number of Active Members	1	1
Number of Retirees	4	4
Benefit Payments	\$374.2 thousand	\$368.7 thousand

Pension Plan for Judges – New

Number of Active Members	2	2
Number of Retirees	0	0

Actuarial Valuations / Estimates

Actuarial valuations of the Province's pension funds are carried out every three years. Beginning April 1, 2014, actuarial valuations for the Civil Service Superannuation Fund and Teachers' Superannuation Fund will be carried out annually. An estimated update, which is a calculation based on an extrapolation of the most recent valuation, is calculated by the Province at the end of each fiscal year for years between valuations.

Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The assumptions for the most recent valuations performed at April 1, 2014 are as follows:

	CSSF	TSF	MLA – Basic & Supplementary	SCP	Judges – Old Plan & New Plan
Inflation	2.25%	2.25%	2.25%	2.25%	2.25%
Discount Rate	5.75% for 10 years, 6.25% thereafter	5.75% for 10 years, 6.25% thereafter	Basic – 5.50% for 10 years, 6.00% thereafter Supplementary – 4.09%	4.11% per annum	Old Plan – 4.09% New Plan – 4.14%
Expected Rate of Return of Plan Assets	5.75% for 10 years, 6.25% thereafter	5.75% for 10 years, 6.25% thereafter	Basic – 5.50% for 10 years, 6.00% thereafter Supplementary – N/A	N/A	N/A
Salary Escalation	Basic increase of 2.75% per annum + promotional scale	Basic increase of 2.75% per annum + promotional scale	2.75% per annum	2.75% per annum	2.75% per annum
Pre-Retirement Indexation	1.5% per annum for 2014-2016, 2.75% per annum for 16 years, 0% per annum thereafter	1.5% per annum for 2014-2016, 2.75% per annum for 19 years, 0% per annum thereafter	1.5% per annum for 2015-2016, 2.75% per annum for 16 years, 0% per annum thereafter	1.5% per annum for 2015-2016, 2.75% per annum for 16 years, 0% per annum thereafter	N/A
Post-Retirement Indexation (includes deferred pensioners)	1.5% per annum for 2014-2016, 2.25% per annum for 11 years, 0% per annum thereafter	0.9% per annum for 2014-2016, 2.25% per annum for 11 years, 0% per annum thereafter	1.5% per annum for 2015-2016, 2.25% per annum for 11 years, 0% per annum thereafter	1.5% per annum for 2015-2016, 2.25% per annum for 11 years, 0% per annum thereafter	2.15% per annum
Mortality	CPM2014Publ with future improvements based on CPM Scale B and adjustments of 1.10 for males and 0.95 for females	CPM2014Publ with future improvements based on CPM Scale B and adjustments of 1.0 for males and 0.95 for females	Pre-Retirement – None Post- Retirement – CPM2014Publ with no adjustments and future improvements based on CPM Scale B	Pre-Retirement – None Post- Retirement – CPM2014Publ with future improvements based on CPM Scale B and size adjustments of 0.750 males & 0.926 females	Pre-Retirement – None Post- Retirement – CPM2014Publ with future improvements based on CPM Scale B and size adjustments of 0.750 males & 0.926 females
Termination	Tenure - based scale	Tenure - based scale	33% of members terminate after next election, 50% of balance terminate after the second election, remaining balance terminate after third election	None	None

	CSSF	TSF	MLA – Basic & Supplementary	SCP	Judges – Old Plan & New Plan
Retirement Age	Service and age – based scale	Service and age – based scale	Deferred Members – Age 50 or in one year if already over age 50. Active Members – 33% retire after first election, 50% of balance retire after second election and remaining members retire after third election.	Deferred Members – Age 50, or in 1 year if later Active Members – Later of age 55 or at which 5 years of Plan service is completed, or in 1 year if later	Age 65, or in 1 year if judge has attained age 65
Proportion Married	Age and gender – based scale	Age and gender – based scale	Age and gender – based scale	Active Members – Males 79%, females 75% Pensioners & Deferreds - See Table 4 below	Males: 79 % Females: 75%
Age Difference for Spouses	Males 2 years older than female spouses	Males 2 years older than female spouses	Males 2 years older than female spouses	Males 2 years older than female spouses	Males 2 years older than female spouses

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

	2014	2013
Civil Service Superannuation Fund (CSSF)	13 years	13 years
Teachers' Superannuation Fund (TSF)	16 years	14 years
MLA Pension – Basic & Supplementary	6 years	2 years
Senior Compensation Pension Plan	5 years	6 years
Judges Pension Plan (Old)	7 years	10 years
Judges Pension Plan (New)	7 years	5 years

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

	<u>CSSF</u>	<u>TSF</u>	<u>MLA Basic</u>	<u>MLA Supp</u>	<u>Senior Comp. Pension Plan</u>	<u>Judges Pension Plan (Old)</u>	<u>Judges Pension Plan (New)</u>
Date of Valuation	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Accrued Benefit Obligation	1,642,146	862,519	21,442	12,987	20,857	8,955	2,159
Fund Assets	<u>1,642,146</u>	<u>862,519</u>	<u>21,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded Liability (Surplus)	<u>-</u>	<u>-</u>	<u>48</u>	<u>12,987</u>	<u>20,857</u>	<u>8,955</u>	<u>2,159</u>

Pension fund assets are valued at market values. The actual return on plan assets was 15.1 percent in 2014 (2013 – 8.9 percent).

(c) Summary Pension Information

	CSSF	TSF	MLA	MLA Supp ²	SCP ²	Judge Old ²	Judge New ²
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Accrued benefit obligation, beginning of year	1,364,097	712,643	17,026	11,322	18,314	6,999	1,579
Reclassification of outstanding non-vested refunds ¹	(1,386)	(1,913)	-	-	-	-	-
Settlement of contingent liability	-	-	-	-	-	-	-
(Gains) losses on experience and assumption changes	363,191	112,964	2,134	(131)	4,013	1,920	372
Plan amendments							
(Gain) on benefit design changes except recognition of ABO for contingent indexation	(445,256)	(133,371)	(847)	(1,302)	(5,764)	-	-
Loss on recognition of ABO for contingent indexation	279,146	148,931	2,827	2,136	3,125	-	-
Benefits accrued	49,623	17,912	441	744	912	89	131
Interest	92,835	48,179	1,139	540	875	321	77
Benefit payments	(60,104)	(42,826)	(1,278)	(322)	(618)	(374)	-
Accrued benefit obligation, end of year	1,642,146	862,519	21,442	12,987	20,857	8,955	2,159
Plan assets, beginning of year	1,227,571	631,085	19,418	-	-	-	-
Reclassification of outstanding non-vested refunds ¹	(1,386)	(1,913)	-	-	-	-	-
Actuarial gains (losses)	96,597	44,438	1,757	-	-	-	-
Return on plan assets	86,041	44,081	1,295	-	-	-	-
Employer contributions	30,371	10,816	-	-	-	-	-
Employee contributions	31,526	12,198	202	-	-	-	-
Benefit payments	(60,104)	(42,826)	(1,278)	-	-	-	-
Employer special contribution	231,530	164,640	-	-	-	-	-
Plan assets, end of year	1,642,146	862,519	21,394	-	-	-	-
Actuarial pension liability	-	-	48	12,987	20,857	8,955	2,159
Unamortized adjustments, beginning of year	278,528	147,314	1,688	(156)	3,576	2,585	282
(Gains) losses on experience and assumption changes	363,191	112,964	2,134	(131)	4,013	1,920	372
Offset of unamortized net actuarial gains (losses) re plan amendment	(166,110)	-	-	131	(2,639)	-	-
Amortization of gains (losses)	(22,506)	(16,442)	(1,866)	156	(772)	(289)	(97)
Current year (gain) loss on assets	(96,597)	(44,438)	(1,757)	-	-	-	-
Unamortized adjustments, end of year	356,506	199,398	199	-	4,178	4,216	557
Net Pension liability	(356,506)	(199,398)	(151)	12,987	16,679	4,739	1,602
Expense							
Current period benefit cost	48,016	16,289	441	744	912	89	131
Employee and other contributions	(48,111)	(10,724)	(202)	-	-	-	-
Net interest	6,794	4,098	(156)	540	875	321	77
Plan amendments	(166,110)	15,560	1,980	834	(2,639)	-	-
Offset of unamortized net actuarial (gains) losses re plan amendment	166,110	-	-	(131)	2,639	-	-
Amortization of (gains) losses	22,506	16,442	1,866	(156)	772	289	97
Gain on settlement of contingent liability	-	-	-	-	-	-	-
Total pension expense	29,205	41,665	3,929	1,831	2,559	699	305

1. Refunds owing to non-vested members have been reclassified from the accrued benefit obligation to accounts payable

2. These pension plans are non-contributory.

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

	CSSF	TSF	MLA	MLA Supp	SCP
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Base benefit liability	1,326,630	699,678	18,615	10,851	17,732
Contingent indexation liability ¹	315,516	162,841	2,827	2,136	3,125
Total accrued benefit obligation	1,642,146	862,519	21,442	12,987	20,857

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

(d) Retirement and Other Benefits

Retirement Pay

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

Death Benefits

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

Workers Compensation

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

Effective January 1, 2011 the Province became an assessed employer for the purpose of providing workers compensation benefits to Civil Service, Instruction Education and former Health Sector employees. Thus, the liability associated with these benefits is held by the Workers Compensation Board of PEI. Under the agreement made in 2010, the Province made a lump sum payment to the Workers Compensation Board for the transfer of the liability. Due to the complexity involved in calculating the lump sum, the Province and the Workers Compensation Board agreed to have a revaluation performed as at December 31, 2013. In anticipation of this revaluation, the Province accrued a contingent liability of \$1.6 million. The results of the revaluation revealed that the lump sum amount had been overstated by \$2.7 million. The Province thus recorded a gain in 2013-14 of \$4.3 million, comprised of the \$1.6 million contingent liability reversal and \$2.7 million refund received from the Workers Compensation Board.

Sick Leave

Employees of the Civil, Education and Health sectors are entitled to sick leave as provided for under collective agreements and terms of employment. Unused hours can be carried forward for future paid leave, up to predetermined maximum amounts. However, no amounts are paid out in respect of unused sick leave at termination or retirement. This program is unfunded.

Actuarial Valuations / Estimates

Actuarial valuations of the Province's liability for future employee benefits are carried out every three years. An estimated update, which is a calculation based on an extrapolation of the most recent valuation, is calculated by the Province for the years in which a formal valuation is not prepared.

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

	Retirement Pay (Civil & Education)	Retirement Pay (Health)	Death Benefits (MLA)	Death Benefits (Civil & Health)	WCB	Sick Leave (Civil & Education)	Sick Leave (Health)
Date of Valuation	1-Apr-14	1-Apr-11	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-12
Inflation	N/A	N/A	N/A	N/A	⁵	N/A	N/A
Discount Rate	3.80%	3.80%	4.12%	4.10%	4.09%	3.80%	3.21%
Salary Escalation	¹	2.50% per annum	N/A	N/A	N/A	⁶	2.50%
Mortality	None	None	Same as for MLA Pension (Basic & Supp) post-retirement	Same as for CSSF	CPM2014 Public Table	None	
Termination	²	⁴	Same as for MLA Pension (Basic & Supp)	Same as for CSSF, rates are doubled for temporary and casual employees	N/A	⁷	
Retirement Age	³	When age plus service equals 90, but no earlier than 55 and no later than 63	Same as for MLA Pension (Basic & Supp)	same as CSSF retirement rates for members age 55 and older, or in one year if the member has attained age 66	N/A	Age 61, or in one year if member has attained age 61	When age plus service equals 90, but no earlier than 55 and no later than 63

1. Salary escalation assumptions for Retirement Pay (Civil & Education) are as follows:
 - Senior Compensation Plan members & MLAs – 2.75% per annum;
 - All other civil servants – same as for CSSF;
 - Education sector instructional and excluded employees – same as for TSF; and
 - Education sector CUPE employees – 2.75% per annum.
2. Termination assumptions for Retirement Pay (Civil & Education) are as follows:
 - Civil servants – same as for CSSF, rates are doubled for temporary and casual employees;
 - MLAs – same as for MLA Pension (Basic & Supplementary);
 - Education sector instructional and excluded employees – same as for TSF; and
 - Education sector CUPE employees – same as for CSSF.
3. Retirement age assumptions for Retirement Pay (Civil & Education) are as follows:
 - Civil servants – same as CSSF retirement rates for members age 55 and older, or in one year if the member has attained age 66;
 - MLAs – same as for MLA Pension (Basic & Supplementary);
 - Education sector instructional and excluded employees – same as TSF retirement rates for members age 55 and older, or in one year if the member has attained age 66; and
 - Education sector CUPE employees – 5% at each age from 55 to 59, 20% at age 60, 15% at age 61, 5% at each age from 62 to 64, 25% at age 65, or in one year if the member has attained age 65.
4. Termination assumptions for Retirement Pay (Health) are as follows:

<u>Age</u>	<u>Termination Rate</u>
20	0.240
25	0.092
30	0.050
35	0.032
40	0.022
45	0.011
50	0.002
55+	Nil
5. Inflation assumptions for Workers Compensation is as follows:
 - General – 2.25%;
 - Health and medical benefits – 4.25%;
 - Regular pension, survivor and extended wage loss benefits – 1.80%; and
 - Lost pension benefits – 0.00%.
6. Salary escalation assumptions for Sick Leave (Civil & Education) are as follows:
 - Civil servants – 3.00% per annum;
 - Education sector instructional employees – 3.10% per annum for those with a Master's Degree, 3.50% per annum for those without a Master's Degree; and
 - Education sector CUPE and excluded employees – 2.75% per annum.
7. Termination assumptions for Sick Leave (Civil & Education) are as follows:
 - Civil servants and education sector CUPE and excluded employees – 0.5% terminate per year; and
 - Education sector instructional employees – 0.0% terminate per year.

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

	2014	2013
Retirement Pay (Civil Service & Education Sector)	13 years	11 years
Retirement Pay (Health Sector)	15 years	15 years
Death Benefits (MLA)	5 years	2 years
Death Benefits (Civil Service)	11 years	13 years
Death Benefits (Health Sector)	14 years	15 years
Sick Leave (Civil Sector)	12 years	13 years
Sick Leave (Education Sector)	15 years	15 years
Sick Leave (Health Sector)	15 years	15 years

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

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

	Retirement Pay (Civil & Education)	Retirement Pay (Health)	Death Benefits (MLA)	Death Benefits (Civil & Health)	WCB	Sick Leave (Civil & Education)	Sick Leave (Health)
Date of Valuation	1-Apr-14	1-Apr-11	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-14	1-Apr-12
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Accrued Benefit Obligation	77,410	38,312	792	10,054	1,033	35,497	17,413
Fund Assets	-	-	-	1,036	-	-	-
Unfunded Liability (Surplus)	<u>77,410</u>	<u>38,312</u>	<u>792</u>	<u>9,018</u>	<u>1,033</u>	<u>35,497</u>	<u>17,413</u>

The market value of death benefit assets at the beginning of the year was \$1.1 million. The expected rate of return on death benefit assets was 4.69 percent. The actual return on assets was 6.0 percent in 2014 (2013 – 2.6 percent).

	Retirement Pay (\$000)	Death Benefits (\$000)	WCB ² (\$000)	Sick Leave ^{3,4} (\$000)
Accrued benefit obligation, beginning of year	112,542	10,712	2,503	53,254
Reclassification of outstanding non-vested refunds ¹	-	-	-	-
Settlement of contingent liability	-	-	(1,600)	-
(Gains) losses on experience and assumption changes	6,619	(492)	100	(1,124)
Plan amendments	-	-	-	-
Benefits accrued	5,928	322	75	6,045
Interest	4,987	505	42	1,754
Benefit payments	(7,860)	(202)	(87)	(5,456)
Accrued benefit obligation, end of year	122,216	10,845	1,033	54,473
Plan assets, beginning of year	-	1,095	-	-
Reclassification of outstanding non-vested refunds ¹	-	-	-	-
Actuarial gains (losses)	-	(8)	-	-
Return on plan assets	-	50	-	-
Employer contributions	-	50	-	-
Employee contributions	-	-	-	-
Benefit payments	-	(151)	-	-
Employer special contribution	-	-	-	-
Plan assets, end of year	-	1,036	-	-
Actuarial pension liability	122,216	9,809	1,033	54,473
Unamortized adjustments, beginning of year	26,984	2,300	97	2,880
(Gains) losses on experience and assumption changes	6,619	(492)	100	(1,124)
Offset of unamortized net actuarial gains (losses) re plan amendment	-	-	-	-
Amortization of gains (losses)	(3,262)	(363)	6	(221)
Current year (gain) loss on assets	-	8	-	-
Unamortized adjustments, end of year	30,341	1,453	203	1,535
Net Pension liability	91,875	8,356	830	52,938
Expense				
Current period benefit cost	5,928	322	75	6,045
Employee and other contributions	-	-	-	-
Net interest	4,987	455	42	1,754
Plan amendments	-	-	-	-
Offset of unamortized net actuarial (gains) losses re plan amendment	-	-	-	-
Amortization of (gains) losses	3,262	363	(6)	221
Gain on settlement of contingent liability	-	-	(4,322)	-
Total pension expense	14,177	1,140	(4,211)	8,020

1. Refunds owing to non-vested members have been reclassified from the accrued benefit obligation to accounts payable

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

3. Amount represents cost for usage in excess of entitlement earned during the year.

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

(f) Other Pension Plans**Health PEI**

Salaried physicians maintain their own personal Registered Retirement Savings Plan (RRSP) accounts to which Health PEI makes contributions in accordance with the Master Agreement between the Medical Society of Prince Edward Island and the Province of Prince Edward Island. Health PEI's contributions are equivalent to 9 percent of the physician's base salary, and shall not exceed 50 percent of the maximum permissible contribution provided for in the *Income Tax Act*. Health PEI's liability is limited to its required contributions in accordance with the agreement. A total of \$978.3 thousand (2013 - \$980.2 thousand) was contributed towards salaried physician's personnel RRSP accounts.

School Boards

Support employees of the two school boards are part of the P.E.I. Education Sector Pension Plan (ESPP). The pension is a defined benefit plan. According to the most recent accounting actuarial report, dated January 1, 2013, the plan had a surplus in the amount of \$3.8 million. For the ESPP, the Province records expenses equal to the employer contributions. It is the obligation of the Province to contribute the employer's portion as per the provisions of the plan text. It is the responsibility of the Pension Committee to ensure that the contributions are sufficient to fund the benefits provided. If the Plan's financial position is insufficient to fully fund future and accrued benefits then the Pension Committee is responsible for amending the Plan to decrease the benefits proportionately to such amounts as are required to ensure that the members' and employer's contributions are sufficient to fully fund the benefits.

P.E.I. Human Rights Commission

The employees of the Commission participate in a defined contribution pension plan. The Commission makes contributions amounting to 8.09 percent on that part of the salary on which Canada Pension Plan contributions are made and 9.75 percent on salary when Canada Pension Plan contributions are not required. Employees are not required to match or contribute to the plan. These contributions are paid to a Registered Retirement Savings Plan (RRSP) or Registered Disability Savings Plan (RDSP) as selected by the employee. During the year the Commission incurred \$12.8 thousand (2013 - \$18.6 thousand) in expenses for contributions to these plans.

P.E.I. Grain Elevators Corporation

Three employees of the Corporation participate in a defined contribution plan. The Corporation matches the employee contributions to a maximum of 5 percent of the employees' salary. The Corporation's liability is limited to its required contributions in accordance with the employment contract. The Corporation's share of contribution for the period was \$9.3 thousand.

11 Future Accounting Pronouncements

The new PS Standard 3260, *Liability for Contaminated Sites*, from the Public Sector Accounting Board (PSAB), will take effect on fiscal years beginning on or after April 1, 2014. As defined in the standard, contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The Province will recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. The Province is currently reviewing the impact of these standards on next year's financial statements.

12 Use of Estimates and Measurement Uncertainty

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

13 Prior Period Comparative Figures

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

14 Subsequent Events**(a) Contractual Obligations**

Subsequent to March 31, 2014, the Province entered into a number of contracts. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Significant obligations include:

	2015 (000)	2016 (000)	2017 (000)	2018 (000)	2019 (000)	Thereafter (000)	Total (\$000)
Building Leases	627	641	641	641	641	4,256	7,447
Community Care & Other Service Facilities	7,317	-	-	-	-	-	7,317
Highway Capital	16,195	4,880	-	-	-	-	21,075
Highway Maintenance	6,584	-	-	-	-	-	6,584
Policing	767	167	167	167	-	-	1,268
Public Works and Planning	5,224	3,691	408	-	-	-	9,323
Other Significant Obligations	1,531	1,043	553	-	-	-	3,127
	38,245	10,422	1,769	808	641	4,256	56,141

(b) Atlantic Veterinary College Funding

Subsequent to March 31, 2014, the Province entered into a ten year Inter-Provincial Funding Agreement with the Provinces of Nova Scotia, New Brunswick and Newfoundland & Labrador, for the Atlantic Veterinary College, for the period from April 1, 2014 to March 31, 2024. The agreement provides for a minimum increase of 1% per year, up to a maximum of 2.5%, depending on the achievement of Key Performance Indicators. The first years' funding (2014-2015) to be provided by the Province is \$8.5 million.

(c) School of Sustainable Design Engineering

Subsequent to March 31, 2014, the Province committed \$16.0 million to provide funding for the new School of Sustainable Design Engineering at the University of Prince Edward Island (UPEI). The Province also authorized UPEI to borrow an amount not to exceed \$18.6 million to finance construction and other costs associated with the Sustainable Design Engineering Program.

(d) New Building Canada Fund – Small Communities Fund

Subsequent to March 31, 2014, the Province authorized the signing of the Canada-Prince Edward Island New Building Canada Fund-Small Communities Fund Funding Agreement covering the period 2014-15 to 2023-24. This agreement requires the Province to match the Federal funding commitments in the amount of \$5.5 million in 2015-2016, and \$2.8 million for each of the years 2016-2017 to 2023-2024, for a total of \$27.7 million.

(e) Cooperative Capital Markets Regulatory System Agreement

Subsequent to March 31, 2014, the Province signed a Memorandum of Agreement to join the Cooperative Capital Markets Regulatory System with several other provinces. This system, when implemented, will move securities regulation from separate provincial agencies to a centralized model. The Government of Canada paid Prince Edward Island \$35.0 million upon signing. Once established, the Cooperative will eliminate Provincial revenue totalling approximately \$7.0 million per year.

(f) Storm Damages Heavy Rainfall Event

As a result of damages from a heavy rainfall and localized flooding event on December 10 & 11, 2014, significant highway infrastructure damage occurred, primarily in Prince County, PEI. As of January 2015, approximately 80 separate projects have been identified. Seven structures sustained significant damage, at an estimated repair cost of \$5.0 million. The remaining are highway repair projects ranging in estimated costs from \$2 thousand – \$250 thousand. The total estimate of infrastructure damages is in excess of \$8.0 million.

The Province is seeking assistance from the Federal Government under the provisions of the Disaster Financial Assistance Arrangements (DFAA). As actual costs to repair the damages are still being incurred, an estimate of the total amount of assistance to be received is undeterminable at the present time.

(g) P.E.I. Energy Corporation

Subsequent to March 31, 2014, the Corporation committed to a construction agency agreement totalling \$1.3 million related to the upgrade of the interconnection between the electrical systems of PEI and mainland Canada.

(h) P.E.I. 2014 Inc.

Subsequent to March 31, 2014, the Province authorized P.E.I. 2014 Inc. to amend a contract with Wendy Kane & Associates for the purpose of developing, managing and producing the P.E.I. 2014 Celebration Zone, increasing the amount by \$3.7 million to a total of \$5.2 million.

(i) Island Waste Management Corporation

Subsequent to March 31, 2014, the Province authorized Island Waste Management Corporation to enter into a contract with A.J.L. Ltd. at a cost of \$5.9 million, including a 15% contingency allowance, for the construction of Cell #6 at East Prince Waste Management Facility.

PROVINCE OF PRINCE EDWARD ISLAND
Schedules to the Consolidated Financial Statements
for the year ended March 31, 2014

	2014	2013
	(\$000)	Restated (\$000)
1 Cash and Short-Term Investments		
Cash (Bank Advances)		
Operating Fund	39,041	(3,725)
English Language School Board	5,824	4,331
Finance PEI	6,758	4,124
Health PEI	2,847	6,313
Innovation PEI	1	4,027
P.E.I. Housing Corporation	5,712	1,474
Other Consolidated Agencies, Boards and Crown Corporations	3,888	3,773
Short-Term Investments		
P.E.I. Agricultural Insurance Corporation	17,407	17,215
P.E.I. Regulatory and Appeals Commission	1,632	1,642
Other Consolidated Agencies, Boards and Crown Corporations	465	473
	83,575	39,647
2 Accounts and Taxes Receivable		
Taxes	69,831	82,973
Government of Canada	83,447	76,929
Due from P.E.I. Liquor Control Commission	12,181	12,831
Health PEI Fees and Revenues	3,622	3,286
Other	22,795	26,087
	191,876	202,106
Provision for Doubtful Accounts (Schedule 19)	(5,156)	(4,691)
	186,720	197,415
3 Investments		
Finance PEI	2,126	2,503
Provision for Losses (Schedule 19)	(922)	(1,272)
	1,204	1,231

4 Investment in Government Business Enterprises

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

Charlottetown Area Development Corporation

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

Island Investment Development Inc.

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

Island Waste Management Corporation

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

Prince Edward Island Energy Corporation

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

Prince Edward Island Liquor Control Commission

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

Prince Edward Island Lotteries Commission

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

4 Investment in Government Business Enterprises continued

b) Supplementary Financial Information

	Charlottetown Area Development Corporation (\$000)	Island Investment Development Inc. (\$000)	Island Waste Management Corporation (\$000)	P.E.I. Energy Corporation (\$000)	P.E.I. Liquor Control Commission (\$000)	P.E.I. Lotteries Commission (\$000)	Total 2014 (\$000)	Total 2013 Restated (\$000)
Cash and Marketable Securities	2,508	224,564	5,977	12,181	1,787	-	247,017	204,741
Accounts Receivable	3,799	4,020	1,251	3,001	1,157	187	13,415	11,721
Inventory	-	-	-	-	7,585	-	7,585	7,049
Loans Receivable	4,403	146,083	-	14,071	-	-	164,557	148,581
Tangible Capital Assets	56,224	-	19,410	93,891	6,816	-	176,341	124,822
Other Assets	5,113	6,471	299	101,312	213	-	113,408	118,932
Total Assets	72,047	381,138	26,937	224,456	17,558	187	722,323	615,846
Accounts Payable	1,085	1,334	1,388	1,233	2,509	187	7,736	9,973
Long-Term Debt	21,034	215,492	21,820	198,610	2,746	-	459,702	404,861
Other Liabilities	44,128	85,649	2,564	1,213	12,303	8,140	153,997	117,218
Total Liabilities	66,247	302,475	25,772	201,056	17,558	8,327	621,435	532,052
Equity	5,800	78,663	1,165	23,400	-	(8,140)	100,888	83,794
Total Liabilities and Equity	72,047	381,138	26,937	224,456	17,558	187	722,323	615,846
Percentage of Ownership	83%	100%	100%	100%	100%	100%		
Province of P.E.I.'s Equity	4,814	78,663	1,165	23,400	-	(8,140)	99,902	82,985
Revenues	5,243	16,116	19,459	12,739	71,282	18,885	143,724	145,471
Expenses	4,843	7,225	19,332	9,206	52,264	4,410	97,280	96,922
Net Income	400	8,891	127	3,533	19,018	14,475	46,444	48,549
Minority Interest in Net Income	(176) ¹	-	-	-	-	-	(176)	(18)
Revenues From GBEs	224	8,891	127	3,533	19,018	14,475	46,268	48,531
Revenue Transfers to Province	-	-	-	-	(19,018)	(10,333)	(29,351)	(29,807)
Province's Increase in Equity	224	8,891	127	3,533	-	4,142	16,917	18,724

¹ Includes an adjustment for change in ownership of Charlottetown Area Development Corporation from 85% to 83% resulting in a reduction of minority interest of \$108 (\$130 x 83%).

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

4 Investment in Government Business Enterprises continued

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CONSOLIDATED FINANCIAL STATEMENTS 2013-2014

c) Balances and Transactions with the Operating Fund

	Charlottetown Area Development Corporation (\$000)	Island Investment Development Inc. (\$000)	Island Waste Management Corporation (\$000)	P.E.I. Energy Corporation (\$000)	P.E.I. Liquor Control Commission (\$000)	P.E.I. Lotteries Commission (\$000)	Total 2014 (\$000)	Total 2013 Restated (\$000)
Government of P.E.I.:								
Accounts Receivable from	1	-	41	22	12,400	-	12,464	13,309
Loans Receivable from	1,819	6,430	-	66,779	1,698	-	76,726	85,747
Accounts Payable to	2,557	-	209	116	75	187	3,144	1,607
Transfer from:								
Revenues	-	-	-	-	19,018	10,333	29,351	29,807
Interest	130	211	-	1,801	78	-	2,220	2,278
Transfer to:								
Operating Grant	-	-	-	115	-	-	115	659

d) Long-Term Debt of Government Business Enterprises to be Repaid in Each of the Next Five Years¹

	(\$000)
2014-2015	63,160
2015-2016	62,229
2016-2017	52,667
2017-2018	37,204
2018-2019	60,073

¹ Included in P.E.I. Energy Corporation's long-term debt is \$29.4 million that has been excluded from the aggregate as the repayment terms are not yet known.

5 Sinking Fund

	2014 (\$000)	2013 (\$000)
FINANCIAL ACTIVITIES		
Sinking Fund Earnings:		
Investment Earnings	8,123	11,246
Bank Charges	(9)	(11)
Net Sinking Fund Earnings	8,114	11,235
Instalments from the Operating Fund	12,224	12,224
Other payments from (to) the Operating Fund	5,061	(5,730)
Debentures Redeemed	-	(61,426)
Change in Sinking Fund	25,399	(43,697)
Sinking Fund, beginning of year	182,701	226,398
Sinking Fund, end of year	208,100	182,701
FINANCIAL POSITION		
Assets		
Cash	2	10
Accrued Interest	1,719	1,751
	1,721	1,761
Investments, at cost ¹	206,382	180,943
Total Assets	208,103	182,704
Liabilities		
Accounts Payable	3	3
Sinking Fund Reserve	208,100	182,701
Total Liabilities and Fund Reserve	208,103	182,704

¹ Market value of investments \$226.2 million (2013 - \$209.4 million)

	2014	2013
	(\$000)	Restated (\$000)
6 Loans Receivable		
Operating Fund		
Charlottetown Area Development Corporation loans due in varying annual amounts to the year 2019, bearing interest rates ranging from 6.13% - 6.64%.	1,819	2,148
Communities 13 Inc. loan due in 2021, bearing an interest rate of 7.25%.	71	90
Community Development loans due in varying annual amounts to the year 2033, bearing interest rates ranging from 4.24% - 6.00%.	1,386	920
P.E.I. Energy Corporation loans due in varying annual amounts to the year 2035, bearing interest rates ranging up to 4.87%.	66,779	74,763
Island Investment Development Inc. loan due in 2022, bearing interest rates of 3.11%.	6,430	7,082
P.E.I. Liquor Control Commission loans due in varying annual amounts to the year 2024, bearing interest rates ranging from 4.07% to 5.28%.	1,698	1,754
	<u>78,183</u>	<u>86,757</u>
Mortgages and Loans Issued by Agencies and Crown Corporations		
Finance PEI loans repayable over various terms to a maximum of 10 years with interest rates ranging from 3% to 12.68%.	212,704	210,268
P.E.I. Housing Corporation loan due 2014, interest rates of 6.25%.	5	4
P.E.I. Student Financial Assistance Corporation loans due with various terms of repayment extending up to 12.5 years; Non-interest bearing. Loans issued prior to Jan 1, 2001 had variable interest rates of prime plus 2.0% or fixed interest rates of prime plus 4.0%.	36,212	34,726
	<u>248,921</u>	<u>244,998</u>
Other		
Employee Transition Advances - Non-interest bearing.	3,979	4,262
Employee Computer Purchase Loans - 3 year term, interest 2.8%.	2	1
Employee Health Club Loans - 1 year term, interest 1.35%.	44	30
Ocean Choice Inc. Promissory Note due in annual payments of \$750 thousand and a final lump sum payment of \$6.0 million in 2014, non-interest bearing.	9,750	9,750
	<u>13,775</u>	<u>14,043</u>
Total Loans Receivable before Provisions and Concessions	<u>340,879</u>	<u>345,798</u>
Provision for Doubtful Accounts (Schedule 19)	(57,224)	(52,334)
Adjustment for Interest Concession - Ocean Choice Inc.	-	(1,995)
	<u><u>283,655</u></u>	<u><u>291,469</u></u>

	2014	2013
	(\$000)	Restated (\$000)
7 Pension, Retirement and Other Obligations		
Civil Service Superannuation Fund	356,506	142,002
Teachers' Superannuation Fund	199,398	65,756
Pension Plan for Members of the Legislative Assembly	151	4,080
Other Pension Plans	(36,007)	(31,926)
Retirement and Death Benefits	(100,232)	(92,873)
Sick Leave	(52,939)	(50,374)
Workers Compensation	(830)	(2,406)
	366,047	34,259
8 Deferred Revenue and Credits		
Motor Vehicle Registry	7,920	7,588
Finance PEI	1,282	293
P.E.I. Agricultural Insurance Corporation	114	111
P.E.I. Self-Insurance and Risk Management Fund	501	445
Other Consolidated Agencies, Boards and Crown Corporations	142	1,770
Other - Operating Fund	1,292	1,283
	11,251	11,490
9 Accounts Payable and Accrued Liabilities		
Accrued Pension Liabilities	396,170	-
Goods and Services	119,972	142,975
Government of Canada	45,030	48,901
Interest	32,716	28,609
Wages and Benefits	60,646	59,775
Payments Due - LMDA Program and Social Services	1,687	2,350
Other	21,198	20,109
	677,419	302,719
10 Short-Term Loans Payable		
Operating Fund		
Treasury Notes, 0.975% to 1.00%, maturing April 8, 2014 to May 21, 2014	290,000	340,000
Discount on Treasury Notes	(215)	(463)
	289,785	339,537
Finance PEI		
Demand Note Payable to Island Investment Development Inc. Interest is charged monthly at a rate equal to the Department of Finance, Energy and Municipal Affairs' short-term lending rate.	6,999	6,999
	296,784	346,536

	<u>2014</u>	<u>2013</u>
	(\$000)	Restated (\$000)
11 Obligation Under Capital Leases		
Leasehold Improvement obligations payable monthly until the year 2019, interest rates ranging from 6.64% - 8.50%.	<u>1,879</u>	<u>2,292</u>
	<u>1,879</u>	<u>2,292</u>

Interest expense related to capital lease obligations for the year was \$141 thousand (2013 - \$169 thousand).

Future minimum lease payments under the capital lease obligations are:

	(\$000)
2014-2015	513
2015-2016	442
2016-2017	379
2017-2018	379
2018-2019	379
Thereafter	<u>222</u>
Total minimum lease payments	2,314
Imputed interest	<u>(435)</u>
Net Obligation	<u><u>1,879</u></u>

	2014	2013
	(\$000)	Restated
		(\$000)
12 Loans Payable		
Operating Fund		
Government of Canada, non-interest bearing, maturing March 31, 2022, payable in monthly instalments of \$325,642.	8,469	12,376
Adjustment for interest charge concession.	(500)	(963)
	<u>7,969</u>	<u>11,413</u>
Teachers' Superannuation Fund, 4.35%, maturing April 15, 2014, with interest payable semi-annually and principal payments of \$16.0 million payable annually.	16,000	32,000
Teachers' Superannuation Fund, 2.90%, maturing April 1, 2022 with interest payable semi-annually and principal payments of \$8.0 million payable annually.	72,332	80,369
Civil Service Superannuation Fund, 4.41%, maturing October 15, 2015, with interest payable semi-annually and principal payments of \$5.2 million payable annually.	10,400	15,600
Civil Service Superannuation Fund, 2.90%, maturing April 1, 2022 with interest payable semi-annually and principal payments of \$15.0 million payable annually.	135,685	150,761
Consolidated Agencies, Boards and Crown Corporations		
Finance PEI		
Bank of Nova Scotia, 6.62%, maturing in August 2017, payable in monthly instalments of \$40,333 plus interest.	6,494	6,978
Island Investment Development Inc., 4.00% note payable. Repayment terms are to be determined.	1,430	1,430
Island Investment Development Inc., 4.00% note payable. Repayment terms are to be determined.	557	557
Island Investment Development Inc., 4.00% note payable, due April 2018, repayable at \$8,165 monthly including principal and interest.	1,291	1,323
Manulife Financial, 6.01% note payable, due December 2024, repayable at \$88,025 monthly including principal and interest.	8,378	8,920
Manulife Financial, 5.54% note payable, due December 2024, repayable at \$7,969 monthly including principal and interest.	776	827
The Manulife Financial notes payable are secured by a general security agreement covering certain property holdings.		

	2014 (\$000)	2013 Restated (\$000)
12 Loans Payable continued		
P.E.I. Grain Elevators Corporation		
Demand loan payable to Scotiabank, bearing interest at prime less 0.25%, repayable in monthly principal amounts of \$12,500 plus interest, due August 30, 2013.	-	901
Demand loan payable to Scotiabank, bearing interest at prime, repayable in monthly principal amounts of \$6,000 plus interest due July 30, 2014.	-	505
Demand loan payable to Scotiabank, bearing interest at prime less 0.25%, or a Banker's Acceptance fee of 1.30%, subject to minimum fee of \$500 per availment, repayable in monthly principal amounts of \$18,500 plus interest, due September 30, 2014, amortized over 15 years.	3,035	-
P.E.I. Housing Corporation		
Canada Mortgage and Housing Corporation:		
- Mortgages Payable	14,188	15,690
- Debentures Payable	2,631	2,793
Interest rates range - 1.64% - 8.86%		
Maturity dates range - 2015 - 2029		
Loans and debentures are secured by properties.		
Summerside Regional Development Corporation Ltd.		
P.E.I. Century 2000 Fund Inc., 4.00% note payable, matured February 2013, see note below.	2,292	2,292
P.E.I. Century 2000 Fund Inc., 4.00% note payable, due October 2014, see note below.	1,699	1,701
P.E.I. Century 2000 Fund Inc., 4.00% note payable, due February 2016, see note below.	484	484
P.E.I. Century 2000 Fund Inc., 4.00% note payable, due October 2014, amortized until 2024, repayable in monthly payments of principal and interest of \$3,937.	300	323
P.E.I. Century 2000 Fund Inc., 4.00% note payable, due December 2016, amortized until 2025, repayable in monthly payments of principal and interest of \$11,489.	872	939
P.E.I. Century 2000 Fund Inc., 4.00% note payable, due May 2016, amortized until 2032, repayable in monthly payments of principal and interest of \$8,542. As security the company has provided a promissory note and a first collateral mortgage on the TFL property.	992	1,013
The P.E.I Century 2000 Fund Inc. loans noted above require interest only payments and will continue until such time as the company and lender agree on a principal repayment schedule.		
As security for the loans, the company has provided a promissory note and a first collateral mortgage on the Holman Centre.		
	287,805	336,819

12 Loans Payable continued

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

	(\$000)
2014-2015	58,862
2015-2016	35,771
2016-2017	29,756
2017-2018	32,658
2018-2019	29,839
	<u>186,886</u>

13 Debentures and Sinking Fund

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Debt (\$000)	Sinking Fund (\$000)	Net Debt 2014 (\$000)	Net Debt 2013 (\$000)
Public Issues:							
12-Mar-09	02-Jun-14	3.200%	5	100,000	-	100,000	100,000
27-Oct-95	27-Oct-15	8.500%	20	75,000	38,047	36,953	39,588
15-Sep-09	24-Sep-19	4.250%	10	100,000	-	100,000	100,000
25-Aug-10	02-Sep-20	3.700%	10	100,000	-	100,000	100,000
15-Dec-93	15-Dec-23	8.500%	30	60,000	36,831	23,169	25,531
20-Aug-02	29-Jul-27	6.100%	25	100,000	19,155	80,845	82,852
21-Feb-00	21-Feb-30	6.800%	30	80,000	25,256	54,744	56,921
29-Jan-02	29-Jan-32	6.250%	30	100,000	25,199	74,801	77,268
12-Jun-03	21-Feb-34	5.600%	30	100,000	18,497	81,503	83,455
16-Sep-04	15-Jun-35	5.700%	30	100,000	14,684	85,316	87,148
28-Jan-05	19-May-36	5.300%	31	100,000	12,660	87,340	89,094
12-Sep-05	19-Nov-37	4.650%	32	100,000	12,302	87,698	89,412
17-Mar-10	19-Nov-37	4.650%	27	100,000	5,469	94,531	95,969
16-Mar-11	19-May-41	4.600%	30	100,000	-	100,000	100,000
26-Jul-11	19-May-41	4.600%	30	100,000	-	100,000	100,000
19-Jun-12	27-Jun-42	3.650%	30	200,000	-	200,000	200,000
10-Jan-13	17-Jan-53	3.600%	40	125,000	-	125,000	125,000
06-Aug-13	17-Jan-53	3.600%	40	75,000	-	75,000	-
11-Mar-14	17-Jan-53	3.600%	39	125,000	-	125,000	-
				<u>1,940,000</u>	<u>208,100</u>	<u>1,731,900</u>	<u>1,552,238</u>
Canada Pension Plan Issues:							
1998-99	2018-2019	5.930%	20	376	-	376	376
1999-00	2019-2020	6.347%	20	7,332	-	7,332	7,332
2000-01	2020-2021	6.681%	20	9,136	-	9,136	9,136
2001-02	2021-2022	6.593%	20	11,374	-	11,374	11,374
2002-03	2022-2023	6.285%	20	11,360	-	11,360	11,360
2003-04	2023-2024	5.728%	20	11,135	-	11,135	11,135
2004-05	2024-2025	5.659%	20	10,500	-	10,500	10,500
2005-06	2025-2026	5.212%	20	3,036	-	3,036	3,036
2005-06	2035-2036	4.772%	30	5,939	-	5,939	5,939
2006-07	2036-2037	4.879%	30	13,526	-	13,526	13,526
2007-08	2037-2038	4.851%	30	10,010	-	10,010	10,010
2008-09	2038-2039	4.970%	30	9,703	-	9,703	9,703
2009-10	2039-2040	5.092%	30	10,544	-	10,544	10,544
2010-11	2040-2041	4.818%	30	9,603	-	9,603	9,603
2011-12	2041-2042	4.522%	30	9,794	-	9,794	9,794
2012-13	2042-2043	3.624%	30	6,971	-	6,971	6,971
				<u>140,339</u>	<u>-</u>	<u>140,339</u>	<u>140,339</u>
				2,080,339	208,100	1,872,239	1,692,577
Debenture Discount				(27,303)	-	(27,303)	(10,884)
Unfunded Portion of Sinking Fund				-	-	-	5,061
Total Debentures and Sinking Fund				<u>2,053,036</u>	<u>208,100</u>	<u>1,844,936</u>	<u>1,686,754</u>

13 Debentures and Sinking Fund continued

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

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

Interest rates are calculated on a weighted average basis.

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

Projected Payments

Projected payments for the next five years and thereafter are:

	Total Repayments (\$000)	Sinking Fund Requirements (\$000)	Net Principal Repayments (\$000)
2014-2015	100,000	-	100,000
2015-2016	75,000	38,047	36,953
2016-2017	-	-	-
2017-2018	-	-	-
2018-2019	376	-	376
Thereafter	1,904,963	170,053	1,734,910

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

14 Tangible Capital Assets

	Land and Improvements (\$000)	Buildings and Improvements (\$000)	Capital Leases / Leasehold Improvements (\$000)	Roads and Bridges (\$000)	Motor Vehicles (\$000)	Equipment (\$000)	Other (\$000)	Total 2014 (\$000)	Total 2013 Restated (\$000)
Cost, beginning of year	86,910	743,380	9,713	998,509	60,575	263,477	88,276	2,250,840	2,169,393
Additions	3,365	26,753	14	34,149	3,292	21,825	1,707	91,105	108,064
Disposals / Writedowns	(452)	(4,272)	-	-	(1,213)	(290)	(10)	(6,237)	(18,789)
Adjustments	(189)	91	-	-	(24)	14	(347)	(455)	(7,827)
Cost, end of year	<u>89,634</u>	<u>765,952</u>	<u>9,727</u>	<u>1,032,658</u>	<u>62,630</u>	<u>285,026</u>	<u>89,626</u>	<u>2,335,253</u>	<u>2,250,841</u>
Accumulated Amortization, beginning of year (Note 3)	2,828	327,617	4,744	697,238	40,359	178,334	49,058	1,300,178	1,259,148
Amortization	4	17,738	568	23,381	3,454	16,974	2,752	64,871	63,341
Disposals / Writedowns	-	(3,133)	-	-	(1,202)	(290)	(10)	(4,635)	(16,068)
Adjustments	-	143	-	-	(24)	4	(347)	(224)	(6,242)
Accumulated Amortization, end of year	<u>2,832</u>	<u>342,365</u>	<u>5,312</u>	<u>720,619</u>	<u>42,587</u>	<u>195,022</u>	<u>51,453</u>	<u>1,360,190</u>	<u>1,300,179</u>
Net Book Value	<u>86,802</u>	<u>423,587</u>	<u>4,415</u>	<u>312,039</u>	<u>20,043</u>	<u>90,004</u>	<u>38,173</u>	<u>975,063</u>	<u>950,662</u>

- Amortization is calculated using the straight line method (see Note 2).

- The net book value of capital assets not being amortized because they are under construction or development is \$21.2 million (2013 - \$29.7 million).

- No interest was capitalized during the year.

- Adjustments:

P.E.I. Housing Corporation - The costs and accumulated amortization of P.E.I. Housing Corporation assets have changed from the draft to finalized statements, provided for March 31, 2013.

	2014	2013
	(\$000)	Restated (\$000)
15 Inventories and Property Holdings		
Operating Fund		
Inventory - Education and Early Childhood Development	1,512	1,575
Inventory - Community Services and Seniors	212	235
Inventory - Transportation and Infrastructure Renewal	4,740	4,284
Property Holdings	249	195
Consolidated Agencies, Boards and Crown Corporations		
Inventory - Health PEI	3,436	3,424
Inventory - Other Consolidated Agencies, Boards and Crown Corporations	453	469
Property Holdings - Finance PEI	3,248	16,114
Property Holdings - P.E.I. Housing Corporation	235	150
	<u>14,085</u>	<u>26,446</u>
Provision for Losses on Property Holdings (Schedule 19)	(2,955)	(3,973)
	<u>11,130</u>	<u>22,473</u>
 16 Prepaid Expenses and Other Deferred Charges		
Operating Fund	106	102
Finance PEI	127	125
Health PEI	720	644
Innovation PEI	24	753
P.E.I. Grain Elevators Corporation	376	303
Other Consolidated Agencies, Boards and Crown Corporations	1,162	152
	<u>2,515</u>	<u>2,079</u>
 17 Trust Funds		
Operating Fund		
Civil Service Superannuation Fund	1,642,146	1,227,571
Pension Plan for MLAs	21,394	19,418
Public Trustee	9,000	8,939
Supreme Court	302	379
Teachers' Superannuation Fund	862,519	631,085
Other	1,647	1,338
Health PEI	692	585
English Language School Board	272	272
P.E.I. Museum and Heritage Foundation	1,011	975
	<u>2,538,983</u>	<u>1,890,562</u>

18 Guaranteed Debt

	2014 Outstanding (\$000)	2013 Outstanding (\$000)
¹ Lines of Credit / Demand Loans	-	32,607
² Debentures / Capital Loans	242,588	245,886
³ Agencies and Crown Corporations	1,463	1,378
Total Guaranteed Debt	244,051	279,871

	Maturity Date	Authorized Limit (\$000)	2014 Outstanding (\$000)	2013 Outstanding (\$000)
¹ Lines of Credit / Demand Loans				
P.E.I. Energy Corporation	Upon Completion	40,843	-	32,604
Communities 13 Inc.	August 1, 2013	100	-	3
		40,943	-	32,607
² Debentures / Capital Loans				
Ch'town Area Dev. Corp.	May 15, 2013	11,800	-	4,443
Fathers of Confed. Building	September 30, 2020	1,000	690	781
Island Investment Dev. Inc.	Apr 2013 to Apr 2017	215,492	215,492	211,986
Island Waste Manage. Corp.	December 31, 2027	30,130	21,821	22,784
L.M. Montgomery Land Trust	June 30, 2014	1,570	1,575	1,576
P.E.I. Energy Corporation	March 6, 2017	9,360	2,252	3,138
P.E.I. Energy Savings Bonds	December 31, 2016	20,000	1	337
P.E.I. Firefighters Association	March 31, 2027	140	128	135
Pownal Sports Centre	Apr 2014 to Mar 2024	1,085	629	706
		290,577	242,588	245,886

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

³ **Agencies and Crown Corporations**

Finance PEI	1,463	1,378
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19 Continuity of Provision for Doubtful Accounts and Losses

	Provision 2013 (\$000)	Written Off During Year (\$000)	Increase (Decrease) (\$000)	Provision 2014 (\$000)
Accounts and Taxes Receivable:				
Operating Fund				
Provincial Sales Tax	2,265	(672)	(56)	1,537
Real Property Tax	141	(146)	300	295
Transportation and Infrastructural Renewal	902	-	-	902
Other Departments	155	-	(34)	121
Finance PEI	112	-	316	428
P.E.I. Grain Elevator's Corporation	16	-	10	26
Health PEI	840	-	734	1,574
Innovation PEI	25	-	13	38
Tourism PEI	235	-	-	235
	<u>4,691</u>	<u>(818)</u>	<u>1,283</u>	<u>5,156</u> ¹
Investments:				
Finance PEI	<u>1,272</u>	<u>-</u>	<u>(350)</u>	<u>922</u>
	<u>1,272</u>	<u>-</u>	<u>(350)</u>	<u>922</u> ²
Loans Receivable:				
Operating Fund	3,200	-	5,050	8,250
Finance PEI	36,795	-	(1,267)	35,528
P.E.I. Student Financial Assistance Corporation	<u>12,339</u>	<u>-</u>	<u>1,107</u>	<u>13,446</u>
	<u>52,334</u>	<u>-</u>	<u>4,890</u>	<u>57,224</u> ³
Property Holdings:				
Operating Fund	130	-	-	130
Finance PEI	<u>3,843</u>	<u>(3,546)</u>	<u>2,528</u>	<u>2,825</u>
	<u>3,973</u>	<u>(3,546)</u>	<u>2,528</u>	<u>2,955</u> ⁴
Totals	<u>62,270</u>	<u>(4,364)</u>	<u>8,351</u>	<u>66,257</u>

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

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

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

⁴ The Provisions for Losses on Property Holdings are deducted on Schedule 15.

At March 31, 2014 the P.E.I. Student Financial Assistance Corporation recorded delinquent student loans in the amount of \$8.5 million. These loans had been returned to the Province in previous years by third party lenders who had agreements with the Province for the funding and delivery of student loans. All provincial student loans issued under these agreements were guaranteed by the Province. Comparative Consolidated Financial Statement balances for 2013 have been restated on Schedules 6 and 19 with an increase in Loans Receivable in the amount of \$8.5 million and an increase in Provision for Doubtful Accounts by the same amount.

20 Schedule of Debentures Issued**ISSUED**

<u>Date Of Issue</u>	<u>Rate of Interest</u>	<u>Date of Maturity</u>	<u>Amount of Issue (\$000)</u>	<u>Price Received</u>
Provincial Debentures				
06-Aug-13	3.60%	17-Jan-53	75,000	89.26
11-Mar-14	3.60%	17-Jan-53	<u>125,000</u>	91.93
Total Debentures Issued			<u><u>200,000</u></u>	

	2014 Budget Unaudited (\$000)	2014 Actual (\$000)	2013 Actual Restated (\$000)
<u>Revenues</u>			
21 Taxes			
Personal Income Tax	302,153	318,324	300,393
Sales Tax	251,382	244,090	212,088
Real Property Tax	103,224	104,939	101,258
Gasoline Tax	36,987	35,108	41,122
Corporate Income Tax	46,877	46,757	52,181
Health Tax on Tobacco	33,069	31,255	36,354
Health Tax on Liquor	18,800	17,610	17,395
Insurance Premium Tax	10,500	10,645	10,572
Corporation Capital Tax	4,800	5,842	5,687
Real Property Transfer Tax	4,100	4,484	4,092
Other	1,400	1,509	1,405
	813,292	820,563	782,547
22 Licenses and Permits			
Motor Vehicle Registry	18,998	18,429	16,785
Securities	4,827	5,282	4,449
Security Brokers and Salesmen Licenses	2,000	2,062	1,911
Registration and Licensing	940	986	957
Other	4,063	4,144	3,559
	30,828	30,903	27,661
23 Fees and Services			
Patient Fees	19,457	20,125	20,170
P.E.I. Agricultural Insurance Corp.- Insurance Premiums	9,696	9,503	8,410
Beverage Containers and Recycled Materials	7,018	6,922	7,139
Land Title and Registry Fees	2,500	2,330	2,466
Third Party Insurance	3,807	3,682	2,475
Tourism PEI	1,045	974	1,097
9-1-1 Cost Recovery Fees	1,075	1,318	997
P.E.I. Grain Elevators Corporation	929	854	831
Automated Property Registration	866	992	929
R.C.M.P. Recoveries	689	682	1,053
Fines and Penalties	1,245	1,008	868
Other	10,016	11,938	11,809
	58,343	60,328	58,244
24 Sales			
P.E.I. Grain Elevators Corporation	26,047	25,859	19,233
Tourism PEI - Golf and Park Operations	5,406	5,606	5,535
Health PEI	2,397	1,854	2,078
Other	614	944	1,081
	34,464	34,263	27,927

	2014 Budget Unaudited (\$000)	2014 Actual (\$000)	2013 Actual Restated (\$000)
25 Investment Income			
Operating Fund	2,830	3,313	3,349
Finance PEI	10,687	9,939	10,569
Other Consolidated Agencies, Boards & Crown Corporations	254	317	597
	13,771	13,569	14,515
26 Other Income			
Operating Fund	2,120	2,111	565
Finance PEI	3,775	4,760	12,741
Health PEI	2,039	1,675	1,752
Capital Funding - Health PEI (Hospital Foundations)	4,878	4,898	5,296
School Boards	1,719	1,949	2,247
Innovation PEI	2,094	1,278	1,409
P.E.I. Housing Corporation	5,460	5,703	5,185
Summerside Regional Development Corporation	380	1,528	694
Other Consolidated Agencies, Boards & Crown Corporations	895	2,072	1,101
	23,360	25,974	30,990
27 Government of Canada			
Equalization	339,500	339,500	337,075
Canada Health Transfer	128,603	129,324	120,956
Canada Social Transfer	50,801	50,590	49,551
Labour Market Agreements	31,428	31,162	32,469
Federal Transitional Assistance (HST Implementation)	14,000	39,000	-
Infrastructure Programs	1,104	607	543
Agriculture Support Programs	3,751	2,962	3,573
Housing Programs	5,027	3,710	3,173
New Deal for Cities and Communities	15,750	17,040	13,852
Official Languages in Education	2,622	3,132	2,795
Capital Funding - Atlantic Gateway	4,850	5,000	2,250
Capital Funding - French Language Schools	-	-	1,729
Youth Justice Services	1,615	1,855	2,199
Crop Insurance	14,223	12,037	13,966
Disaster Relief	-	1,578	-
P.E.I. 2014 Inc.	1,500	3,830	983
Promotion of Official Languages	1,166	1,563	1,563
Rehabilitation Programs	1,376	1,376	1,376
Wait Times Funding	1,048	1,033	1,048
Statutory Subsidy	679	685	679
Other	4,962	5,872	5,593
	624,005	651,856	595,373

	2014 Budget Unaudited (\$000)	2014 Actual (\$000)	2013 Actual Restated (\$000)
<u>Expenses</u>			
28 Agriculture and Forestry			
Department of Agriculture and Forestry	21,415	21,341	22,855
P.E.I. Agricultural Insurance Corporation	37,452	22,274	36,144
P.E.I. Grain Elevators Corporation	27,295	26,398	19,987
	86,162	70,013	78,986
29 Community Services and Seniors			
Department of Community Services and Seniors	84,807	81,299	80,518
Interministerial Women's Secretariat	426	422	410
P.E.I. Housing Corporation	11,052	8,137	7,683
	96,285	89,858	88,611
30 Education and Early Childhood Development			
Department of Education and Early Childhood Development	25,477	20,322	27,348
English Language School Board	192,438	201,798	187,318
French Language School Board	13,598	14,009	13,160
P.E.I. Regulatory and Appeals Commission	2,552	2,264	2,373
	234,065	238,393	230,199
31 Environment, Labour and Justice			
Department of Environment, Labour and Justice	60,387	59,771	59,991
P.E.I. Human Rights Commission	400	412	401
	60,787	60,183	60,392
32 Finance, Energy and Municipal Affairs			
Department of Finance, Energy and Municipal Affairs	65,685	66,525	63,503
Council of Atlantic Premiers	188	188	187
General Government	9,751	6,057	5,742
Employee Benefits	36,374	60,136	46,310
Interest on Unfunded Employee Future Benefits	10,397	17,368	13,571
P.E.I. Energy Corporation	-	-	544
P.E.I. Self Insurance and Risk Management Fund	4,543	3,877	3,736
	126,938	154,151	133,593

	2014 Budget Unaudited (\$000)	2014 Actual (\$000)	2013 Actual Restated (\$000)
33 Fisheries, Aquaculture and Rural Development			
Department of Fisheries, Aquaculture and Rural Development	9,884	9,776	9,229
Employment Development Agency	5,507	5,254	5,337
P.E.I. Aquaculture and Fisheries Research Initiative	141	58	137
	15,532	15,088	14,703
34 Health and Wellness			
Department of Health and Wellness	12,665	12,227	11,632
Health PEI	588,544	587,500	569,157
	601,209	599,727	580,789
35 Innovation and Advanced Learning			
Department of Innovation and Advanced Learning	122,171	122,040	120,679
Innovation PEI	23,643	25,352	23,425
Finance PEI	7,510	6,769	5,744
P.E.I. Student Financial Assistance Corporation	220	201	302
Summerside Regional Development Corporation	1,035	1,821	2,918
	154,579	156,183	153,068
36 Tourism and Culture			
Department of Tourism and Culture	8,720	8,725	6,462
P.E.I. Museum and Heritage Foundation	1,442	1,529	1,427
Tourism PEI	21,926	21,901	22,002
P.E.I. 2014 Inc.	8,669	8,876	2,291
	40,757	41,031	32,182
37 Transportation and Infrastructure Renewal			
Department of Transportation and Infrastructure Renewal	100,701	109,650	102,321
Crown Building Corporation	-	-	9
	100,701	109,650	102,330
38 Expense by Object			
Administration		31,339	30,481
Amortization of Tangible Capital Assets		64,871	63,341
Debt - Interest Charges		116,282	116,219
Debt - Provisions and Other		5,220	5,905
Debt - Interest on Unfunded Employees Future Benefits		19,788	15,925
Materials and Supplies		139,040	128,969
Professional and Contract Services		188,402	178,611
Salaries and Benefits		754,789	716,279
Travel and Training		13,681	13,544
Transfer Payments		404,299	407,591
		1,737,711	1,676,865

39 Reconciliation of Consolidated Deficit

	2014 Surplus (Deficit) (\$000)	Consolidation Adjustments (\$000)		2014 Consolidated Surplus (Deficit) (\$000)
Operating Fund	(96,480)	(2,197)	¹	(98,677)
Consolidated Agencies, Boards and Crown Corporations				
English Language School Board	(12)	1,397	²	1,385
Finance PEI	1,762	-		1,762
French Language School Board	(407)	322	³	(85)
Health PEI	7,855	(18,114)	⁴	(10,259)
Innovation PEI	1	-		1
P.E.I. 2014 Inc.	2,134	748	⁵	2,882
P.E.I. Agricultural Insurance Corporation	10,649	-		10,649
P.E.I. Aquaculture & Fisheries Research Initiative Inc.	(54)	13	⁶	(41)
P.E.I. Crown Building Corporation	-	(25)	⁶	(25)
P.E.I. Grain Elevators Corporation	(194)	162	⁶	(32)
P.E.I. Housing Corporation	(284)	(513)	⁴	(797)
P.E.I. Human Rights Commission	17	-		17
P.E.I. Museum & Heritage Foundation	(13)	-		(13)
P.E.I. Regulatory and Appeals Commission	578	-		578
P.E.I. Self Insurance & Risk Management	804	-		804
P.E.I. Student Financial Services	33	(14)	⁶	19
Summerside Regional Development Corporation	(309)	-		(309)
Total Consolidated Agencies and Crown Corps.	22,560	(16,024)		6,536
Government Business Enterprises (Schedule 4)	48,818	(2,550)	⁷	46,268
Consolidated Deficit				(45,873)

Consolidation Adjustments

¹ Operating Fund

Adjustment for intercompany accounts	(2,213)
Adjustment for vacation accruals recorded by Consolidated Agencies and Operating Fund	324
Adjustment for transfer of revenue from P.E.I. Regulatory and Appeals Commission	(308)
	<u>(2,197)</u>

² English Language School Board

Eliminate deferred revenue	636
Adjustments for intercompany accounts	761
	<u>1,397</u>

39 Reconciliation of Consolidated Deficit continued**³ French Language School Board**

Reversal of prior year adjustment to eliminate deferred revenue	(350)
Adjustments for tangible capital assets	(2)
Adjustments for intercompany accounts	674
	<u>322</u>

⁴ Adjustment for Capital Funding Provided To

Health PEI	<u>(18,114)</u>
P.E.I. Housing Corporation	<u>(513)</u>

⁵ Reversal of Prior Year Adjustment of Prepaid Expense

P.E.I. 2014 Inc.	<u>748</u>
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⁶ Other Adjustments

P.E.I. Aquaculture & Fisheries Research Initiative Inc. - Restatement of prior year	<u>13</u>
P.E.I. Crown Building Corporation - Amortization	<u>(25)</u>
P.E.I. Grain Elevators Corporation - Restatement of prior year	<u>162</u>
P.E.I. Student Financial Services - Restatement of prior year	<u>(14)</u>

⁷ Government Business Enterprises

Island Investment Development Inc. - Adjustment to provision for loss on loans	<u>2,550</u>
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40 Reconciliation of 2013-2014 Budget Estimates

	2013-2014 Budget per Estimates Book (\$000)	Adjustments (\$000)		2014 Budget Unaudited (\$000)
REVENUES				
Taxes	814,368	(1,076)	¹	813,292
Licenses and Permits	29,913	915	¹	30,828
Fees and Services	32,284	26,059	¹	58,343
Sales	-	34,464	¹	34,464
Investments	7,893	5,878	¹	13,771
Other	2,507	20,853	^{1/3}	23,360
Government of Canada	600,102	23,903	^{1/3}	624,005
Government Business Enterprises	-	54,641	²	54,641
Sinking Fund Earnings	8,088	-		8,088
Capital Revenue	14,228	(14,228)	³	-
Net Surplus of Crown Corporations	56,193	(56,193)	^{1/2}	-
Total Revenues	1,565,576	95,216		1,660,792
EXPENSES				
Agriculture and Forestry	36,367	49,795	^{1/4}	86,162
Auditor General	1,799	6	⁴	1,805
Community Services and Seniors	97,866	(1,581)	^{1/4}	96,285
Education and Early Childhood Development	232,244	1,821	^{1/4}	234,065
Environment, Labour and Justice	60,600	187	^{1/4}	60,787
Executive Council	8,753	31	⁴	8,784
Finance, Energy and Municipal Affairs	125,143	1,795	^{1/4}	126,938
Fisheries, Aquaculture and Rural Development	15,369	163	^{1/4}	15,532
Health and Wellness	578,339	22,870	^{1/4}	601,209
Innovation and Advanced Learning	144,403	10,176	^{1/4}	154,579
Legislative Assembly	4,842	9	⁴	4,851
Public Service Commission	7,444	26	⁴	7,470
Tourism and Culture	32,010	8,747	^{1/4}	40,757
Transportation and Infrastructure Renewal	101,276	(575)	^{1/4}	100,701
Total Program Expenses	1,446,455	93,470		1,539,925
Interest Charges on Debt	113,349	1,746	¹	115,095
Amortization of Capital Assets	64,626	-		64,626
Total Expenses	1,624,430	95,216		1,719,646
Consolidated Deficit	58,854			58,854

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

² - Presentation of estimated net surplus of the six Crown Corporations classified as Gov't Business Enterprises.

³ - Transfer Capital Revenue (to Government of Canada - \$9,350 / to Other - \$4,878).

⁴ - Transfer budget for salary increases from General Government to other Departments.

This schedule outlines the changes in the Province's 2013-2014 Budget to present, for comparative purposes, the inclusion of consolidated agencies on a line by line basis. The "Budget per Estimates Book" is taken from the Province of P.E.I.'s *Estimates of Revenue and Expenditure 2013*.

41 Provincial Reporting Entity

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

Government Organizations

English Language School Board	P.E.I. Agricultural Insurance Corporation
French Language School Board	P.E.I. Aquaculture and Fisheries Research Initiative Inc.
Employment Development Agency	P.E.I. Crown Building Corporation
Finance PEI	P.E.I. Grain Elevators Corporation ¹
Atlantic Technology Centre Inc.	P.E.I. Housing Corporation
100417 P.E.I. Inc.	P.E.I. Human Rights Commission
P.E.I. Biocommons Inc.	P.E.I. Museum and Heritage Foundation
Health PEI	P.E.I. Regulatory and Appeals Commission
Innovation PEI	P.E.I. Self-Insurance and Risk Management Fund
F.T.C. Enterprises Limited	P.E.I. Student Financial Assistance Corporation
P.E.I. 2014 Inc.	Summerside Regional Development Corporation Ltd. ²
P.E.I. Advisory Council on the Status of Women	Tourism P.E.I.

Government Business Enterprises

Charlottetown Area Development Corporation ³	P.E.I. Energy Corporation
Harbourside Management Services Inc.	P.E.I. Renewable Energy Corporation
Island Investment Development Inc.	P.E.I. Liquor Control Commission
Prince Edward Island Century 2000 Fund Inc.	P.E.I. Lotteries Commission
Island Waste Management Corporation	
Environmental Industrial Services Inc.	

¹ The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2013.

² The Province owns 75% of Summerside Regional Development Corporation Ltd. The Corporation is included in the governmental unit on a proportionate consolidation basis.

³ The Province owns 83% of Charlottetown Area Development Corporation. The Corporation is included in the governmental unit using the modified equity method of accounting.