

Public Accounts

of the province of

Prince Edward Island

Volume I

Consolidated Financial Statements

For the Year Ended March 31st

2007



To Her Honour
The Honourable Barbara A. Hagerman
Lieutenant-Governor of the Province of
Prince Edward Island

May It Please Your Honour:

The undersigned has the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2007.

Respectfully submitted,

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

Hon. Wes Sheridan
Provincial Treasurer

Office of the Provincial Treasurer
Charlottetown, Prince Edward Island

To the Honourable Wes Sheridan
Provincial Treasurer

Sir:

I have the honour to submit herewith the Public Accounts of the Province of Prince Edward Island for the fiscal year ended March 31, 2007.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "K. Scott Stevens". The signature is fluid and cursive, with a prominent horizontal stroke at the end.

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

Office of the Comptroller
Charlottetown, Prince Edward Island

Province of Prince Edward Island
Table of Contents
Volume I - Consolidated Financial Statements
For the Fiscal Year Ended March 31, 2007

	Page Number
Introduction	1
Statement of Responsibility	3
Consolidated Financial Statements	
Financial Highlights	5
Auditor's Report	9
Consolidated Statement of Financial Position	11
Consolidated Statement of Operations	12
Consolidated Statement of Change in Net Debt	13
Consolidated Statement of Cash Flows	14
Notes to the Consolidated Financial Statements	15
Schedules to Consolidated Financial Statements	29
Schedule 41 – Reconciliation of Consolidated Surplus (Deficit)	45
Schedule 42 – Restatement of 2006-2007 Budget Estimates	46

Introduction

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

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

The Public Accounts for the Year Ended March 31, 2007 consists of two volumes:

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

Volume II - Operating Fund Financial Statements, Details of Revenues and Expenditures and Financial Statements of Agencies and Crown Corporations presents the audited financial statements of the Operating Fund, the unaudited details of revenues and expenditures of the Operating Fund and a reproduction of the available audited financial statements of the Agencies, Boards and Crown Corporations owned or controlled by the Province. Volume II can be ordered through the Province's web site.

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

Internet Address - Volumes I and II of the Public Accounts are available on the Province's Website at:

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

Government of the Province of Prince Edward Island
Statement of Responsibility

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

These financial statements include a Consolidated Statement of Financial Position, a Consolidated Statement of Operations, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Cash Flows and notes and schedules integral to the statements. Together, they present fairly, in all material respects the Government's financial position at the fiscal year end and results of operations for the year ended March 31, 2007. More detailed information regarding the Government's financial position and operating results can be found in other sections of either Volume I or Volume II.

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

On behalf of the Government

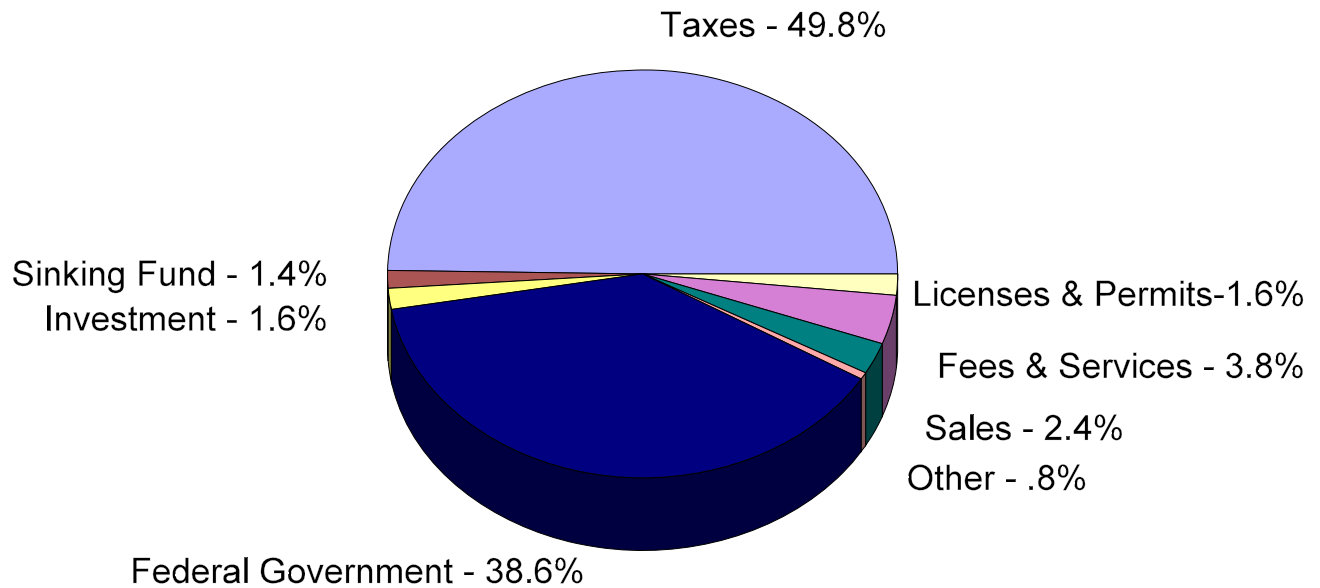


Hon. Wes Sheridan
Provincial Treasurer

December, 2007

Revenue

Consolidated Financial Statements

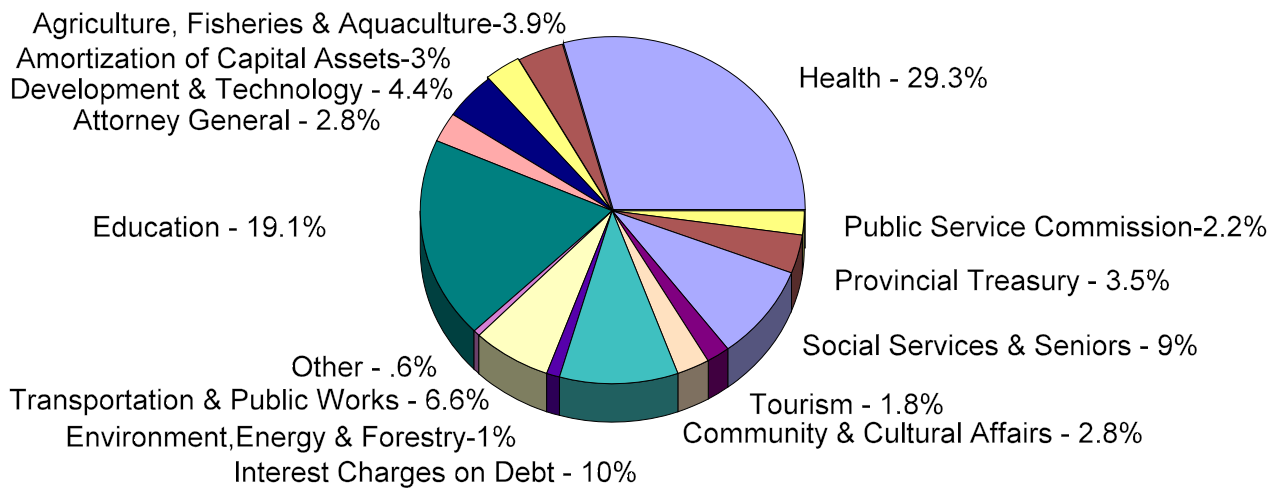


Total revenue for the Province in 2006-2007 was \$1.23 billion, an increase of \$60.6 million over the previous year.

Increases were mainly in Federal Government (\$30.0 million) and Taxes (\$26.3 million).

Expense by Ministry

Consolidated Financial Statements

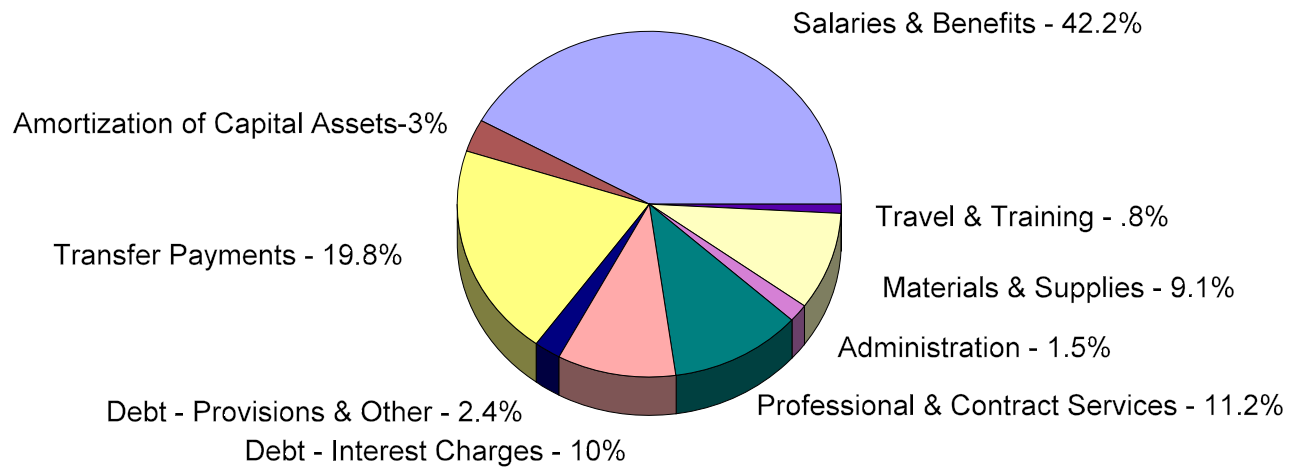


Total expense for the Province in 2006-2007 was \$1.21 billion, an increase of \$37.4 million over the previous year.

Increases were mainly in Development and Technology (\$17.3 million), Health (\$10.4 million) and Education (\$8.5 million). Increases in expenses were partly offset by decreases in the Public Service Commission (\$14.7 million).

Expense by Object

Consolidated Financial Statements

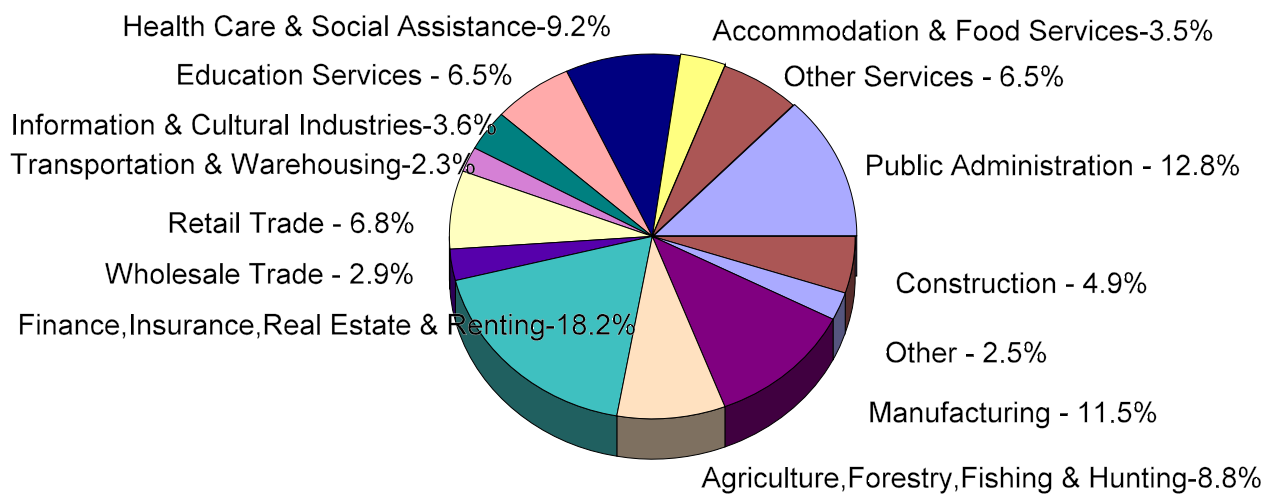


Total expense for the Province in 2006-2007 was \$1.21 billion, an increase of \$37.4 million over the previous year.

Increases were mainly in Transfer Payments (\$28.6 million), Salaries (\$12.1 million) and Debt - Provisions & Other (\$6.3 million). Increases in expenses were partly offset by decreases in Materials and Supplies (\$12.4 million).

Gross Domestic Product Distribution - 2006

Prince Edward Island



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

AUDITOR'S REPORT

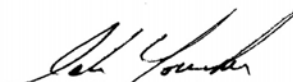
To the Members of the Legislative Assembly
Province of Prince Edward Island

I have audited the consolidated statement of financial position of the Province of Prince Edward Island as at March 31, 2007 and the statement of operations, change in net debt and cash flows for the year then ended. These statements are the responsibility of Government. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Prince Edward Island as at March 31, 2007 and the results of its operations, the change in net debt and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for governments as recommended by The Canadian Institute of Chartered Accountants.

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


Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
December 13, 2007

PROVINCE OF PRINCE EDWARD ISLAND
Consolidated Statement of Financial Position
as at March 31, 2007

	<u>2007</u>	<u>2006</u>
	(\$000)	(\$000)
FINANCIAL ASSETS		
Schedule		
1 Cash and Short Term Deposits	41,884	16,499
2 Accounts and Taxes Receivable	152,864	141,345
3 Treasury Advances	2,149	2,144
4 Property Holdings	776	670
5 Investments	2,415	2,765
6 Investment in Government Business Enterprises	11,062	9,736
7 Sinking Fund	269,015	265,926
8 Loans Receivable	<u>232,382</u>	<u>203,662</u>
Total Financial Assets	<u>712,547</u>	<u>642,747</u>
 LIABILITIES		
9 Deferred Revenue/Credits	25,694	28,895
10 Accounts Payable and Accrued Liabilities	237,691	204,566
11 Short Term Loans Payable	115,000	27,551
12 Obligation Under Capital Leases	4,857	5,167
13 Pension, Retirement and Other Obligations	40,763	87,626
14 Loans Payable	255,388	237,525
15 Debentures	<u>1,344,821</u>	<u>1,374,384</u>
Total Liabilities	<u>2,024,214</u>	<u>1,965,714</u>
 NET DEBT		
	<u>1,311,667</u>	<u>1,322,967</u>
 Non-Financial Assets		
16 Tangible Capital Assets	549,538	537,489
17 Inventories	7,578	8,075
18 Prepaid Expenses	<u>3,127</u>	<u>2,064</u>
	<u>560,243</u>	<u>547,628</u>
Accumulated Deficit	<u>751,424</u>	<u>775,339</u>

Supplementary Information (see schedules)

- 19 Trust Funds
- 20 Guaranteed Debt

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

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Operations for the year ended March 31, 2007

	2007 Unaudited Restated Estimates (\$000)	2007 Actual (\$000)	2006 Actual (\$000)
REVENUES			
Schedule			
23 Taxes	583,248	613,196	586,911
24 Licenses and Permits	17,715	19,582	19,385
25 Fees and Services	49,702	46,469	46,142
26 Sales	33,812	29,996	31,093
27 Investment	13,619	20,024	16,393
28 Other	3,683	8,603	8,610
29 Government of Canada	466,920	474,437	444,428
6 Government Business Enterprises	2,445	1,326	2,546
7 Sinking Fund Earnings	17,300	16,916	14,442
Total Revenues	1,188,444	1,230,549	1,169,950
EXPENSES			
30 Agriculture, Fisheries & Aquaculture	42,237	46,985	46,412
31 Attorney General	33,613	33,586	32,316
Auditor General	1,447	1,338	1,336
32 Community and Cultural Affairs	32,954	34,415	30,911
33 Development and Technology	31,343	53,509	36,215
34 Education	231,680	230,245	221,755
35 Environment, Energy & Forestry	12,617	12,201	12,703
Executive Council	3,030	2,944	2,923
Health	352,678	353,657	343,243
Legislative Assembly	3,624	3,480	3,920
36 Provincial Treasury	55,946	42,535	38,950
37 Public Service Commission	26,944	26,060	40,809
Social Services and Seniors	112,578	108,121	106,625
38 Tourism	21,366	21,389	20,546
39 Transportation and Public Works	81,727	79,616	77,022
Total Program Expenses	1,043,784	1,050,081	1,015,686
Interest Charges on Debt	119,404	120,296	116,807
16 Amortization of Tangible Capital Assets	37,755	36,257	36,779
Total Expenses	1,200,943	1,206,634	1,169,272
ANNUAL SURPLUS (DEFICIT)	(12,499)	23,915	678
Accumulated Surplus (Deficit), Beginning of Year		(775,339)	(776,640)
Accounting Change - Inventory Inclusion		-	3,624
Adjustments for Future Employee Benefits		-	(3,001)
Accumulated Surplus (Deficit), End of Year		(751,424)	(775,339)

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

PROVINCE OF PRINCE EDWARD ISLAND
Consolidated Statement of Changes in Net Debt
for the year ended March 31, 2007

	2007 Unaudited Restated Estimates (\$000)	2007 Actual (\$000)	2006 Actual (\$000)
Annual (Surplus) Deficit	<u>12,499</u>	<u>(23,915)</u>	<u>(678)</u>
Increase (Decrease) in Tangible Capital Assets			
Acquisition of Tangible Capital Assets	40,960	48,630	29,385
Amortization of Tangible Capital Assets	(37,755)	(36,257)	(36,779)
Net Book Value of Tangible Capital Asset Disposals	-	(324)	(390)
	<u>3,205</u>	<u>12,049</u>	<u>(7,784)</u>
Increase (Decrease) in Prepaid Expenses	<u>-</u>	<u>1,063</u>	<u>(2,005)</u>
Increase (Decrease) in Inventory	<u>-</u>	<u>(497)</u>	<u>1,005</u>
Adjustment - Reclassification of Land (Tax Sales)	<u>-</u>	<u>-</u>	<u>(113)</u>
Adjustments re: Future Employee Benefits			
Pension Amortization & Interest Expense	-	-	1,734
Teachers' WCB Liability at Mar-31-05	-	-	1,267
	<u>-</u>	<u>-</u>	<u>3,001</u>
Increase (Decrease) in Net Debt	15,704	(11,300)	(6,574)
Net Debt, Beginning of Year	<u>1,322,967</u>	<u>1,322,967</u>	<u>1,329,541</u>
Net Debt, End of Year	<u>1,338,671</u>	<u>1,311,667</u>	<u>1,322,967</u>

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

PROVINCE OF PRINCE EDWARD ISLAND**Consolidated Statement of Cash Flows
for the year ended March 31, 2007**

	<u>2007</u> (\$000)	<u>2006</u> (\$000)
Operating Activities		
Surplus (Deficit) for the year	23,915	678
Amortization of Tangible Capital Assets	36,257	36,779
Adjustments for Future Employee Benefits	-	(3,001)
Changes in:		
Accounts and Taxes Receivable - (Increase) Decrease	(11,519)	(16,388)
Treasury Advances - (Increase) Decrease	(5)	(1,553)
Property Holdings - (Increase) Decrease	(106)	774
Prepaid Expenses - (Increase) Decrease	(1,063)	2,005
Inventories - (Increase) Decrease	497	(892)
Deferred Revenue/Credits - Increase (Decrease)	(3,201)	(2,185)
Accounts Payable and Accrued Liabilities - Increase (Decrease)	33,125	9,981
Pension, Retirement and Other Obligations-Increase (Decrease)	(46,863)	(147,861)
Cash Provided by (Used for) Operating Activities	<u>31,037</u>	<u>(121,663)</u>
Investing Activities		
Changes in:		
Loans Receivable - (Increase) Decrease	(28,720)	(4,075)
Investments - (Increase) Decrease	350	694
Investment in Govt Business Enterprises-(Increase) Decrease	(1,326)	(2,546)
Cash Provided by (Used for) Investing Activities	<u>(29,696)</u>	<u>(5,927)</u>
Capital Activities		
Acquisition of Tangible Capital Assets	(48,630)	(29,385)
Disposal of Tangible Capital Assets	324	390
Cash Provided by (Used for) Capital Activities	<u>(48,306)</u>	<u>(28,995)</u>
Financing Activities		
Debentures Issued	13,526	108,975
Debentures Matured / Called	(43,712)	(8,975)
Changes in:		
Short Term Loans Payable - Increase (Decrease)	87,449	(57,449)
Loans Payable - Increase (Decrease)	17,863	156,192
Debenture Discount - (Increase) Decrease	623	(131)
Obligation Under Capital Leases - Increase (Decrease)	(310)	(388)
Sinking Fund - (Increase) Decrease	(3,089)	(77,285)
Cash Provided by (Used for) Financing Activities	<u>72,350</u>	<u>120,939</u>
Increase (Decrease) in Cash and Short Term Deposits	25,385	(35,646)
Cash and Short Term Deposits, Beginning of Year	<u>16,499</u>	<u>52,145</u>
Cash and Short Term Deposits, End of Year	<u>41,884</u>	<u>16,499</u>

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

PROVINCE OF PRINCE EDWARD ISLAND
Notes to the Consolidated Financial Statements
For the year ended March 31, 2007

1 Reporting Entity

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

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

Eastern School District
French Language School Board
Western School Board
Harness Racing PEI Inc.
P.E.I. Agricultural Insurance Corporation
P.E.I. Agricultural Research Investment Fund Inc.
P.E.I. Aquaculture and Fisheries Research Initiative Inc.
P.E.I. Business Development Inc
P.E.I. Crown Building Corporation
P.E.I. Housing Corporation
P.E.I. Human Rights Commission
P.E.I. Lending Agency
P.E.I. Museum and Heritage Foundation
P.E.I. Self-Insurance and Risk Management Fund
P.E.I. Special Projects Fund
Tourism P.E.I.

The Eastern, Western, and French Language School Boards have a fiscal year-end of June 30th. Unaudited financial information as of March 31, 2007 has been used for consolidation purposes.

Harness Racing PEI Inc. has a fiscal year end of January 31, 2007.

The following agencies, crown corporations, and boards are included in the consolidated statement of financial position using the modified equity method of accounting. This method is used for government business enterprises which are defined as those agencies, crown corporations and boards which, (i) have the power to contract in their own name, (ii) have the financial and operating authority to carry on a business, (iii) sell goods and services to customers outside the provincial reporting entity as their principal activity and source of revenue, and (iv) are able to maintain their operations and meet their liabilities from revenues received from sources outside the provincial reporting entity. The modified equity method reports the percentage of a government business enterprise's net assets owned by the Province as an investment in the Province's Consolidated Statement of Financial Position. Inter-organizational balances and transactions are not eliminated. Schedule 6 presents condensed financial information of the following government business enterprises.

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

The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2006.

The Consolidated Statement of Financial Position does not include the financial position of the Workers' Compensation Board of Prince Edward Island. The Board, as at December 31, 2006, had assets of \$128.4 million (2005 - \$109.3 million) and liabilities of \$116.5 million (2005 - \$110.3 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

2 Basis of Accounting

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

(b) Financial Assets

Financial assets are those assets on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Cash represents cash position including bank balances and term deposits.

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

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

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

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

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

Loans Receivable are recorded at cost less adjustments for impairments in value and concessionary terms. Where concessionary terms apply loans are reported at their net present value. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules. A provision for loss is established for doubtful accounts.

(c) Liabilities

Deferred revenue represents amounts received but not earned.

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

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

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

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

Union agreements provide for the accumulation of sick leave benefits by employees. However, there is no obligation for the Province to settle these amounts with cash payments. Consequently, no liability has been calculated by the Province and no accrual has been recorded in these financial statements for accumulated sick leave benefits.

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

(d) Net Debt

The Province's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Province is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated deficit.

Non-Financial Assets

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

Tangible capital assets are valued at historical cost, or estimated cost where historical cost information is not available. Amortization methods and rates vary between the Operating Fund and some agencies. It is calculated using the straight line or declining balance methods at the following rates:

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

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

Inventories consist of items on hand which were purchased for consumption or use by the Province in the course of its operations. Inventories are recorded at cost and expensed as they are consumed or sold.

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

Accumulated Deficit

Accumulated Deficit is the Net Debt of the Province less Non-Financial Assets. It represents the accumulated balance of annual surpluses and deficits arising from operations of the Province.

(e) Revenues

Revenues are recorded on an accrual basis. Transfers from the Government of Canada, under Federal - Provincial fiscal arrangements, are based on estimates which will be adjusted against future years revenues when actual results or new information becomes available.

(f) Expenses

Expenses are recorded on an accrual basis.

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

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

3 Province of Prince Edward Island Sinking Fund**(a) Description of Sinking Fund**

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

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

	(\$000)
2007-2008	15,658
2008-2009	14,500
2009-2010	14,500
2010-2011	13,125
2011-2012	12,500

During 2005-2006 additional discretionary contributions of \$48.7 million were made to the Sinking Fund for under funded debentures.

(b) PEI Issues Held by the Sinking Fund

As at March 31, 2007 Sinking Fund investments includes PEI Issues held but not cancelled in the amounts of:

	(\$000)		(\$000)
Debentures - Par Value	61,043	Book Value	65,493
Residuals - Par Value	118,983	Book Value	66,934

4 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, 2007. IWMC is also responsible for monitoring and dealing with post-closure issues at four landfill sites and approximately one hundred smaller community dumps which were closed prior to 2003. The Province is responsible for the costs associated with the closure and decommissioning of the sites closed prior to 2003.

IWMC has included in its liabilities at March 31, 2007 an obligation associated with the retirement, closure and post-closure costs of the East Prince Landfill Site in the amount of \$1.4 million (2006 - \$1.2 million). The Province recognizes its responsibility regarding landfill sites closed prior to 2003 but at this time is unable to estimate the costs involved due to the absence of a formal action plan. A provisional amount of \$350 thousand, established in 2003 to deal with future costs, is included in accounts payable and accrued liabilities.

5 Commitments

The nature of the Province's activities results in commitments against future appropriations through various multi-year contracts and obligations. Payments in respect of these contracts and agreements are subject to the approval of the Legislature through the annual budget process. Significant financial commitments at March 31, 2007 include:

(a) University of Prince Edward Island

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

(b) Queen Elizabeth Hospital Foundation

The Province has committed a total of \$9.0 million to the Queen Elizabeth Hospital Foundation's Capital Equipment Campaign. Payments are to be made over the next three years.

(c) 2009 Canada Summer Games

As at March 31, 2007 the Province has fulfilled its commitment to contribute \$4.8 million towards the capital costs of the 2009 Canada Summer Games. The Province's share represents approximately one third of the total estimated capital costs of the Games.

The Province has also made a commitment to contribute \$3.0 million towards the operating expenses of the 2009 Canada Summer Games. As at March 31, 2007 \$1.6 million of this amount has been disbursed. The following schedule shows the annual payments remaining under this commitment:

	(\$000)
2007-2008	388
2008-2009	482
2009-2010	482

In addition, after completion of the Canada Summer Games, the Province will bear the cost of any deficit incurred.

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

The corporation has approved, but not disbursed, loans at March 31, 2007 amounting to \$5.0 million (2006 - \$6.5 million).

(e) Island Investment Development Inc

Prince Edward Island Century 2000 Fund Inc. has approved, but not disbursed, loans at March 31, 2007 amounting to \$12.1 million (2006 - \$15.5 million).

(f) P.E.I. Lending Agency

The corporation has approved, but not disbursed, loans at March 31, 2007 amounting to \$9.4 million (2006 - \$4.6 million).

(g) Tourism PEI

Tourism PEI has entered into an agreement to co-promote an event in 2007 and 2008 which requires an annual deposit payment of \$400 thousand. If in any year revenues of the event are not sufficient to offset all costs, Tourism PEI will be responsible for any shortfall.

(h) P.E.I. Energy Corporation

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

(i) Island Waste Management Corporation

The corporation conducts a portion of its operations, the compost facility, pursuant to an operating agreement. The agreement, which expires September 30, 2007, provides for the payment by the corporation to the operator of the facility a minimum annual fee plus an excess tonnage fee. The minimum annual fee commitment under the agreement is as follows:

2008	\$.7 million
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The corporation has entered into various agreements for the collection of recyclables, waste and compost materials. Minimum payments for the contracts currently in place for the next five years on these contracts are as follows:

2008	\$ 3.7 million
2009	\$ 3.5 million
2010	\$ 2.7 million
2011	\$ 2.7 million
2012	\$ 2.1 million

The corporation has entered into an agreement to supply PEI Energy Systems with a minimum of 31 thousand tons of waste annually. Any shortage is the responsibility of the corporation. Annual processing costs for the waste are estimated at \$1.8 million. The agreement is for thirty years, expiring in August 2025.

(j) Charlottetown Area Development Corporation (CADC)

In 1996 the Province entered into an agreement with the Charlottetown Waterfront Development Corporation (CWDC), a subsidiary of CADC, to manage the disposal of property purchased from Canadian National Railway. Included in this agreement was an undertaking from the Province to reimburse all net carrying costs associated with the CN properties. CWDC has requested that the CN properties be returned to the Province and the transfer of title back to the Province is currently in process. The Province has included in its Accounts Payable and Accrued Liabilities at March 31, 2007 \$2.6 million related to the CN properties.

(k) Leases

The Province is party to a substantial number of lease agreements for the rental of space and equipment. The following schedule shows the minimum annual lease payments in each of the next five years for

those leases which are considered significant in relation to future operations:

	(\$000)
2007-2008	5,587
2008-2009	4,760
2009-2010	4,045
2010-2011	3,817
2011-2012	3,248

Capital Leases

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

6 Contingent Liabilities

(a) Claims Outstanding

The Province is subject to legal actions arising in the normal course of business. At March 31, 2007 there were a number of outstanding claims arising from legal action in progress against the Crown. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

The cost, if any, of most of the claims outstanding will be paid through the Prince Edward Island Self-Insurance and Risk Management Fund. The Prince Edward Island Self-Insurance and Risk Management Fund was established in 1988 under Part II of the Financial Administration Act. The Fund provides general liability insurance, errors and omissions insurance and primary property and crime insurance. At March 31, 2007, fund reserves were \$7.5 million (2006 - \$7.3 million). Claims amounting to \$.9 million were settled in the current year (2006 - \$1.0 million). The estimated amount for claims outstanding at March 31, 2007 is \$1.0 million (2006 - \$.8 million). The Fund carries an excess liability policy limiting the liability of the fund.

No allowance provision has been made for costs, if any, relating to claims of abuse at the former Mt Herbert Orphanage which are not covered through the Self-Insurance and Risk Management Fund.

(b) Prince Edward Island Business Development Inc

PEI Business Development Inc has indemnified lease payments to a landlord on behalf of a private company. In the case of default by the tenant, the maximum amount indemnified is \$108,333 per month, pursuant to the lease ending February 2025. A provision for loss has been established for this guarantee (see Schedule 21).

(c) Credit Union Deposit Insurance Corporation

The Credit Unions Act states that the Province shall ensure that the obligations of The Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits within established limits held by PEI credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the ten credit unions. The Province holds two director positions on the CUDIC Board of Directors. At December 31, 2006 the CUDIC had an equity balance of \$7.1 million (2005 - \$6.2 million).

Based on unaudited information, at September 30, 2006 credit unions in Prince Edward Island held insurable deposits totaling \$470.8 million (2005 - \$462.6 million). The probability that the Province would be called upon to provide financial support to the CUDIC is unlikely due to the equity held by the CUDIC, Credit Union Central of Prince Edward Island and the ten credit unions on PEI.

(d) Guaranteed Debt

The Province has guaranteed the repayment of a variety of types of loans, including student loans. Guarantees amounting to \$170.5 million (2006 - \$156.6 million) are reported in Schedule 20.

7 Pension, Retirement and Other Obligations

(a) Basis of Accounting for Obligations

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

(b) Pension Funds

Civil Service Superannuation Fund

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

Teachers' Superannuation Fund

The Teachers' Superannuation Act established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. The plan is operated within the Teachers' Superannuation Fund which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions equal to 7.2 % of their salary (9 % when not contributing to CPP) with the Province matching those contributions. Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial Treasurer. By Act the Province is committed to make payments if the Teachers' Superannuation Fund is insufficient to provide for pension payments as they become due. Pension benefits are based on the number of years of service times 2% of the best five years' average salary. The plan provides for inflation protection to a maximum of 4%.

Pension Plan for Members of the Legislative Assembly

The Legislative Assembly Act provides for an Indemnities and Allowances Commission to review and determine the remuneration and benefits to be paid to the Members of the Legislative Assembly, Ministers, Speaker, Deputy Speaker, Leader of the Opposition, Government House Leader, Opposition House Leader, Government Whip, and Opposition Whip. The Commission established the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island". This plan operates within the Pension Plan for Members of the Legislative Assembly of Prince Edward Island Fund and is not part of the Operating Fund of the Province. The plan is funded by contributions from the members of the Legislative Assembly equal to 8 % of their salary. Investments of the Fund are administered by external investment managers under policy guidelines set down by Executive Council and supervised by an advisory committee to the Provincial

Treasurer. The Province is required to make contributions to the Fund to ensure that there is sufficient money to cover the cost of current service accruals as well as provide for the proper amortization of any unfunded liability. The plan text and tax legislation requires that an employer contribution holiday must be taken while the plan is in a surplus position. Pension benefits are based on criteria which is different depending on the period of service. The criteria for the different periods are as follows:

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

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

Pension Plan for Members of the Legislative Assembly (Supplementary)

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

Senior Compensation Program

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

Pension Plan for Judges - Old

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

Pension Plan for Judges - New

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

Summary of Plan Membership, Contributions and Payments

	31-Mar-07	31-Mar-06
<u>Civil Service Superannuation Fund</u>		
Number of Active Members	6,440	3,070
Employee Current Service Contributions	\$19.3 million	\$9.9 million
Number of Retirees	1,812	1,744
Benefit Payments	\$32.1 million	\$29.7 million
<u>Teachers' Superannuation Fund</u>		
Number of Active Members	1,687	1,662
Employee Current Service Contributions	\$6.7 million	\$6.4 million
Number of Retirees	1,338	1,336
Benefit Payments	\$34.5 million	\$32.2 million
<u>Pension Plan for Members of the Legislative Assembly</u>		
Number of Active Members	26	25
Employee Current Service Contributions	\$124.5 thousand	\$123.8 thousand
Number of Retirees	72	74
Benefit Payments	\$1.18 million	\$1.19 million
<u>Pension Plan for Members of the Legislative Assembly (Supplementary)</u>		
Number of Active Members	26	25
Number of Retirees	26	26
Benefit Payments	\$92.9 thousand	\$92 thousand
<u>Senior Compensation Program</u>		
Number of Active Members	25	25
Number of Retirees	29	27
Benefit Payments	\$313.7 thousand	\$305 thousand
<u>Pension Plan for Judges - Old</u>		
Number of Active Members	1	2
Number of Retirees	4	3
Benefit Payments	\$363.1 thousand	\$290.4 thousand
<u>Pension Plan for Judges - New</u>		
Number of Active Members	2	1
Number of Retirees	0	0

Actuarial Valuations / Estimates

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

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee group which is 6 years for MLAs, 14 years for TSF and 13 years for all other groups.

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

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

Pension fund assets are valued at market values. The actual return on plan assets was 11.5% in 2007 (2006 13.5%).

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

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

The following are the actuarial estimates at March 31, 2007

	Gross Pension Obligation 31-Mar-07 (\$000)	Pension Assets 31-Mar-07 (\$000)	Unamortized Actuarial Adjustments 31-Mar-07 (\$000)	Net Pension Obligation 31-Mar-07 (\$000)	Net Pension Obligation 31-Mar-06 (\$000)
Civil Service Pension Fund	810,558	863,368	13,089	(39,721)	16,369
Teachers' Pension Fund	547,612	521,761	(27,495)	(1,644)	(5,069)
MLA Pension Fund	15,452	23,977	496	(8,029)	(7,043)
MLA Plan (Supplementary)	4,720	-	29	4,749	4,083
Senior Comp. Pension Plan	7,742	-	499	8,241	7,833
Judges Pension Plan (Old)	4,853	-	(275)	4,578	4,565
Judges Pension Plan (New)	301	-	28	329	264
Totals	<u>1,391,238</u>	<u>1,409,106</u>	<u>(13,629)</u>	<u>(31,497)</u>	<u>21,002</u>

(c) Retirement and Other Benefits

Employees of the Province are entitled to retirement allowances as provided for under collective agreements and terms of employment. Other benefit entitlements include workers compensation funding and payment of death benefits. The Province obtains actuarial calculations of its liability for future employee benefits. Actuarial valuations and estimates are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect the Province's best estimates. The assumptions for the most recent valuations at April 1, 2005 and April 1, 2006 are as follows:

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

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

	Gross Benefit Obligation 31-Mar-07 (\$000)	Benefit Assets 31-Mar-07 (\$000)	Unamortized Actuarial Adjustments 31-Mar-07 (\$000)	Net Benefit Obligation 31-Mar-07 (\$000)	Obligation 31-Mar-06 (\$000)
Retirement Pay	58,834	-	(7,063)	51,771	46,326
Death Benefits	5,035	1,323	(957)	2,755	2,290
Workers Compensation	14,200	-	3,534	17,734	18,008
Totals	78,069	1,323	(4,486)	72,260	66,624

(d) Cost of Pension, Retirement and Other Obligations

The following schedule presents the costs of future employee benefits for the year ended March 31, 2007:

	Current Service Cost (\$000)	Net Interest Cost (\$000)	Employee and Other Contributions (\$000)	Amortization of Actuarial Adjustments (\$000)	Net Cost (\$000)
Civil Service Pension Fund	30,474	879	(20,045)	3,069	14,377
Teachers' Pension Fund	9,954	2,598	(6,705)	4,229	10,076
MLA Pension Fund	283	(557)	(125)	(588)	(987)
MLA Plan (Supplementary)	449	322	-	(12)	759
Senior Comp. Pension Plan	243	551	-	(73)	721
Judges Pension Plan (Old)	29	356	-	(8)	377
Judges Pension Plan (New)	45	20	-	-	65
Total Pension	41,477	4,169	(26,875)	6,617	25,388
Retirement Pay	4,024	3,025	-	785	7,834
Death Benefits	213	187	-	115	515
Workers Compensation	813	758	-	(355)	1,216
Total Other	5,050	3,970	-	545	9,565
Totals	46,527	8,139	(26,875)	7,162	34,953

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

Employees of the Department of Health and the Department of Social Services and Seniors, who were not part of the civil service pension plan, were part of the Uniform Pension Plan for Employees of the Health and Community Services System of PEI. At its November 15, 2006 meeting, Treasury Board approved the amalgamation of the Uniform Pension Plan (UPP) with the Civil Service Superannuation Fund (CSSF). This amalgamation will occur in two phases: the first phase is the conversion of the UPP basic benefit and the final phase is the conversion of the UPP supplementary accounts. Amounts reported for the CSSF at March 31, 2007 include the effects of the first phase of the amalgamation. The final phase of the amalgamation is expected to be completed in the 2007-2008 fiscal year. An estimate of the effect of the final phase of the conversion on the pension obligation of the CSSF has not been made.

Non-instructional employees of the three school boards are part of the PEI Education Sector Non-Instructional Employees Pension Plan (ESPP). The pension plan is comprised of two parts: a defined benefit pension plan

for salary up to the Canada Pension Plan's yearly maximum pensionable earnings and a defined contribution pension plan for supplementary pension contributions. According to the most recent actuarial report, dated January 1, 2005, contributions to the pension plan are not sufficient to meet the requirements of the plan and a pension fund deficit in the amount of \$183.3 thousand existed at that date.

For the ESPP the Province records expense equal to the employer contributions and does not include the unfunded liability or surplus in the pension liability of the Province.

8 Supplementary Funding Provided by the Government of Canada

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

Medical Equipment

\$13.3 million received from the Government of Canada and recorded as deferred revenue upon receipt. The funds are used to purchase medical equipment. \$3.1 million was applied against the cost of medical purchases in 2006-2007. At March 31, 2007 all funding for this trust fund has been applied.

Wait Times Reduction

\$18.2 million received from the Government of Canada. Revenue is recorded per the time frames established under the trust fund established by the Federal Government.

2004-2005	2.7 million
2005-2006	2.7 million
2006-2007	5.1 million
2007-2008	5.1 million
2008-2009	2.6 million
Total	<u>18.2 million</u>

Early Learning and Child Care

\$3 million received from the Government of Canada. \$1.7 million was recorded as revenue in 2006-2007. At March 31, 2007 all funding for this program has been recorded as revenue.

New Deal for Cities and Communities

\$6.8 million received from the Government of Canada. \$2.2 million was recorded as ordinary revenue and \$2.2 million as capital revenue in 2006-2007. At March 31, 2007 \$0.3 million remained unspent and was recorded as deferred revenue.

Post Secondary Infrastructure Trust

\$4.2 million received from the Government of Canada. The Province has recorded this revenue as follows:

Revenue recorded in 2006-2007	2.1 million
Deferred Revenue at March 31, 2007	<u>2.1 million</u>
Total	<u>4.2 million</u>

Public Transit Capital Trust

\$3.8 million received from the Government of Canada. The Province has recorded this revenue as follows:

Revenue recorded in 2006-2007	1.3 million
Deferred Revenue at March 31, 2007	<u>2.5 million</u>
Total	<u>3.8 million</u>

Affordable Housing Trust

\$3.4 million received from the Government of Canada. The Province has recorded this revenue as follows:

Revenue recorded in 2006-2007	.02 million
Deferred Revenue at March 31, 2007	3.38 million
Total	<u>3.4 million</u>

Off-Reserve Aboriginal Housing Trust

\$.7 million received from the Government of Canada. The Province has recorded this revenue as follows:

Revenue recorded in 2006-2007	-
Deferred Revenue at March 31, 2007	.7 million
Total	<u>.7 million</u>

9 Measurement Uncertainty

Measurement uncertainty exists in financial statements when recorded amounts are based on assumptions or estimates. When estimates are used it is possible that there could be a material variance between the recorded amount and another reasonably possible amount. The accuracy of estimates depends on the completeness and quality of information available at the time of preparation of financial statements. Estimates are adjusted annually to reflect new information as it becomes available. Examples of where measurement uncertainty exists in these financial statements are the calculation of future pension obligations and the provision for losses on loans and accounts receivable.

10 Comparative Figures

Certain 2006 financial statement figures, presented for comparative purposes, have been reclassified to conform with 2007 financial statement presentation.

PROVINCE OF PRINCE EDWARD ISLAND
Schedules to Consolidated Financial Statements
for the year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
	(\$000)	(\$000)
1 Cash and Short Term Deposits (Bank Advances)		
Operating Fund	15,142	(4,210)
Consolidated Agencies & Crown Corporations	<u>26,742</u>	<u>20,709</u>
	<u>41,884</u>	<u>16,499</u>
2 Accounts and Taxes Receivable		
Taxes	72,112	70,482
Government of Canada	50,115	39,633
Consolidated Agencies & Crown Corporations	5,415	5,372
Other	<u>29,874</u>	<u>29,888</u>
	<u>157,516</u>	<u>145,375</u>
Provision for Doubtful Accounts (Schedule 21)	<u>(4,652)</u>	<u>(4,030)</u>
	<u>152,864</u>	<u>141,345</u>
3 Treasury Advances		
Cash Floats	26	29
Nova Scotia Health Advance	535	535
Employee Salary and Travel Advances	1,489	1,552
Employee Health Club Memberships	<u>99</u>	<u>28</u>
	<u>2,149</u>	<u>2,144</u>
4 Property Holdings		
Leased Property	-	232
Property Holdings	2,212	1,310
Land (Tax Sales)	100	111
Other	<u>58</u>	<u>57</u>
	<u>2,370</u>	<u>1,710</u>
Provision for Losses (Schedule 21)	<u>(1,594)</u>	<u>(1,040)</u>
	<u>776</u>	<u>670</u>
5 Investments		
PEI Business Development Inc	3,068	3,261
Investments Held by Other Agencies and Crown Corporations	<u>541</u>	<u>521</u>
	<u>3,609</u>	<u>3,782</u>
Provision for Losses (Schedule 21)	<u>(1,194)</u>	<u>(1,017)</u>
	<u>2,415</u>	<u>2,765</u>

6 Investment in Government Business Enterprises

	Ch'town Area Dev. Corp. (\$000)	Island Invest. Dev. Inc (\$000)	Island Waste Management Corp. (\$000)	P.E.I. Energy Corp. (\$000)	P.E.I. Grain Elevators Corp. (\$000)	P.E.I. Liquor Control Comm. (\$000)	P.E.I. Lotteries Comm. (\$000)	P.E.I. Reg. & Appeals Comm. (\$000)	S'side Regional Dev. Corp. (\$000)	Total 2007 (\$000)	Total 2006 (\$000)
Assets	<u>43,197</u>	<u>116,728</u>	<u>31,377</u>	<u>63,786</u>	<u>1,520</u>	<u>10,070</u>	<u>423</u>	<u>2,325</u>	<u>4,670</u>	<u>274,096</u>	<u>204,258</u>
Liabilities	38,177	116,230	32,633	59,540	994	10,070	423	2,019	1,370	261,456	192,901
Equity	<u>5,020</u>	<u>498</u>	<u>(1,256)</u>	<u>4,246</u>	<u>526</u>	<u>-</u>	<u>-</u>	<u>306</u>	<u>3,300</u>	<u>12,640</u>	<u>11,357</u>
	<u>43,197</u>	<u>116,728</u>	<u>31,377</u>	<u>63,786</u>	<u>1,520</u>	<u>10,070</u>	<u>423</u>	<u>2,325</u>	<u>4,670</u>	<u>274,096</u>	<u>204,258</u>
Percentage of Ownership	85%	100%	100%	100%	100%	100%	100%	100%	75%		
Province of PEI's Equity	<u>4,267</u>	<u>498</u>	<u>(1,256)</u>	<u>4,246</u>	<u>526</u>	<u>-</u>	<u>-</u>	<u>306</u>	<u>2,475</u>	<u>11,062</u>	<u>9,736</u>
Revenue	4,040	7,815	20,315	5,540	6,113	54,942	13,389	2,825	349	115,328	113,122
Expenses	<u>4,048</u>	<u>5,541</u>	<u>20,185</u>	<u>4,528</u>	<u>6,065</u>	<u>41,925</u>	<u>5,740</u>	<u>2,099</u>	<u>517</u>	<u>90,648</u>	<u>84,667</u>
Net Income (Loss)	(8)	2,274	130	1,012	48	13,017	7,649	726	(168)	24,680	28,455
Minority Interest in Net Income	1	-	-	-	-	-	-	-	42	43	(903)
Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-	(34)
Amounts Transferred to Province	-	<u>(2,000)</u>	-	-	-	<u>(13,017)</u>	<u>(7,649)</u>	<u>(731)</u>	-	<u>(23,397)</u>	<u>(24,972)</u>
Province's Increase in Equity	<u>(7)</u>	<u>274</u>	<u>130</u>	<u>1,012</u>	<u>48</u>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(126)</u>	<u>1,326</u>	<u>2,546</u>

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

7 Sinking Fund

	<u>2007</u> <u>(\$000)</u>	<u>2006</u> <u>(\$000)</u>
FINANCIAL ACTIVITIES		
Sinking Fund Earnings		
Investment Earnings	16,938	14,461
Bank Charges	(22)	(19)
Net Sinking Fund Earnings	16,916	14,442
Instalments from Operating Fund	16,359	14,160
Special Contribution from Operating Fund	-	48,683
Debentures Redeemed	(30,186)	-
Increase in Sinking Fund Reserve	3,089	77,285
Sinking Fund Reserve, Beginning of Year	265,926	188,641
Sinking Fund Reserve, End of Year	269,015	265,926
FINANCIAL POSITION		
Assets		
Cash	34	376
Accrued Interest	1,883	2,243
Accounts Receivable - from Operating Fund	32,820	14,216
- Other	13	-
	34,750	16,835
Investments, at cost (Note)	234,270	249,094
Total Assets	269,020	265,929
Liabilities		
Accounts Payable	5	3
Sinking Fund Reserve	269,015	265,926
Total Liabilities and Fund Reserve	269,020	265,929

Note - Market value of investments \$261.0 million (2006 - \$276.2 million)

	<u>2007</u> <u>(\$000)</u>	<u>2006</u> <u>(\$000)</u>
8 Loans Receivable		
Operating Fund		
Charlottetown Area Development Corporation	6,941	7,187
Communities 13 Inc.	442	487
Community Development	1,357	449
Employee Computer Loans	778	282
Island Waste Management Corporation	2,389	2,565
Ocean Choice Seafoods	12,062	12,750
P.E.I. Energy Corporation	46,654	11,433
P.E.I. Liquor Control Commission	5,046	4,484
Stratford Pollution Control Commission	-	7
	<u>75,669</u>	<u>39,644</u>
Mortgages and Loans Issued by Agencies		
P.E.I. Business Development Inc	29,540	48,644
P.E.I. Housing Corporation	32	68
P.E.I. Lending Agency	161,917	146,225
	<u>191,489</u>	<u>194,937</u>
 Total Loans Receivable	 267,158	 234,581
 Provision for Doubtful Accounts (Schedule 21)	 (31,115)	 (26,677)
Adjustment for Interest Concession - Ocean Choice Seafoods	(3,661)	(4,242)
	<u>232,382</u>	<u>203,662</u>
 9 Government of Canada - Wait Times Reduction Funding	 7,665	 12,804
- Medical Equipment Funding	-	3,081
- Canada Study Grants	105	201
- Early Learning and Child Care	-	1,673
- New Deals for Cities & Communities	302	2,436
- Post Secondary Infrastructure Trust	2,122	-
- Public Transit Capital Trust	2,540	-
- Affordable Housing Trust	3,379	-
- Off-Reserve Aboriginal Housing Trust	705	-
Motor Vehicle Registry	5,461	5,323
Other	3,415	3,377
	<u>25,694</u>	<u>28,895</u>

	<u>2007</u> (\$000)	<u>2006</u> (\$000)
10 Accounts Payable and Accrued Liabilities		
Goods and Services	42,780	54,753
Government of Canada	760	1,112
Interest	27,749	23,996
Wages and Benefits	41,740	39,855
Due to Sinking Fund	31,749	14,103
Provision for Losses on Guarantees (Schedule 21)	15,944	3,908
Consolidated Agencies and Crown Corporations	31,073	27,281
Other	45,896	39,558
	<u>237,691</u>	<u>204,566</u>
11 Short Term Loans Payable		
Operating Fund		
Treasury Notes	100,000	15,000
PEI Business Development Inc		
Demand Note Payable to PEI Century 2000 Fund	15,000	12,551
	<u>115,000</u>	<u>27,551</u>
12 Obligation Under Capital Leases		
Operating Fund	4,497	4,507
Consolidated Agencies and Crown Corporations	360	660
	<u>4,857</u>	<u>5,167</u>
13 Pension, Retirement and Other Obligations		
Civil Service Superannuation Fund	(39,721)	16,369
Teachers' Superannuation Fund	(1,644)	(5,069)
Pension Plan for Members of the Legislative Assembly	(8,029)	(7,043)
Other Pension Plans	17,897	16,745
Retirement and Death Benefits	54,526	48,616
Workers Compensation	17,734	18,008
	<u>40,763</u>	<u>87,626</u>

	<u>2007</u> <u>(\$000)</u>	<u>2006</u> <u>(\$000)</u>
14 Loans Payable		
Operating Fund		
Government of Canada, non-interest bearing, maturing March 31, 2016, payable in monthly installments of \$316,567.	34,189	37,988
Adjustment for Interest Concession	<u>(6,090)</u>	<u>(7,311)</u>
	28,099	30,677
Teachers' Superannuation Fund, 4.35%, maturing April 15, 2014, with interest payable semi-annually and principal payments of \$16 million payable annually.	128,000	144,000
Civil Service Superannuation Fund, 4.41%, maturing October 15, 2015, with interest payable semi-annually and principal payments of \$5.2 million payable annually.	52,000	-
Municipal Development Loan Board, 5 3/8%, maturing in 2008, payable in annual installments of \$23,957 including interest.	44	65
Consolidated Agencies & Crown Corporations		
PEI Business Development Inc		
Bank of Nova Scotia, 6.62%, maturing August 30, 2017, payable in monthly installments of \$40,333 plus interest.	9,882	10,366
Bank of Nova Scotia, 5.65%, maturing March 20, 2007, payable in monthly installments of \$18,106 including interest.	-	2,285
Prince Edward Island Century Fund 2000 Inc, 4% Promissory Note, due December 31, 2008.	-	13,750
Prince Edward Island Century Fund 2000 Inc, 4% Promissory Note, due April 1, 2008, payable in annual principal installments of \$288,375.	-	577
Prince Edward Island Century Fund 2000 Inc, 4% Promissory Note, due March 1, 2015, with interest to be paid quarterly and principal due at maturity.	6,600	6,600
Island Investment Development Inc., 4% Promissory Note Payable, due April 2007, with interest payable at maturity.	2,202	-
Island Investment Development Inc., 4% Promissory Note Payable, due January 2012, payable in monthly installments of \$11,249 including interest.	593	-
PEI Housing Corporation		
Canada Mortgage and Housing Corp - Mortgages Payable	24,383	25,509
- Debentures Payable	<u>3,585</u>	<u>3,696</u>
	<u>255,388</u>	<u>237,525</u>

15 Debentures and Sinking Fund

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Funded Debt	Sinking Fund	Net Funded Debt 2007	Net Funded Debt 2006
Public Issues:							
15-Jan-87	15-Jan-07	9.875%	20	-	-	-	16,210
3-Oct-97	3-Oct-07	6.000%	10	35,000	8,808	26,192	27,485
22-Jun-88	22-Jun-08	1.375%	20	47,980	26,273	21,707	24,143
1-Dec-88	1-Dec-08	10.750%	20	44,687	23,066	21,621	23,774
16-Aug-90	16-Aug-10	11.500%	20	60,000	25,542	34,458	36,982
14-Mar-91	14-Mar-11	11.000%	20	50,000	19,469	30,531	32,482
19-Sep-91	19-Sep-11	11.000%	20	50,000	18,637	31,363	33,276
17-Dec-92	17-Dec-12	9.750%	20	50,000	15,860	34,140	35,848
18-Mar-93	18-Mar-13	9.250%	20	60,000	21,867	38,133	40,508
27-Oct-95	27-Oct-15	8.500%	20	75,000	19,633	55,367	57,826
15-Dec-93	15-Dec-23	8.500%	30	60,000	20,129	39,871	42,140
3-Sep-02	29-Jul-27	6.100%	25	100,000	5,862	94,138	95,771
21-Feb-00	21-Feb-30	6.800%	30	80,000	10,551	69,449	71,315
29-Jan-02	29-Jan-32	6.250%	30	100,000	8,790	91,210	93,240
12-Jun-03	21-Feb-34	5.600%	30	100,000	5,634	94,366	95,934
30-Sep-04	15-Jun-35	5.700%	30	100,000	2,748	97,252	98,676
10-Feb-05	19-May-36	5.300%	31	100,000	1,332	98,668	100,000
12-Sep-05	19-Nov-37	4.650%	32	100,000	1,284	98,716	100,000
				<u>1,212,667</u>	<u>235,485</u>	<u>977,182</u>	<u>1,025,610</u>
Canada Pension Plan Issues							
1986-87	2006-2007	9.613%	20	-	-	-	13,526
1987-88	2007-2008	9.766%	20	10,010	-	10,010	10,010
1988-89	2008-2009	10.079%	20	9,703	-	9,703	9,703
1989-90	2009-2010	9.902%	20	10,544	-	10,544	10,544
1990-91	2010-2011	10.846%	20	9,603	-	9,603	9,603
1991-92	2011-2012	9.919%	20	9,794	-	9,794	9,794
1992-93	2012-2013	9.368%	20	6,971	-	6,971	6,971
1998-99	2018-2019	5.930%	20	376	-	376	376
1999-00	2019-2020	6.347%	20	7,332	-	7,332	7,332
2000-01	2020-2021	6.681%	20	9,136	-	9,136	9,136
2001-02	2021-2022	6.593%	20	11,374	-	11,374	11,374
2002-03	2022-2023	6.285%	20	11,360	-	11,360	11,360
2003-04	2023-2024	5.728%	20	11,135	-	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	-
				<u>140,339</u>	<u>-</u>	<u>140,339</u>	<u>140,339</u>
				1,353,006	235,485	1,117,521	1,165,949
Special Contribution - Operating Fund				-	33,530	(33,530)	(48,683)
Debenture Discount				<u>(8,185)</u>	<u>-</u>	<u>(8,185)</u>	<u>(8,808)</u>
Total Debentures and Sinking Fund				<u>1,344,821</u>	<u>269,015</u>	<u>1,075,806</u>	<u>1,108,458</u>

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

Canada Pension Plan debentures are callable in whole or in part before maturity at the option of the Provincial Treasurer of Prince Edward Island.

Interest rates are calculated on a weighted average basis.

16 Tangible Capital Assets

	<u>Land and Improvements</u> (\$000)	<u>Buildings and Improvements</u> (\$000)	<u>Leasehold Improvements</u> (\$000)	<u>Roads and Bridges</u> (\$000)	<u>Motor Vehicles</u> (\$000)	<u>Equipment</u> (\$000)	<u>Other</u> (\$000)	<u>Total 2007</u> (\$000)	<u>Total 2006</u> (\$000)
Balance, beginning of year	30,931	486,880	6,416	519,783	45,663	91,054	54,900	1,235,627	1,207,790
Additions	1,397	8,421	-	25,744	2,835	7,361	2,872	48,630	29,385
Disposals	(64)	(63)	-	-	(1,067)	(568)	-	(1,762)	(1,548)
Balance, end of year	32,264	495,238	6,416	545,527	47,431	97,847	57,772	1,282,495	1,235,627
Accum. Amortization, beginning	727	193,771	2,135	381,844	36,655	62,960	20,046	698,138	662,517
Amortization	149	10,770	306	15,134	2,470	6,111	1,317	36,257	36,779
Disposals	(4)	(14)	-	-	(1,051)	(369)	-	(1,438)	(1,158)
Ac cum. Amortization, end of year	872	204,527	2,441	396,978	38,074	68,702	21,363	732,957	698,138
Net Book Value	31,392	290,711	3,975	148,549	9,357	29,145	36,409	549,538	537,489

This schedule includes the tangible capital assets of the Province's Operating Fund and the tangible capital assets of consolidated agencies.

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

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

The Province's policy regarding revenues received for tangible capital assets is to reduce the cost of the asset by the amount of the revenue received. The following revenue offsets have been applied to assets:

	<u>2007</u> (\$000)	<u>2006</u> (\$000)
Buildings and Improvements	2,411	3
Roads and Bridges	2,294	2,605
Equipment	6,331	9,593
Total	11,036	12,201

	<u>2007</u> <u>(\$000)</u>	<u>2006</u> <u>(\$000)</u>
17 Inventories		
Operating Fund		
Department of Education	1,314	1,504
Department of Health	2,610	2,679
Department of Social Services and Seniors	294	284
Department of Transportation and Public Works	3,153	3,364
Consolidated Agencies	207	244
	<u>7,578</u>	<u>8,075</u>
18 Prepaid Expenses		
Operating Fund	2,820	1,884
Consolidated Agencies	307	180
	<u>3,127</u>	<u>2,064</u>
19 Trust Fund Reserves		
Operating Fund		
Cable Replacement Fund	3,283	3,171
Civil Service Superannuation Fund	863,356	558,575
Department of Health	-	327
Pension Plan for MLAs	23,810	21,981
Public Trustee	8,833	8,675
Supreme Court	737	757
Teachers' Superannuation Fund	483,773	476,548
Eastern School Board	5	5
Western School Board	117	116
P.E.I. Business Development Inc.	197	1,341
P.E.I. Housing Corporation	-	1
P.E.I. Museum and Heritage Foundation	687	679
	<u>1,384,798</u>	<u>1,072,176</u>

20 Guaranteed Debt

	<u>Outstanding 31-Mar-07</u> (\$000)	<u>Outstanding 31-Mar-06</u> (\$000)
1 Lines of Credit / Demand Loans	200	1,335
2 Debentures / Capital Loans	52,308	48,857
3 Agencies and Crown Corporations	94,107	84,313
4 Student Loans	23,897 #	22,056
Total Guaranteed Debt	<u>170,512</u>	<u>156,561</u>

	<u>Maturity Date</u>	<u>Principal Guaranteed</u> (\$000)	<u>Outstanding 31-Mar-07</u> (\$000)	<u>Outstanding 31-Mar-06</u> (\$000)
1 Lines of Credit / Demand Loans				
P.E.I. Grain Elevators Corp.	31-Dec-07	3,250	200	1,335
		<u>3,250</u>	<u>200</u>	<u>1,335</u>
2 Debentures / Capital Loans				
Capital Area Recreation Inc	31-Dec-08	3,620	2,900	3,127
Ch'town Area Dev. Corp.	15-May-13	11,800	8,186	8,738
Communities 13 Inc.	May-06 to Aug-12	388	351	373
Island Waste Management	#VALUE!	30,130	27,437	28,054
PEI Energy Corporation	06-Mar-17	9,360	6,979	7,424
PEI Energy Savings Bonds	Dec-11 to Dec-16	20,000	5,409	-
Pownal Sports Centre	Mar-09 to Mar-14	1,355	1,046	1,141
		<u>76,653</u>	<u>52,308</u>	<u>48,857</u>

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

	<u>31-Mar-07</u> (\$000)	<u>31-Mar-06</u> (\$000)
3 Agencies and Crown Corporations		
P.E.I. Business Development Inc	7,464	9,425
P.E.I. Lending Agency	31	50
Island Investment Development Inc	86,612	74,838
	<u>94,107</u>	<u>84,313</u>

4 Student Loans

Effective August 1, 2001 and February 1, 2007 the Province entered into agreements with Credit Union Central of PEI for the funding and delivery of the PEI Student Loan Program. All provincial student loans issued under this program are guaranteed by the Province. As at March 31, 2007 student loans outstanding under this program totalled \$23.9 million (2006 - \$22.1 million).

	<u>31-Mar-07</u> (\$000)	<u>31-Mar-06</u> (\$000)
5 Provision for Losses on Loan Guarantees		
P.E.I. Business Development Inc	2,046	1,291
P.E.I. Lending Agency	31	50
Student Loans	2,611	2,567
	<u>4,688</u>	<u>3,908</u>

21 Continuity of Provision for Doubtful Accounts and Losses

	Provision 31-Mar-06 (\$000)	Written Off During Year (\$000)	Increase (Decrease) Provided (\$000)	Provision 31-Mar-07 (\$000)
Accounts and Taxes Receivable:				
Operating Fund				
Provincial Sales Tax	1,468	(635)	684	1,517
Real Property Tax	400	(129)	100	371
Transportation & Public Works	895	-	-	895
Department of Health	1,096	-	671	1,767
P.E.I. Business Development Inc	171	-	(69)	102
	<u>4,030</u>	<u>(764)</u>	<u>1,386</u>	<u>4,652</u> 1
Property Holdings:				
P.E.I. Lending Agency	1,040	(2,440)	2,994	1,594
	<u>1,040</u>	<u>(2,440)</u>	<u>2,994</u>	<u>1,594</u> 2
Investments:				
P.E.I. Business Development Inc	500	(74)	227	653
P.E.I. Lending Agency	517	-	24	541
	<u>1,017</u>	<u>(74)</u>	<u>251</u>	<u>1,194</u> 3
Loans Receivable:				
P.E.I. Business Development Inc	6,277	(6,885)	3,045	2,437
P.E.I. Lending Agency	20,400	-	8,278	28,678
	<u>26,677</u>	<u>(6,885)</u>	<u>11,323</u>	<u>31,115</u> 4
Guarantees:				
Operating Fund	2,567	(529)	2,073	4,111
P.E.I. Business Development Inc				
Loans	1,291	-	755	2,046
Lease Indemnification	-	-	9,756	9,756
P.E.I. Lending Agency (Loans)	50	-	(19)	31
	<u>3,908</u>	<u>(529)</u>	<u>12,565</u>	<u>15,944</u> 5
Totals	<u>36,672</u>	<u>(10,692)</u>	<u>28,519</u>	<u>54,499</u>

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

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

3 - The Provisions for Losses on Investments are deducted on Schedule 5.

4 - The Provisions for Doubtful Accounts for Loans Receivable are deducted on Schedule 8.

5 - The Provisions for Losses on Guarantees are included in Accrued Liabilities on Schedule 10.

22 Schedule of Debentures Issued and Matured

ISSUED

Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue (\$000)	Price Received
Canada Pension Plan				
2-Apr-06	4.79%	3-Apr-36	1,474	100.00
1-May-06	5.08%	1-May-36	2,225	100.00
2-Jun-06	4.92%	2-Jun-36	2,381	100.00
2-Jul-06	5.22%	4-Jul-36	1,572	100.00
1-Aug-06	5.03%	1-Aug-36	968	100.00
2-Sep-06	4.79%	5-Sep-36	1,048	100.00
1-Oct-06	4.61%	2-Oct-36	693	100.00
3-Nov-06	4.63%	3-Nov-36	1,118	100.00
1-Dec-06	4.52%	1-Dec-36	250	100.00
3-Feb-07	4.74%	5-Feb-37	116	100.00
2-Mar-07	4.62%	2-Mar-37	1,681	100.00
Total Debentures Issued			<u>13,526</u>	

MATURED

Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue (\$000)	Amount Matured (\$000)	Redeemed By Operating Fund (\$000)	Redeemed By Sinking Fund (\$000)
Canada Pension Plan						
2-Apr-86	10.17%	2-Apr-06	1,474	1,474	1,474	-
1-May-86	9.59%	1-May-06	2,225	2,225	2,225	-
2-Jun-86	9.62%	2-Jun-06	2,381	2,381	2,381	-
2-Jul-86	9.97%	2-Jul-06	1,572	1,572	1,572	-
1-Aug-86	9.50%	1-Aug-06	968	968	968	-
2-Sep-86	9.54%	2-Sep-06	1,048	1,048	1,048	-
1-Oct-86	9.36%	1-Oct-06	693	693	693	-
3-Nov-86	9.64%	3-Nov-06	1,118	1,118	1,118	-
1-Dec-86	9.55%	1-Dec-06	250	250	250	-
3-Feb-87	9.25%	3-Feb-07	116	116	116	-
2-Mar-87	9.04%	2-Mar-07	1,681	1,681	1,681	-
				13,526	13,526	-
Provincial Debentures						
15-Jan-87	9.875%	15-Jan-07	30,186	30,186	-	30,186
Total Debentures Matured				<u>43,712</u>	<u>13,526</u>	<u>30,186</u>

	2007 Unaudited Restated Estimates (\$000)	2007 Actual (\$000)	2006 Actual (\$000)
Revenue			
23 Taxes			
Personal Income Tax	204,494	217,578	204,847
Sales Tax	181,630	185,558	179,577
Real Property Tax	62,500	64,413	60,224
Gasoline Tax	52,300	50,593	49,345
Corporate Income Tax	26,268	43,303	38,471
Health Tax on Tobacco	27,100	24,265	28,183
Health Tax on Liquor	12,856	13,294	12,797
Insurance Premium Tax	8,200	8,134	8,102
Corporation Capital Tax	3,500	1,856	2,043
Real Property Transfer Tax	3,400	3,157	2,358
Other	1,000	1,045	964
	<u>583,248</u>	<u>613,196</u>	<u>586,911</u>
24 Licenses and Permits			
Motor Vehicle Registry	11,527	12,331	12,354
Registration & Licensing Act	660	753	713
Securities Act	2,300	2,674	2,551
Security Brokers and Salesmen Licenses	900	1,142	990
Other	2,328	2,682	2,777
	<u>17,715</u>	<u>19,582</u>	<u>19,385</u>
25 Fees and Services			
Patient Fees	19,980	18,493	18,420
Housing Rental	4,395	4,417	4,556
Land Title and Registry Fees	2,600	2,519	2,585
Fines and Penalties	635	519	545
R.C.M.P. Recoveries	623	599	432
Campground Fees	800	698	675
Third Party Insurance	1,800	1,805	1,909
Probate Court Fees	140	1,134	1,138
Consolidated Agencies and Crown Corporations	8,003	7,000	6,713
Other	10,726	9,285	9,169
	<u>49,702</u>	<u>46,469</u>	<u>46,142</u>
26 Sales			
Lottery Revenue	15,000	7,799	12,160
Liquor Control Commission	11,342	13,017	12,070
Consolidated Agencies and Crown Corporations	5,677	5,581	5,070
Other	1,793	3,599	1,793
	<u>33,812</u>	<u>29,996</u>	<u>31,093</u>

	2007 Unaudited Restated Estimates (\$000)	2007 Actual (\$000)	2006 Actual (\$000)
27 Investment Income			
Operating Fund	985	5,879	3,597
PEI Lending Agency	9,655	10,555	9,472
Other Consolidated Agencies	2,979	3,590	3,324
	<u>13,619</u>	<u>20,024</u>	<u>16,393</u>
28 Other Income			
School Boards	435	766	715
PEI Business Development Inc	1,655	5,705	4,873
PEI Lending Agency	-	194	319
PEI Museum and Heritage Foundation	30	29	44
Tourism PEI	1,503	1,358	2,581
Other Consolidated Agencies	60	551	78
	<u>3,683</u>	<u>8,603</u>	<u>8,610</u>
29 Government of Canada			
Equalization	286,243	291,262	276,563
Canada Health Transfer	90,203	90,707	85,970
Canada Social Transfer	41,723	42,120	38,050
Agricultural Insurance	9,152	10,160	14,050
Agriculture Policy Framework Agreement	1,986	762	1,473
Children-In-Care Special Allowance	400	520	475
Community and Labour Market Development	5,056	4,372	5,227
Early Learning and Child Care Trust	1,673	1,673	1,341
Housing Programs	1,530	2,291	2,055
Infrastructure Program	4,561	5,990	917
Joint Emergency Preparedness Program	225	-	323
Legal Aid	393	343	690
Maintenance of Aboriginal Children	150	1,699	185
New Deals for Cities and Communities	4,236	2,204	2,064
Official Languages in Education	2,607	2,587	2,467
Post Secondary Education Infrastructure Trust	2,100	2,131	-
Primary Health Care Transition Fund	175	-	565
Promotion of Official Languages	1,255	1,629	1,319
Public Transit Capital Trust	-	1,279	-
Rehabilitation Programs	1,376	1,376	1,376
Statutory Subsidy	679	679	679
Wait Times Reduction Funding	5,139	5,134	2,688
Youth Justice Services	2,312	2,121	2,212
Other	3,746	3,398	3,739
	<u>466,920</u>	<u>474,437</u>	<u>444,428</u>

Expense	2007 Unaudited Restated Estimates (\$000)	2007 Actual (\$000)	2006 Actual (\$000)
30 Agriculture, Fisheries & Aquaculture			
Department of Agriculture, Fisheries and Aquacult.	19,015	22,852	17,670
PEI Agricultural Insurance Corporation	22,619	23,916	28,528
PEI Agricultural Research Investment Fund	435	129	147
PEI Aquaculture and Fisheries Research Initiative	168	88	67
	<u>42,237</u>	<u>46,985</u>	<u>46,412</u>
31 Attorney General			
Office of the Attorney General	33,334	33,276	32,016
PEI Human Rights Commission	279	310	300
	<u>33,613</u>	<u>33,586</u>	<u>32,316</u>
32 Community and Cultural Affairs			
Department of Community & Cultural Affairs	31,828	33,065	29,545
PEI Museum and Heritage Foundation	1,126	1,350	1,366
	<u>32,954</u>	<u>34,415</u>	<u>30,911</u>
33 Development and Technology			
Department of Development and Technology	4,788	6,822	5,999
Employment Development Agency	3,580	3,677	3,373
PEI Business Development Inc	22,975	43,010	26,843
	<u>31,343</u>	<u>53,509</u>	<u>36,215</u>
34 Education			
Department of Education	230,480	67,779	60,929
Eastern School District	-	102,662	102,166
French Language School Board	-	7,541	7,045
Western School Board	-	51,063	50,415
PEI Regulatory and Appeals Comm (Grant)	1,200	1,200	1,200
	<u>231,680</u>	<u>230,245</u>	<u>221,755</u>
35 Environment, Energy & Forestry			
Department of Environment, Energy & Forestry	12,219	11,803	12,353
PEI Energy Corporation (Grant)	398	398	350
	<u>12,617</u>	<u>12,201</u>	<u>12,703</u>

	2007 Unaudited Restated Estimates (\$000)	2007 Actual (\$000)	2006 Actual (\$000)
36 Provincial Treasury			
Department of Provincial Treasury	32,623	27,374	17,719
Council of Atlantic Premiers	123	123	123
PEI Lending Agency	3,853	7,231	10,421
General Government	14,582	2,810	5,833
PEI Special Projects Fund	158	204	201
Technology Asset Management	2,596	2,292	2,482
Harness Racing PEI Inc	-	690	-
PEI Self Insurance and Risk Management Fund	2,011	1,811	2,171
	<u>55,946</u>	<u>42,535</u>	<u>38,950</u>
37 Public Service Commission			
Public Service Commission	4,544	4,544	4,913
Employee Benefits	22,400	21,516	35,896
	<u>26,944</u>	<u>26,060</u>	<u>40,809</u>
38 Tourism			
Tourism PEI	21,366	21,389	20,546
	<u>21,366</u>	<u>21,389</u>	<u>20,546</u>
39 Transportation & Public Works			
Department of Transportation & Public Works	81,419	79,320	76,735
Interministerial Women's Secretariat	308	296	287
	<u>81,727</u>	<u>79,616</u>	<u>77,022</u>
40 Expense by Object			
Administration		18,292	19,219
Amortization of Tangible Capital Assets		36,256	36,779
Debt - Interest Charges		120,296	116,807
Debt - Provisions and Other		28,563	22,233
Materials and Supplies		109,516	121,937
Professional and Contract Services		134,428	127,663
Salaries and Benefits		509,703	504,219
Travel and Training		10,135	9,598
Transfer Payments		239,445	210,817
Total Expense by Object		<u>1,206,634</u>	<u>1,169,272</u>

41 Reconciliation of Annual Consolidated Surplus (Deficit)

	2006-07 Surplus (Deficit) (\$000)		Consolidation Adjustments (\$000)		2006-07 Consolidated Surplus (\$000)
Operating Fund	18,912		(500)	1	18,412
Consolidated Agencies					
Eastern School District	831	2	-		831
French Language School Board	(82)	2	-		(82)
Harness Racing PEI Inc	49				49
PEI Agricultural Insurance Corporation	1,432		-		1,432
PEI Agricultural Research Investment Fund Inc	(99)		-		(99)
PEI Aquaculture & Fisheries Research Initiative Inc	28		-		28
PEI Business Development Inc	(6)		-		(6)
PEI Human Rights Commission	(31)		-		(31)
PEI Lending Agency	1,088		(11)	3	1,077
PEI Museum & Heritage Foundation	7		-		7
PEI Self Insurance & Risk Management	188		-		188
PEI Special Projects Fund	(174)		-		(174)
Tourism PEI	(1,395)		-		(1,395)
Western School Board	111	2	-		111
	1,947		(11)		1,936
Adjustment for Tangible Capital Assets (Consolidated Agencies)					2,241 4
Gain on Government Business Enterprises (Schedule 6)					1,326
Consolidated Surplus					23,915
1 Department of Agriculture, Fisheries & Aquaculture					
Transfer of funds from PEI Agricultural Research Investment Fund included in revenue					<u>(500)</u>
2 The three school boards have a fiscal year end of June 30th. For consolidation purposes unaudited statements of revenue and expenses were provided for the twelve month period ended March 31, 2007.					
3 PEI Lending Agency					
Prior period adjustment related to Fiscal Year 2005-2006					<u>(11)</u>
4 Adjustment for Tangible Capital Assets					
- PEI Harness Racing Inc					
Adjustment to include net asset balances at March 31, 2006					(266)
- PEI Business Development Inc					
Adjustment to amortization expense					442
Adjustment re deferred contributions on property and equipment					(333)
- PEI Crown Building Corporation					
Adjustment to amortization expense					(24)
- PEI Housing Corporation					
Adjustment re amortization of deferred credits					(128)
- School Boards					
Adjustment to amortization expense					(5,299)
Adjustment for acquisition of tangible capital assets included in expenses					<u>7,849</u>
					<u>2,241</u>

42 Restatement of 2006- 2007 Budget Estimates

	2006-2007 Budget per Estimates Book (\$000)	Restatement (\$000)		2007 Unaudited Restated Estimates (\$000)
REVENUE				
Taxes	583,248	-		583,248
Licenses and Permits	17,715	-		17,715
Fees and Services	32,871	16,831	1/3	49,702
Sales	33,592	220	1	33,812
Investment Income	11,092	2,527	1	13,619
Government of Canada	458,741	8,179	1	466,920
Sinking Fund Earnings	17,300	-		17,300
Other Income	-	3,683	1	3,683
Government Business Enterprises	-	2,445	2	2,445
Total Revenue	1,154,559	33,885		1,188,444
EXPENSE				
Agriculture, Fisheries & Aquaculture	27,318	14,919	1	42,237
Attorney General	33,613	-		33,613
Auditor General	1,447	-		1,447
Community and Cultural Affairs	32,628	326	1	32,954
Development and Technology	30,542	801	1	31,343
Education	231,624	56	1	231,680
Environment, Energy & Forestry	12,617	-		12,617
Executive Council	3,030	-		3,030
Health	343,850	8,828	3	352,678
Legislative Assembly	3,624	-		3,624
Provincial Treasury	52,488	3,458	1	55,946
Public Service Commission	26,944	-		26,944
Social Services and Seniors	115,899	(3,321)	1/4	112,578
Tourism	19,538	1,828	1	21,366
Transportation and Public Works	81,727	-		81,727
Interest Charges on Debt	118,276	1,128	1/4	119,404
Amortization of Capital Assets	33,818	3,937	1	37,755
Total Expense	1,168,983	31,960		1,200,943
	(14,424)	1,925		(12,499)
Net Surplus (Deficit) of Crown Entities	1,925	(1,925)	1/2	-
Consolidated Deficit	(12,499)			(12,499)

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

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

3 - Hospital based revenues which were netted to expense in the budget added to revenue and expense.

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

This schedule outlines the changes in the Province's 2006-2007 Budget to present, for comparative purposes, the inclusion of consolidated agencies on a line by line basis. The information is taken from the Province of PEI Estimates of Revenue and Expenditure 2006 which was presented on March 30, 2006.