Public Accounts

of the Province of

Prince Edward Island

Volume I
Consolidated Financial Statements

For the Year Ended March 31st

2021

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Prince Edward Island

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2021

To Her Honour
The Honourable Antoinette Perry
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, 2021.

Respectfully submitted,



Honourable Darlene Compton
Minister of Finance
October 25, 2021

Department of Finance
Charlottetown, Prince Edward Island

To the Honourable Darlene Compton
Minister of Finance

Madam:

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, 2021.

Respectfully submitted,



Judy Killam, CPA, CGA
Comptroller
October 25, 2021

Office of the Comptroller
Charlottetown, Prince Edward Island

Public Accounts of the Province of Prince Edward Island
Table of Contents
Volume I
For the Fiscal Year Ended March 31, 2021

	Page Number
Introduction	1
Financial Statement Discussion and Analysis	
Introduction to Financial Statement Discussion and Analysis	3
Summary Financial Information	4
Changes in Financial Position	5
Revenues	9
Expenses	12
COVID-19 Response	16
Indicators of Financial Health	20
Consolidated Financial Statements	
Statement of Government Responsibility	25
Independent Auditor's Report	27
Consolidated Statement of Financial Position	31
Consolidated Statement of Operations	32
Consolidated Statement of Changes in Net Debt	33
Consolidated Statement of Changes in Accumulated Deficit	33
Consolidated Statement of Cash Flows	34
Notes to the Consolidated Financial Statements	35
Schedules to the Consolidated Financial Statements	59
Schedule 37 – Reconciliation of Consolidated Deficit	81
Schedule 38 – Reconciliation of 2020-2021 Budget Estimates	83
Schedule 39 – Provincial Reporting Entity	84

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.

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, 2021 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 Expenditures*** presents the unaudited financial statements of the Operating Fund, and the details of revenues and expenditures 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 of Prince Edward Island are tabled in the Legislative Assembly in accordance with Section 61 of the *Financial Administration Act*.

Website – Volumes I, II and III of the Public Accounts are available in PDF format on the Province's website: https://www.princeedwardisland.ca/en/topic/public-accounts

Financial Statement Discussion and Analysis

Introduction to the Financial Statement Discussion and Analysis

The purpose of this Financial Statement Discussion and Analysis (FSDA) is to explain and highlight information contained in the consolidated financial statements presented in the Public Accounts. The additional information is intended to be useful by broadening the understanding of the consolidated financial statements beyond those who possess technical expertise.

The FSDA is prepared by the Office of the Comptroller. The information included in the FSDA is based on the audited consolidated financial statements of the Province. The information provided includes narrative explanations and graphical illustrations highlighting the key relationships that exist among the figures set out in the financial statements, as well as explanations and illustrations of variances and trends.

The *Public Accounts of the Province of Prince Edward Island* is an annual financial summary and accountability report of the Government of Prince Edward Island. The FSDA provides 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, 2021, of $5.6 million, which is a decrease of $27.6 million from the surplus reported in 2019-20. Net debt for the 2020-21 fiscal year is $2,299.3 million, which is an increase of $94.3 million from 2019-20. The accumulated deficit now stands at $990.4 million.

The following tables and charts illustrate summary financial information for the fiscal year ended March 31, 2021.

Summary Financial Information

The tables below show a summary of key financial measures for the Province for the fiscal years ending 2020 and 2021.

PROVINCE OF PRINCE EDWARD ISLAND
Summary Financial Information

Consolidated Statement of Financial Position
(Millions)

	2021	2020
Financial Assets	$ (1,687.4)	$ (1,365.1)
Liabilities	3,986.7	3,570.1
Net Debt	**$ 2,299.3**	**$ 2,205.0**
Net Tangible Capital Assets	$ 1,268.0	$ 1,172.1
Other Non-Financial Assets	40.9	25.4
Total Non-Financial Assets	**$ 1,308.9**	**$ 1,197.5**
Accumulated Deficit	**$ 990.4**	**$ 1,007.5**

Consolidated Statement of Operations
(Millions)

	2021	2020
Revenue - Provincial Sources	$ 1,396.4	$ 1,339.4
Revenue - Federal Sources	968.2	848.2
Total Revenues	**$ 2,364.6**	**$ 2,187.6**
Expenses	**2,370.2**	**2,165.6**
Annual Surplus (Deficit)	**$ (5.6)**	**$ 22.0**

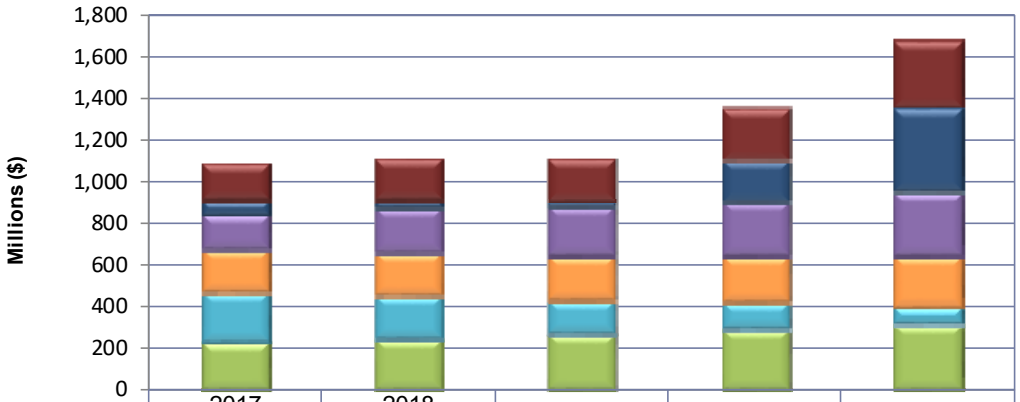
Consolidated Statement of Changes in Net Debt
(Millions)

	2021	2020
Opening Net Debt	**$ (2,205.0)**	**$ (2,123.5)**
Annual Surplus (Deficit)	(5.6)	22.0
Other Comprehensive Income (Loss)	22.7	(17.5)
Change in Net Investment in Tangible Capital Assets	(96.0)	(80.7)
Change in Other Non-Financial Assets	(15.4)	(5.3)
Total Change in Net Debt	**$ (94.3)**	**$ (81.5)**
Ending Net Debt	**$ (2,299.3)**	**$ (2,205.0)**

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. Financial assets totalled $1,687.4 million in 2021, an increase of $322.3 million (23.6%) since 2020. Financial assets have increased by $591.2 million (53.9%) over the past five years, most notably in 2020 and 2021, after accumulating funds for a liquidity reserve. The reserve is held to ensure sufficient cash flows are available to meet operating requirements.

Financial Assets - 5 Year Trend



	2017 Restated	2018 Restated	2019	2020	2021
Accounts Receivable	181.5	195.6	207.9	259.1	325.5
Cash and Short Term Investments	65.5	39.6	24.0	198.8	407.1
Investment in GBEs	173.1	218.6	243.0	260.1	310.8
Loans Receivable	207.5	208.7	209.5	224.2	245.9
Pension, Retirement & Other Obligations	240.0	202.6	163.5	129.4	82.3
Sinking Fund	228.0	248.8	270.5	292.7	315.5
Inventories for Sale	0.5	0.6	0.5	0.8	0.3
Other	0.1	0.1	0.1	0.0	0.0
Total	1,096.2	1,114.6	1,119.0	1,365.1	1,687.4

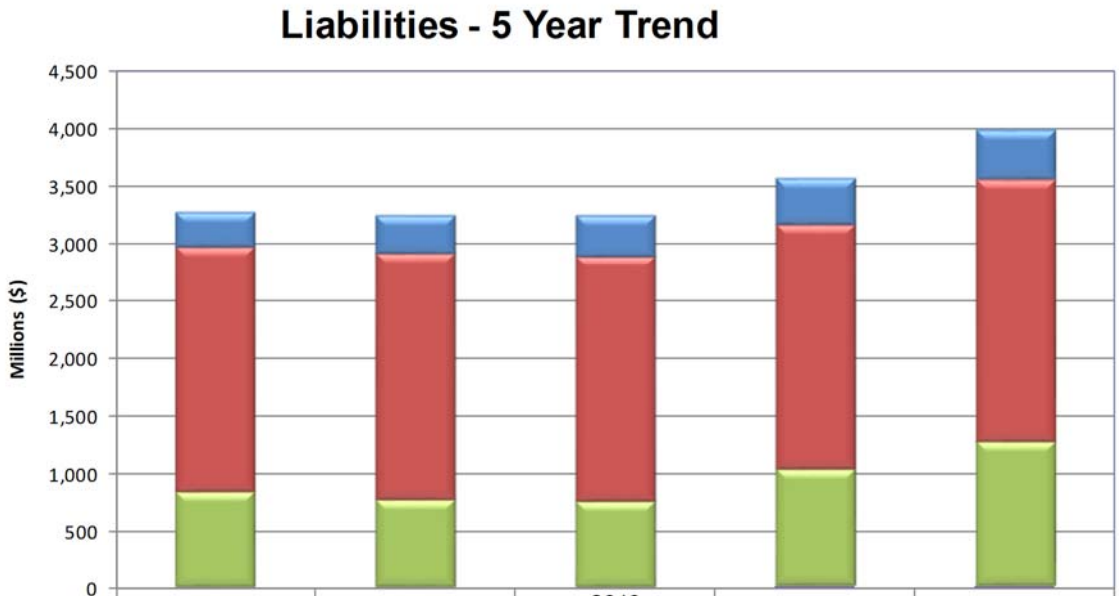
Non-Financial Assets are assets consumed in the delivery of government services. They do not normally provide resources to discharge existing liabilities. Non-financial assets include net tangible capital assets, inventories, property holdings, prepaid expenses, and other deferred charges. Non-financial assets were $1,308.9 million in 2021, an increase of $111.4 million (9.3%) since 2020 and $282.0 million (27.5%) since 2017. Net tangible capital assets account for the majority of non-financial assets (96.9%).

Net tangible capital assets (TCA) are assets such as buildings, roads, and bridges that are normally employed to deliver government services. TCA increased $95.9 million (8.2%) from 2020 and $257.2 million (25.4%) since 2017. The significant increases in 2020 and 2021 were the result of an investment in roads and bridges, buildings, and motor vehicles that outpaced the amortization of assets already owned.

Net Tangible Capital Assets
(Millions)

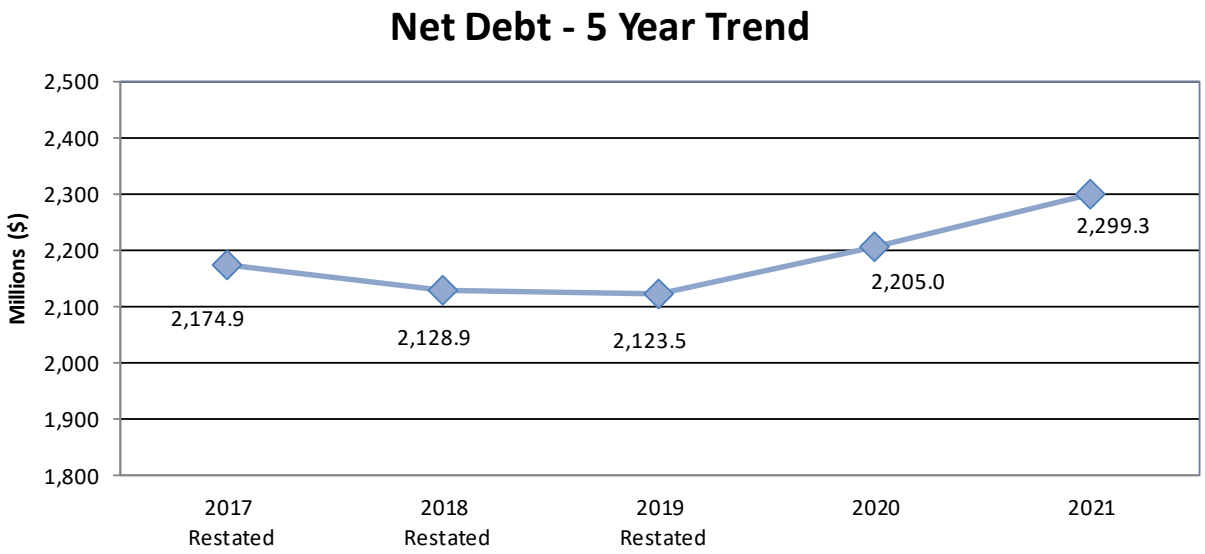
	2017	2018	2019	2020	2021
Opening Balance	$ 1,008.8	$ 1,010.8	$ 1,047.4	$ 1,091.4	$ 1,172.1
Additions	80.5	112.6	122.4	165.0	188.0
Net Disposals	(4.7)	(4.1)	(1.2)	(0.6)	(1.4)
Amortization	(73.8)	(76.2)	(77.2)	(83.6)	(90.7)
Adjustments	-	4.3	-	(0.1)	-
Closing Balance	**$ 1,010.8**	**$ 1,047.4**	**$ 1,091.4**	**$ 1,172.1**	**$ 1,268.0**

Liabilities are debts or monetary obligations such as accounts payable, loans payable and debentures. Liabilities were $3,986.7 million in 2021, an increase of $416.6 million (11.7%) since 2020. Over the past five years, liabilities increased by $715.6 million (21.9%) primarily in short-term loans payable and long-term debentures. Short-term loans payable increased to accommodate the liquidity reserve that is held in short-term investments. Long-term debentures increased after converting short-term loans payable to debentures once the capital market conditions improved.



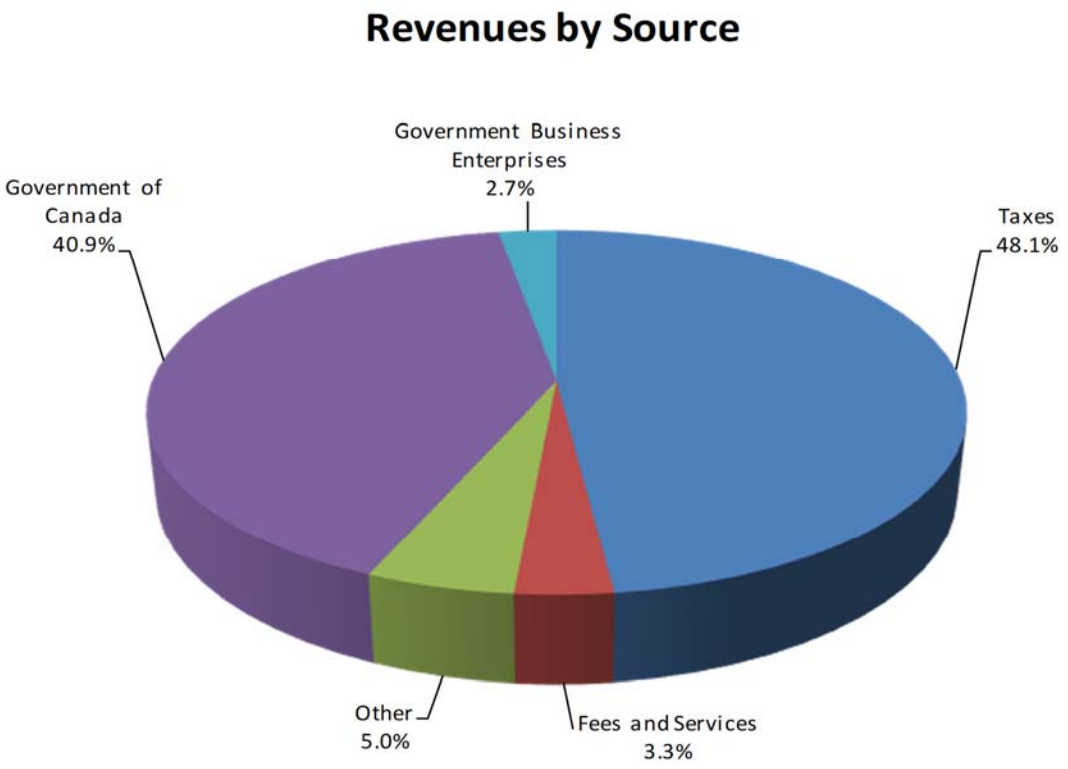
	2017	2018	2019 Restated	2020	2021
Accounts Payable	303.3	334.8	357.2	409.6	436.0
Debentures	2,128.7	2,129.9	2,130.7	2,123.7	2,271.5
Loans Payable	826.1	766.1	739.9	1,015.5	1,250.3
Other	13.0	12.7	14.7	21.3	28.9
Total	3,271.1	3,243.5	3,242.5	3,570.1	3,986.7

Net Debt represents the amount of liabilities to be funded from future revenue. This includes the funding of tangible capital assets that will be used in future periods. Net debt has increased since 2019 after experiencing a steady decline over several years. In 2021, net debt increased by $94.3 million (4.3%) as a result of increases in the net investment in tangible capital assets of $96.0 million and the annual deficit of $5.6 million. It was partially offset by other comprehensive income of $22.7 million derived mostly from the Prince Edward Island Energy Corporation.



Revenues

Revenues are monies received for the sale of goods, fees and services, licenses and permits, taxes, and transfers from the Government of Canada. As illustrated in the chart below, the majority of revenues (89.0%) for the year came from taxes and federal government transfers.



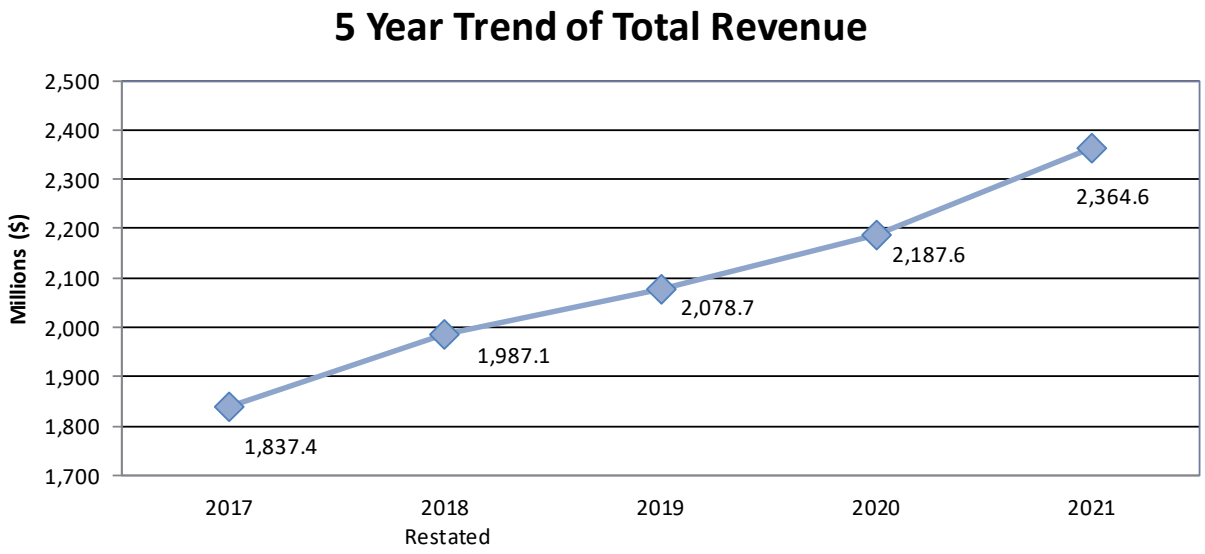
Revenue for the year ending March 31, 2021 was $2,364.6 million, an increase of $177.0 million (8.1%) over 2019-20. The increase was primarily from Government of Canada transfers ($120.0 million) and tax revenue ($77.5 million).

Government of Canada transfers are based on negotiated agreements, such as Infrastructure Programs, Equalization, and COVID-19 Response and Recovery. Overall, the increase of $120.0 million (14.1%) in 2020-21 is primarily attributed to $87.7 million in new COVID-19 Response and Recovery funding, $35.1 million increase in Equalization payments and $11.8 million increase in infrastructure programs. Various other programs saw small adjustments to offset the balance. Equalization funding is based on a per capita basis and the Province's population has increased, contributing to an increase in the funding received. Infrastructure Programs, such as Investing in Canada Plan, increased due to achieving milestones and submitting claims for reimbursement.

Tax revenue increased by $77.5 million (7.3%). Personal income tax increased by $42.0 million after pandemic-related support programs continued throughout the year for individuals and improved personal tax bases. Corporate income tax increased by $37.9 million and is showing normal signs of annual growth. Significant negative prior year adjustments were processed in 2019-20 which contributed to the large variance.

Over the last five years, revenues have increased by $527.2 million (28.7%). Provincial sources have increased by $255.0 million and federal sources have increased by $272.2 million. Provincial sources have increased as a result of the strong housing market and a stable economy. Sales, corporate and personal income tax have been subsequently impacted. Federal government transfers have been trending upwards as funding models change with population growth and programs, such as infrastructure and COVID-19 response, have been accessed.

Revenues					
	(Millions)				
	2017	**2018**	**2019**	**2020**	**2021**
Provincial Sources		**Restated**			
Taxes	$ 896.0	$ 1,016.4	$ 1,035.4	$ 1,060.8	$ 1,138.3
Fees and Services	62.1	65.3	70.9	76.1	77.1
Government Business Enterprises	73.1	70.7	64.7	71.0	63.0
Other	110.2	116.1	134.4	131.5	118.0
Total Provincial Sources	**$ 1,141.4**	**$ 1,268.5**	**$ 1,305.4**	**$ 1,339.4**	**$ 1,396.4**
Federal Sources					
Equalization	380.1	390.2	418.8	419.0	454.1
Canada Health and Social Transfers	203.6	209.6	218.1	231.7	241.7
Other	112.3	118.8	136.4	197.5	272.4
Total Federal Sources	**$ 696.0**	**$ 718.6**	**$ 773.3**	**$ 848.2**	**$ 968.2**
Total Revenues	**$ 1,837.4**	**$ 1,987.1**	**$ 2,078.7**	**$ 2,187.6**	**$ 2,364.6**



Revenue Budget to Actual Comparison

A review of actual revenue compared to budget in 2020-21 showed a variance of $53.5 million (2.3%). The increase was related to higher than expected tax and Government Business Enterprises income; the overall impact was reduced by lower than expected federal revenues.

Revenues - Budget to Actual Comparison
(Millions)

	2021 Budget	2021 Actual	Variance $
Taxes	$ 1,061.7	$ 1,138.3	$ 76.6
Licenses and Permits	38.1	40.5	2.4
Fees and Services	72.6	77.1	4.5
Sales	22.8	24.7	1.9
Investment Income	11.9	15.2	3.3
Other Income	30.1	25.9	(4.2)
Government of Canada	1,024.1	968.2	(55.9)
Government Business Enterprises	39.0	63.0	24.0
Sinking Fund Earnings	10.8	11.7	0.9
Total Revenues	**$ 2,311.1**	**$ 2,364.6**	**$ 53.5**

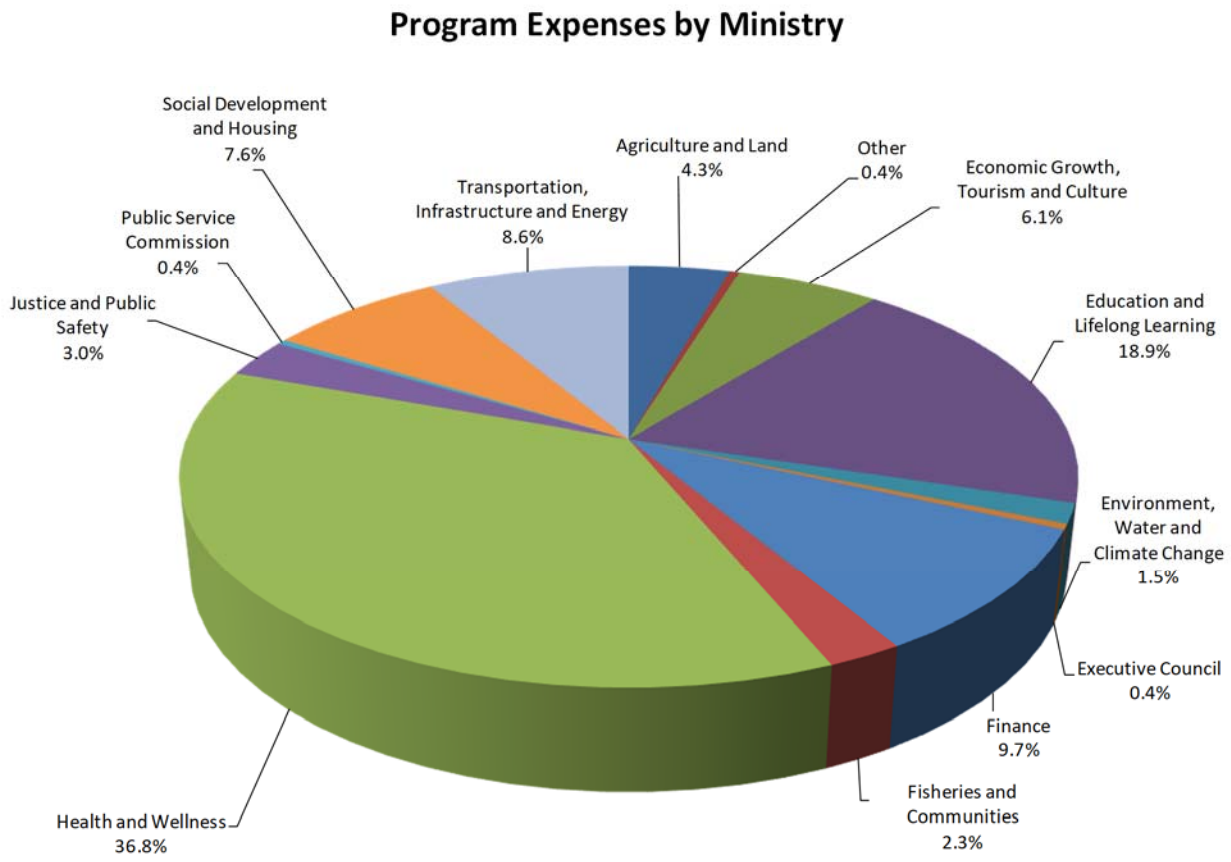
Taxes were $76.6 million (7.2%) higher than budgeted. Most of this variance is due to personal income taxes coming in $51.9 million higher than anticipated and corporate income tax coming in $16.8 million higher than anticipated primarily due to strong pandemic-related support programs and the impacts of the pandemic being less severe than initially predicted.

Government of Canada revenue was $55.9 million (5.5%) less than budgeted. Infrastructure agreements span multiple years and revenue is dependent on receiving federal budget approval and projects reaching specific milestones. The absence of a formal federal budget in 2020-21, combined with project delays due to COVID-19, inevitably caused delays in reaching milestones and associated funding.

Government Business Enterprises revenue was $24.0 million (61.5%) higher than budgeted. The Prince Edward Island Liquor Control Commission and Prince Edward Island Lotteries Commission both performed better than budgeted after sales remained stronger than anticipated.

Expenses

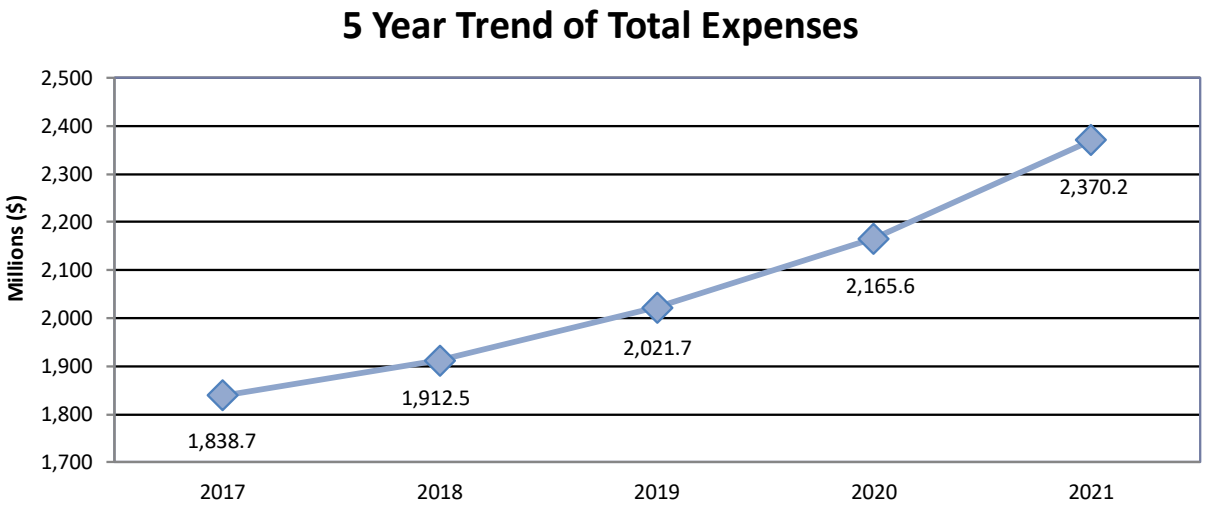
Expenses are costs associated with administering programs, such as healthcare, education, social services, and transportation. Expenses are reported by department to reflect costs associated with specific sectors. In 2020-21, the Departments of Health and Wellness and Education and Lifelong Learning accounted for 55.7% of total program expenses.



In 2020-21, total expenses were $2,370.2 million, an increase of $204.6 million (9.4%) over 2019-20.

Program expenses are expenses associated with delivering programs. Interest charges on debt and amortization are not attributed to a single program, but to government as a whole. Program expenses increased by $202.2 million (10.3%), while interest and amortization increased by $2.4 million (1.1%).

Over the past five years, total expenses have increased $531.5 million (28.9%) while total revenues have trended upwards by 28.7%. Expenditure increases are a result of inflation and changing priorities of government.



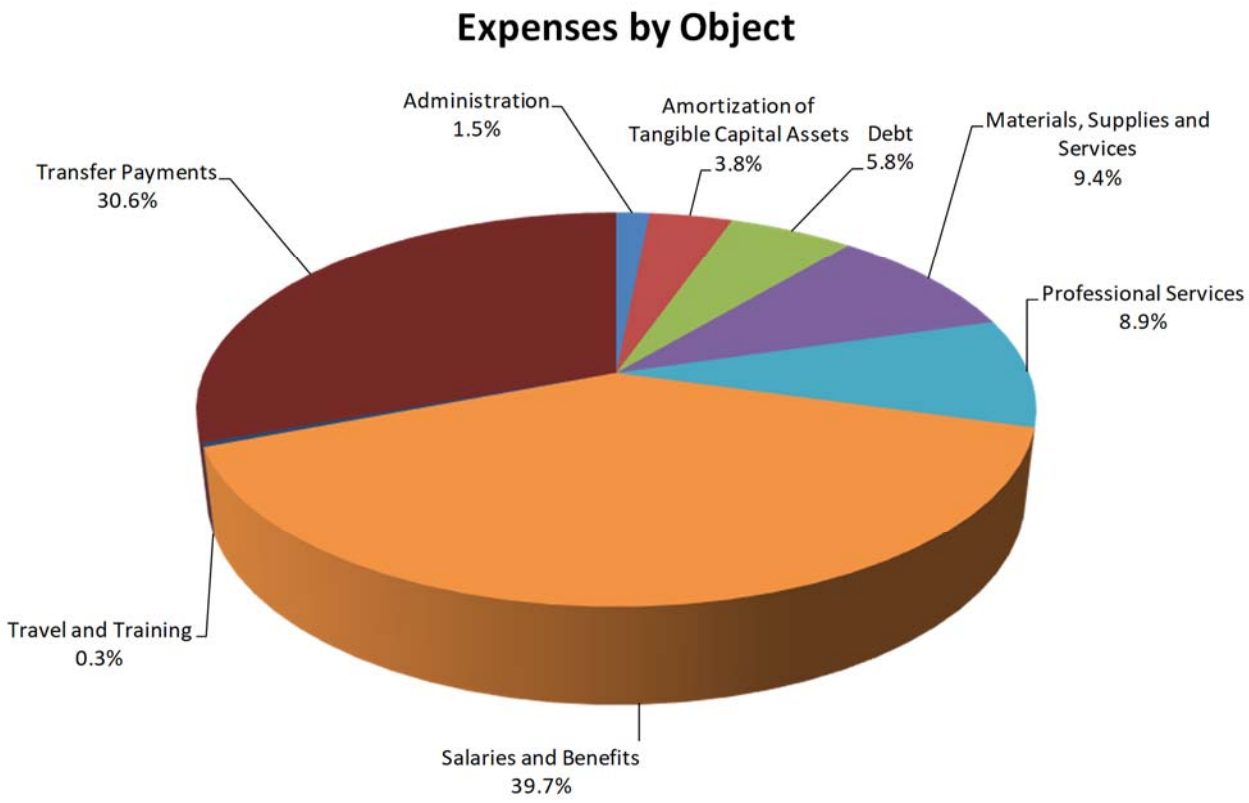
Expenses (Millions)	2017	2018	2019	2020	2021
Expenses					
Program Expenses	$ 1,639.5	$ 1,710.8	$ 1,818.6	$ 1,956.1	$ 2,158.3
Interest Charges on Debt	125.4	125.5	126.0	125.9	121.2
Amortization	73.8	76.2	77.1	83.6	90.7
Total	**$ 1,838.7**	**$ 1,912.5**	**$ 2,021.7**	**$ 2,165.6**	**$ 2,370.2**

Expenses by Object

Expenses by Object provide an additional level of detail to identify expenses by their category. The two major types of program expenditures in the 2020-21 were salaries and benefits of $941.4 million (39.7%) and transfer payments of $724.6 million (30.6%).

Salaries and benefits is the largest category of expense. Many programs administered by the Province are service-based and require people to provide them. Salaries increased by $54.8 million (6.2%) from 2019-20.

Transfer payments are grants and funding programs managed by the Province. They include payments such as social assistance, labor market funding, daycare funding and other grants. Transfer payments increased by $125.6 million (21.0%) in the year.



Expense Budget to Actual Comparison

Actual expenses compared to budget in 2020-21 were $113.6 million (4.6%) less than projected. The main ministries contributing to the decreases were the Departments of Transportation, Infrastructure and Energy, Finance, and Health and Wellness.

Expenses - Budget to Actual Comparison
(Millions)

	2021 Budget	2021 Actual	Variance $
Agriculture and Land	$ 88.8	$ 93.2	$ 4.4
Auditor General	2.4	2.2	(0.2)
Economic Growth, Tourism and Culture	139.8	132.2	(7.6)
Education and Lifelong Learning	411.9	408.1	(3.8)
Environment, Water and Climate Change	34.2	32.7	(1.5)
Executive Council	9.5	9.0	(0.5)
Finance	232.7	209.8	(22.9)
Fisheries and Communities	53.1	50.3	(2.8)
Health and Wellness	804.6	794.5	(10.1)
Justice and Public Safety	65.1	63.6	(1.5)
Legislative Assembly	7.7	7.0	(0.7)
Public Service Commission	8.3	8.1	(0.2)
Social Development and Housing	168.2	163.2	(5.0)
Transportation, Infrastructure and Energy	236.9	184.4	(52.5)
Total Program Expenses	$ 2,263.2	$ 2,158.3	$ (104.9)
Interest Charges on Debt	128.4	121.0	(7.4)
Interest Charges on Capital Obligations	-	0.2	0.2
Amortization of Tangible Capital Assets	92.2	90.7	(1.5)
Total Expenses	**$ 2,483.8**	**$ 2,370.2**	**$ (113.6)**

The Department of Transportation, Infrastructure and Energy was under budget by $52.5 million (22.2%) due to delays in infrastructure projects. Infrastructure grants require milestones to be achieved before payments are issued. Delays in project approvals, resulted in delays in project start dates and subsequent payment of claims.

The Department of Finance is $22.9 million (9.8%) under budget mainly as a result of the pandemic-related contingency fund not being required after the Province experienced a better outcome than projected from the beginning of the year.

The Department of Health and Wellness was $10.1 million (1.3%) under budget primarily because Health PEI did not require their full grant related to the COVID-19 contingency fund. The health care impacts were not as severe as initially expected because the costs of personal protective equipment, and the number of patients admitted were both lower than anticipated.

COVID-19 Response

The Province's response to COVID-19 has been first and foremost a public health response, to ensure Islanders were kept safe and had the best chance to recover quickly and safely from the virus. Secondary has been addressing the economic and social impacts of COVID-19 to individuals, businesses, sectors and industries.

The Government of Prince Edward Island has worked closely with the Chief Public Health Office to ensure public health measures were supported. It has also engaged Islanders, business sectors, community organizations and the federal government to ensure economic and social response efforts were flexible and addressed the immediate needs of those impacted by the pandemic.

Implementing a COVID-19 response program was a significant undertaking for Government. The provincial programs rolled-out in response to COVID-19 began in late March 2020 and continued throughout the year. As the fiscal year and pandemic response progressed, provincial programs were designed to complement or enhance benefits available under Federal programs.

The following table summarizes the budget and actual expenses related to COVID-19 programs and expenditures for 2020-21.

Expenses - COVID-19
(Millions)

	2021 Budget	2021 Actual
Finance	$ 88,628	$ 67,056
Agriculture and Land	2,000	1,361
Economic Growth, Tourism and Culture	10,000	6,569
Innovation PEI	3,000	1,786
Tourism PEI	5,000	4,945
Education and Lifelong Learning	1,500	3,635
Public Schools Branch	6,050	5,755
French Language School Board	450	711
Environment, Water and Climate Change	1,000	-
Fisheries and Communities	4,000	4,965
Employment Development Agency	2,000	-
Health and Wellness	6,000	7,281
Health PEI	15,000	5,382
Justice and Public Safety	2,000	1,384
Social Development and Housing	5,000	2,046
Transportation, Infrastructure and Energy	2,000	5,312
Total	**$ 153,628**	**$ 118,188**

The variance between the budgeted and actual expenditures is due in part to the level of uncertainty when the budget was being established. The COVID-19 response budgets were established early in the fiscal year before it was known what levels of support would be needed, by how many and for how long.

On April 10, 2020, the Premier requested the Office of the Auditor General to undertake a special assignment to examine Government's COVID-19 pandemic response. The Auditor General developed a 3-phased approach for reporting and that plan was approved by Executive Council. Phase 1 of the audit is complete with a report tabled in July 2021. The first phase for the audit included programs funded through the General Government contingency and were complete on or before August 31, 2020.

The General Government Contingency provided funding for just over 40 programs that supported both individuals and businesses during the fiscal year. In total, $88.6 million was budgeted for the General Government Contingency and allocated as follows:

General Government Contingency - COVID-19
(Millions)

	2021 Budget	2021 Actual
Program Supports to Individuals	$ 44,680	$ 34,217
Program Supports to Businesses	39,361	32,839
Personal Protective Equipment for Distribution	4,587	-
Total	**$ 88,628**	**$ 67,056**

General Government Contingency expenditures on programs supporting individuals were lower than budgeted due to lower than anticipated uptake in areas relating to childcare, property tax deferrals and individuals with low income. The Childcare Supports program aimed at helping families returning to work with childcare fees from May to June 2020 was $4.4 million lower than expected due to children being home-schooled and therefore not attending after school childcare. The Property Tax Deferral program was well received; however, Government did not record the estimated foregone revenue of $2.2 million as an expense. Payments to individuals under the income support fund and the low- income essential worker program amounted to $20.8 million, compared to a budget of $24.2 million. Both programs were designed to provide direct support to wage earners during the early days and weeks of the pandemic and were offered to more than 10,000 workers.

The Business stream under the General Government Contingency fund also saw lower than anticipated expenditures in a number of areas, primarily relating to low uptake on Interest and Fee Relief programs for the Tourism sector as well as the Business Workspace Adaptation funds. Nearly $4.8 million in support was provided through the tourism interest relief program and fee reduction program, which had a budget of $9.8 million. There was a very high uptake on the Business Adaptation Advice program, with just over $4.4 million in support provided. Businesses sought reimbursement for just over $1.0 million in costs from a related program to adapt their workplaces, although Government had budgeted for up to $5 million in support. There were $3.8

million in payments to business in the agriculture sector, $10.3 million to businesses in the fisheries sector and $4.4 million to support businesses whose temporary foreign workers needed accommodation during their self-isolation period upon entry to P.E.I.

The General Government Contingency also had budgeted for community distribution of personal protective equipment. However, the Department of Health and Wellness took on this task and funded the purchase of goods for distribution to community partners from their departmental COVID-19 contingency allocation.

In addition to the General Government Contingency, Government Departments and Agencies were allocated a total of $65.0 million to support the COVID-19 response and needs arose as the fiscal year unfolded. A total of $51.1 million in contingency funding was spent by Departments and Agencies in support of individuals, businesses, communities, and public services as summarized below.

Department / Agency Contingency - COVID-19
(Millions)

	2021 Budget	2021 Actual
Program Supports to Individuals	$ 20,304	$ 11,309
Program Supports to Businesses	12,162	10,016
Program Supports to Communities	2,000	4,129
Safe Restart for Education	5,534	7,103
Safe Restart for Government Organizations	2,000	4,754
Health System COVID-19 Response	23,000	13,819
Total	**$ 65,000**	**$ 51,130**

Within the Program Supports to Individuals stream of the Departmental Contingency funds, there was lower than anticipated expenditures for two key reasons: the continuation of Federal benefit programs for workers, and there were only a few occurrences of public health circuit breaker measures that broadly impacted all the workforce. This stream also provided nearly $1.3 million in supports to individuals to improve access to broadband service that Islanders needed as they moved to working at home.

Program Supports to Businesses provided supports to a number of sectors including tourism and hospitality – $4.6 million, agriculture – $1.4 million, fisheries – $1.2 million, public transit – $0.8 million and the Charlottetown Airport – $1.0 million.

The Health System COVID-19 Response expenditures were lower than anticipated for a variety of reasons, including the costs of personal protective equipment did not escalate. The requirements for personal protective equipment in hospitals were also lower than anticipated due to the very limited number of COVID-19 patients admitted to hospital. In addition to these Departmental contingency fund expenditures, Health PEI had a further $4.7 million in COVID-19 response costs for which it had received funding within its regular operational budget.

The Federal Government was a key partner by providing transfers directly to citizens and to Provincial governments to assist in providing stability and services needed locally. The following table reflects the budget and actual revenues related to COVID-19 transfers from the Federal Government:

Federal Revenue - COVID-19
(Millions)

	2021 Budget	2021 Actual
Blanket Safe Restart	$ 57,000	$ 46,053
Essential Worker Program	16,700	16,694
Safe Restart Schools	-	10,386
Safe Restart Top-Up	-	6,440
Donated Personal Protective Equipment	-	3,837
Funding for Sport and Recreation Groups	-	2,645
Contribution to Temporary Foreign Program	1,130	1,131
Emergency On-Farm Support	-	556
Total	**$ 74,830**	**$ 87,742**

The Federal funding for the Safe Restart of Schools was in relation to the school year ending June 30, 2021, and since the funding was authorized and received before the end of the fiscal year, the entire amount was recorded as revenue in accordance with accounting standards.

Indicators of Financial Health

This section provides indicators of the Province's financial condition and follows the Public Sector Accounting Board (PSAB) statement of recommended practice 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 following analysis is based on the most current data at the time of publication.

The analysis provides results in a manner that improves transparency and provides a clearer understanding of recent trends in the Province's financial health. Trends over the last five years are provided for sustainability, flexibility, and vulnerability indicators as recommended by PSAB. 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 a 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.

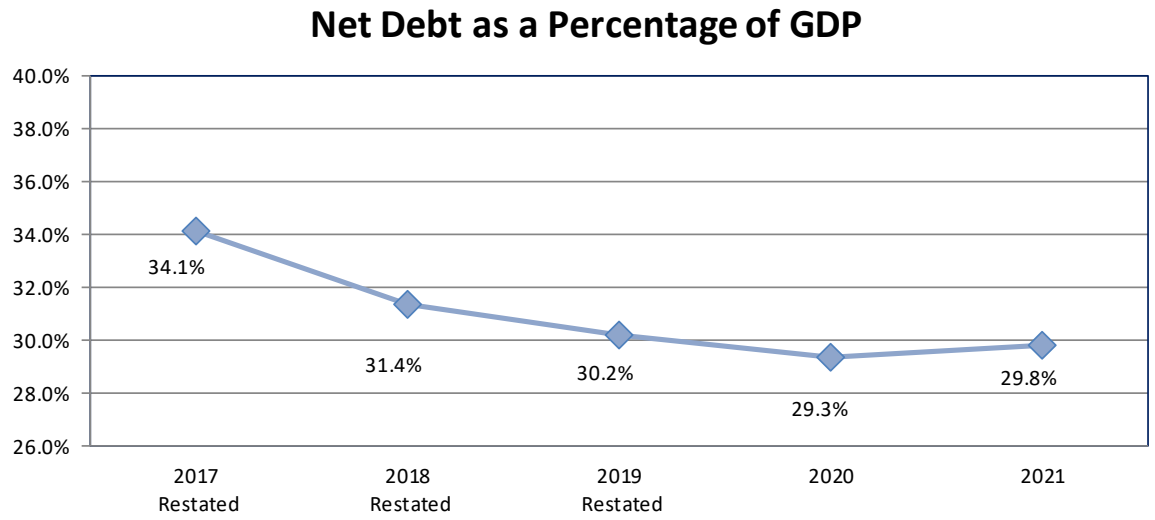
Though many potential indicators are available, those we found to be the most relevant, measurable, and transparent to users of government financial information are included. Similar data series are also widely used by banks and other financial institutions, investors, and credit-rating agencies.

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:

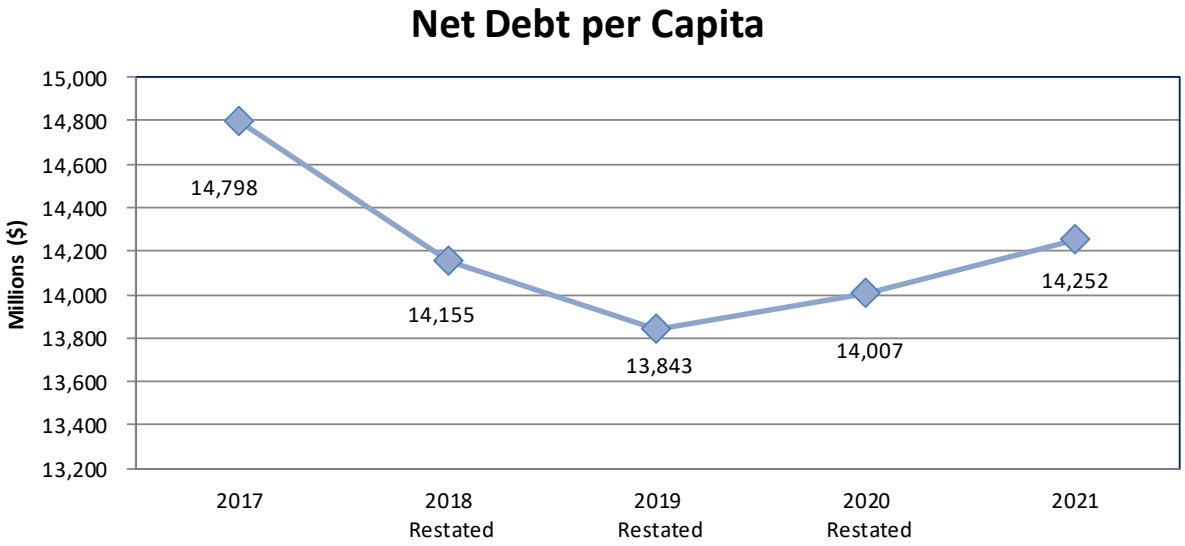
- Changing global economic conditions such as energy prices, commodity prices, investment valuations, and inflation;
- Changes to international financial conditions that impact interest rates, currency fluctuations, or availability of credit;
- Changes to federal transfers or programs; and
- Emergencies such as floods, forest fires, and pandemics.

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.



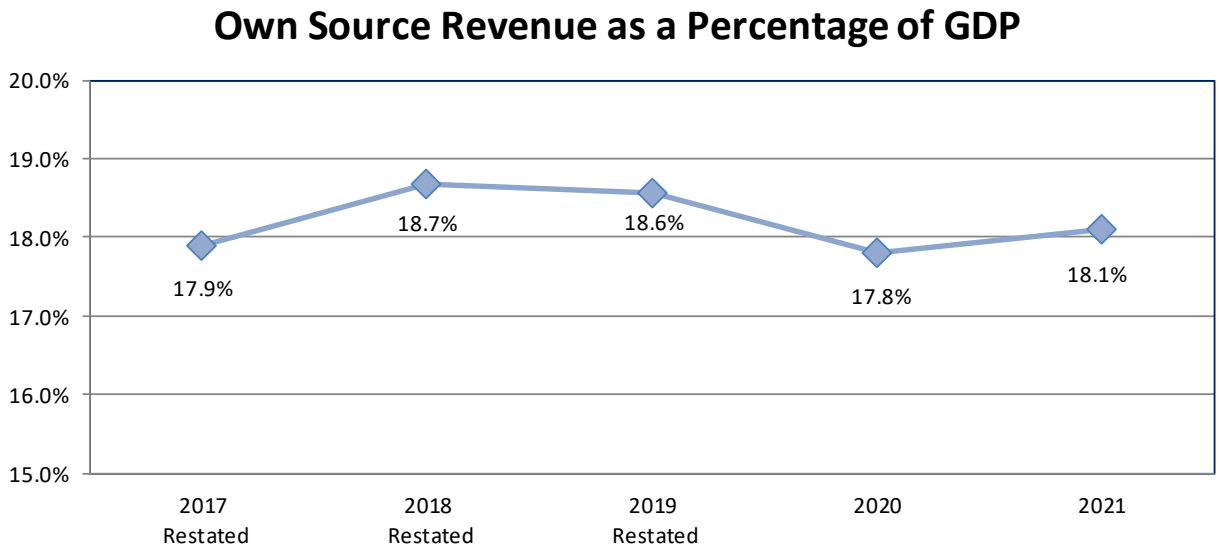
The net debt-to-GDP ratio had been on a downward trend since 2017, while in 2021 it experienced a slight increase. A significant investment in net tangible capital assets meant net debt grew slightly faster than the economy.



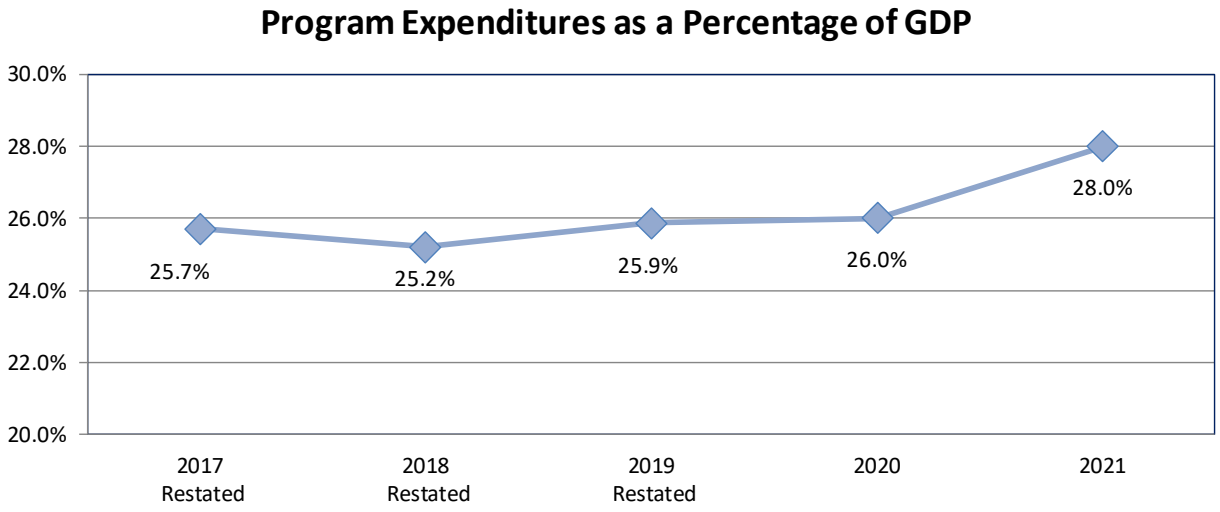
The net debt per capita ratio is a measure of the Province's ability to meet short- and long-term debt obligations. The downward trend in net debt per capita was a reflection of the strengthening financial position with a modest increasing trend in population. The upward trend in 2020 and 2021 was the result of large investments in net tangible capital assets, which increased net debt.

Flexibility

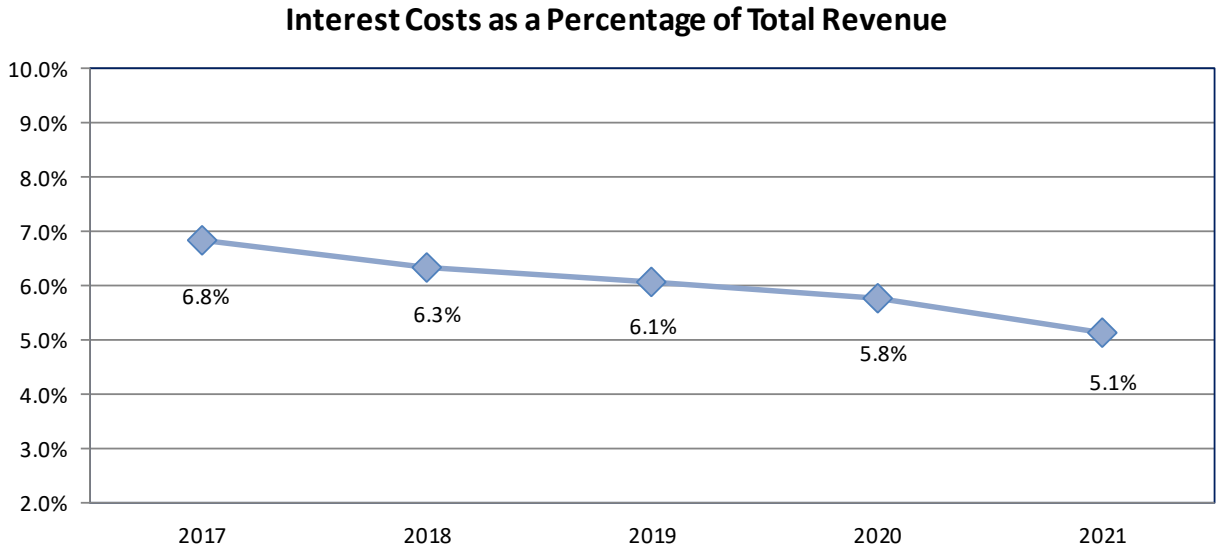
Own source revenue is an indicator of government revenue derived from the provincial economy, through taxation and other sources, compared to the provincial GDP. This ratio has remained relatively constant over the past five years. This ratio indicates that the Province's own source revenue is changing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



Program expenditures as a percentage of GDP are an indicator of government spending in comparison to the landscape of the provincial economy. The program expenditure to GDP ratio since 2017 has been relatively consistent from year to year, as program expenditures have increased in line with the strengthening economy. In 2021, the increase was primarily from pandemic-related spending.



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.



Vulnerability

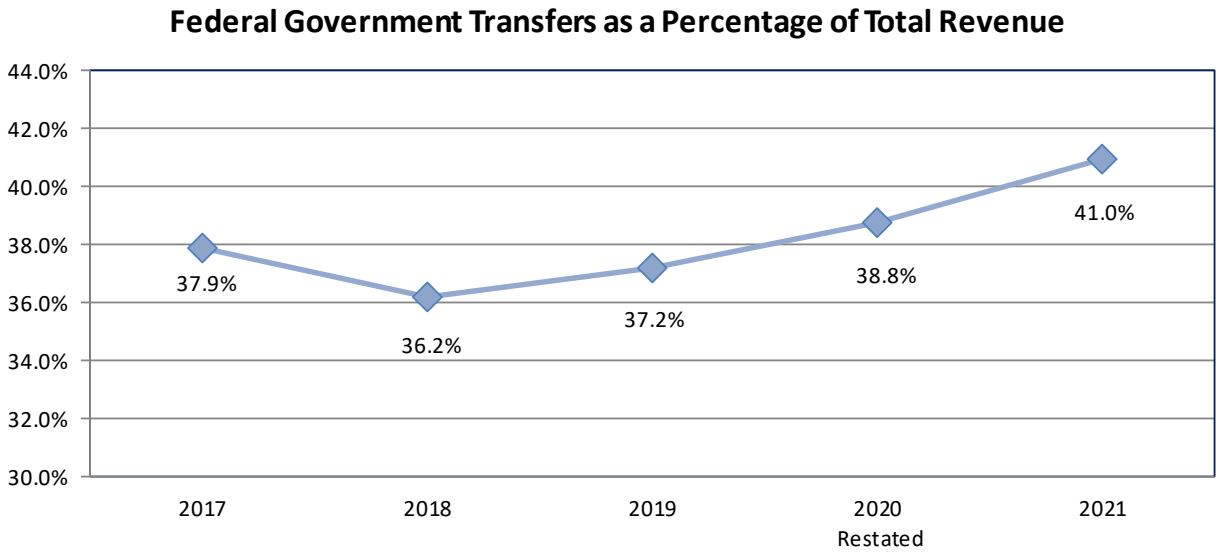
A common measurement of vulnerability is federal government transfers as a percentage of revenue.

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

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

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

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 federal government transfers as a percentage of total revenue ratio has increased in 2021 due to increases in the Equalization program, infrastructure programs, and COVID-19 response and recovery transfers.

The 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 Government of the Province of Prince Edward Island (the Province) rests with the Province. The consolidated 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, a Consolidated Statement of Changes in Net Debt, a Consolidated Statement of Changes in Accumulated Deficit, a Consolidated Statement of Cash Flows 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, 2021. More detailed information regarding the Province's financial position and operating results can be found in either Volume II or Volume III.

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

On behalf of the Government,



Honourable Darlene Compton
Minister of Finance
October 25, 2021

AUDITOR GENERAL
Prince Edward Island

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 Audit of the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the **Province of Prince Edward Island** (the Province), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, changes in net debt, changes in accumulated deficit and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2021, and the results of its consolidated operations, changes in net debt, changes in accumulated deficit and cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

I conducted the audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Province in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Volume I of the Public Accounts of the Province of Prince Edward Island, but does not include the consolidated financial statements of the Province and our auditor's report thereon.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work that I performed, I conclude that there is a material misstatement of this other information, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control that management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Province's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or cease the operations of the Province, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Province's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Province's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Province to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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 basis of accounting as disclosed in Note 2 to the consolidated financial statements applied on a basis consistent with that of the preceding year.

Darren Noonan, CPA, CA
Auditor General

Elvis Alisic, CPA, CA
Audit Director

Charlottetown, Prince Edward Island
October 25, 2021

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Financial Position
as at March 31, 2021

Schedule		2021 ($000)	2020 ($000)
	FINANCIAL ASSETS		
1	Cash and Short-Term Investments (Note 4)	407,108	198,779
2	Accounts and Taxes Receivable	325,507	259,069
	Inventories for Sale	284	830
4	Investment in Government Business Enterprises (Note 1)	310,810	260,092
5	Sinking Fund (Note 5)	315,490	292,728
6	Loans Receivable	245,867	224,198
7	Pension, Retirement and Other Obligations (Notes 11 and 12)	82,344	129,388
	Total Financial Assets	**1,687,410**	**1,365,084**
	LIABILITIES		
8	Deferred Revenue and Credits	22,999	15,015
9	Accounts Payable and Accrued Liabilities	435,986	409,555
10	Short-Term Loans Payable	786,867	526,014
11	Obligations Under Capital Lease	5,913	6,302
12	Loans Payable	463,433	489,516
13	Debentures	2,271,469	2,123,712
	Total Liabilities	**3,986,667**	**3,570,114**
	NET DEBT	**(2,299,257)**	**(2,205,030)**
	NON-FINANCIAL ASSETS		
14	Tangible Capital Assets	1,267,996	1,172,068
15	Inventories and Property Holdings	31,990	19,111
16	Prepaid Expenses and Other Deferred Charges	8,875	6,355
	Total Non-Financial Assets	**1,308,861**	**1,197,534**
	ACCUMULATED DEFICIT	**(990,396)**	**(1,007,496)**

Supplementary Information

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

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

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Operations
for the year ended March 31, 2021

Schedule	REVENUES	2021 Budget ($000)	2021 Actual ($000)	2020 Actual ($000)
21	Taxes	1,061,742	1,138,328	1,060,761
22	Licenses and Permits	38,079	40,534	40,233
23	Fees and Services	72,597	77,118	76,129
24	Sales	22,783	24,738	30,597
25	Investment Income	11,944	15,230	12,046
26	Other Income	30,036	25,827	37,481
27	Government of Canada	1,024,134	968,153	848,157
4	Government Business Enterprises	38,994	63,000	71,020
5	Sinking Fund Earnings	10,800	11,662	11,172
	Total Revenues	**2,311,109**	**2,364,590**	**2,187,596**
	EXPENSES			
28	Agriculture and Land	88,762	93,190	92,439
	Auditor General	2,431	2,194	2,082
29	Economic Growth, Tourism and Culture	139,781	132,228	116,067
30	Education and Lifelong Learning	411,906	408,118	388,808
	Enviroment, Water and Climate Change	34,215	32,736	37,622
	Executive Council	9,509	9,015	8,091
31	Finance	232,741	209,800	123,580
32	Fisheries and Communities	53,110	50,284	44,364
33	Health and Wellness	804,617	794,506	743,188
34	Justice and Public Safety	65,148	63,568	63,261
	Legislative Assembly	7,668	7,029	8,039
	Public Service Commission	8,306	8,060	7,967
35	Social Development and Housing	168,208	163,184	153,092
	Transportation, Infrastructure and Energy	236,869	184,395	167,494
	Total Program Expenses	**2,263,271**	**2,158,307**	**1,956,094**
	Interest Charges on Debt	128,365	120,969	125,667
	Interest Charges on Capital Obligations	-	188	204
14	Amortization of Tangible Capital Assets	92,187	90,735	83,628
	Total Expenses	**2,483,823**	**2,370,199**	**2,165,593**
	ANNUAL SURPLUS (DEFICIT)	**(172,714)**	**(5,609)**	**22,003**

Supplementary Information

36 Expenses by Object
37 Reconciliation of Consolidated Deficit
38 Reconciliation of 2020-2021 Budget Estimates
39 Provincial Reporting Entity

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

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Changes in Net Debt
for the year ended March 31, 2021

		2021 Budget ($000)	2021 Actual ($000)	2020 Actual ($000)
	NET DEBT, BEGINNING OF YEAR	**(2,205,030)**	**(2,205,030)**	**(2,123,509)**
Schedule				
	Changes in Year			
	Annual Surplus (Deficit)	(172,714)	(5,609)	22,003
4	Other Comprehensive Income (Loss)	-	22,709	(17,473)
	Acquisition of Tangible Capital Assets	(205,767)	(187,985)	(165,011)
	Amortization of Tangible Capital Assets	92,187	90,735	83,628
	Net Book Value of Tangible Capital Asset Disposals	-	1,323	555
	Net Book Value of Tangible Capital Asset Adjustments	-	(1)	136
	Change in Inventories and Property Holdings	-	(12,879)	(843)
	Change in Prepaid Expenses and Other Deferred Charges	-	(2,520)	(4,516)
	Total Change in Net Debt for the Year	**(286,294)**	**(94,227)**	**(81,521)**
	NET DEBT, END OF YEAR	**(2,491,324)**	**(2,299,257)**	**(2,205,030)**

Consolidated Statement of Changes in Accumulated Deficit
for the year ended March 31, 2021

		2021 Budget ($000)	2021 Actual ($000)	2020 Actual ($000)
	ACCUMULATED DEFICIT, BEGINNING OF YEAR	**(1,007,496)**	**(1,007,496)**	**(1,012,026)**
Schedule				
	Annual Surplus (Deficit)	(172,714)	(5,609)	22,003
4	Other Comprehensive Income (Loss)	-	22,709	(17,473)
	ACCUMULATED DEFICIT, END OF YEAR	**(1,180,210)**	**(990,396)**	**(1,007,496)**

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

PROVINCE OF PRINCE EDWARD ISLAND

Consolidated Statement of Cash Flows
for the year ended March 31, 2021

	2021 ($000)	2020 ($000)
Operating Activities		
Annual Surplus (Deficit)	(5,609)	22,003
Amortization of Tangible Capital Assets	90,735	83,628
Changes in:		
Accounts and Taxes Receivable	(66,438)	(51,162)
Inventories for Sale	546	(292)
Prepaid Expenses and Other Deferred Charges	(2,520)	(4,516)
Inventories and Property Holdings	(12,879)	(843)
Deferred Revenue and Credits	7,984	478
Accounts Payable and Accrued Liabilities	26,431	52,337
Pension, Retirement and Other Obligations	47,044	34,143
Cash Provided by Operating Activities	**85,294**	**135,776**
Investing Activities		
Other Comprehensive Income (Loss)	22,709	(17,473)
Changes in:		
Loans Receivable	(21,669)	(14,722)
Investments	-	140
Investment in Government Business Enterprises	(50,718)	(17,058)
Cash Used for Investing Activities	**(49,678)**	**(49,113)**
Capital Activities		
Acquisition of Tangible Capital Assets	(187,985)	(165,011)
Disposal of Tangible Capital Assets	1,323	555
Adjustment of Tangible Capital Assets	(1)	136
Cash Used for Capital Activities	**(186,663)**	**(164,320)**
Financing Activities		
Debentures Issued	250,000	100,000
Debentures Matured	(109,136)	(107,332)
Changes in:		
Short-Term Loans Payable	260,853	309,407
Loans Payable	(26,083)	(33,793)
Debenture Discount	6,893	373
Obligations Under Capital Lease	(389)	6,086
Sinking Fund	(22,762)	(22,272)
Cash Provided by Financing Activities	**359,376**	**252,469**
Change in Cash and Short-Term Investments	208,329	174,812
Cash and Short-Term Investments, Beginning of Year	198,779	23,967
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	**407,108**	**198,779**

(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, 2021

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. The consolidated financial statements include 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 39 – Provincial Reporting Entity.

The consolidated financial statements do not include the Workers Compensation Board of Prince Edward Island. The Board, as at December 31, 2020, had assets of $258.4 million (2019 - $246.0 million), liabilities of $166.3 million (2019 - $166.4 million), and a fund balance of $92.1 million (2019 - $79.6 million). The Board has the ability to establish premium rates sufficient to meet its financial obligations.

(b) Methods of Consolidation

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

GBEs are included in the consolidated financial statements using the modified equity method of accounting. The modified equity method reports the percentage of a GBE's net assets owned by the Province as an investment in the Province's Consolidated Statement of Financial Position. Net income of GBEs is reported as a separate revenue item in the Consolidated Statement of Operations. 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 public sector accounting standards.

(b) Future Changes in Accounting Policy

The Public Sector Accounting Board has issued new standards or amendments to standards that are not in effect as of the date of these financial statements, and they are as follows:

Effective April 1, 2022:

- *PS 1201 Financial Statement Presentation* – establishes general reporting principles and standards for the disclosure of information;
- *PS 2601 Foreign Currency Translation* – establishes standards on how to account for and report transactions that are denominated in a foreign currency;
- *PS 3041 Portfolio Investments* – establishes standards on how to account for and report portfolio investments;
- *PS 3280 Asset Retirement Obligations* – establishes standards regarding the legal obligations associated with the retirement of a tangible capital asset;
- *PS 3450 Financial Instruments* – establishes standards on how to account for and report all types of financial instruments including derivatives.

Effective April 1, 2023:

- *PS 3400 Revenue* – establishes standards on how to account for and report revenue.

The Province is currently analyzing the impact of these new and amended standards and plans to adopt them on the effective dates.

(c) Financial Assets

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

Cash and Short-Term Investments represent the cash position including bank balances, cash reserves, and short-term investments. The Province has two available credit facilities with financial institutions in the amounts of $20.0 million and $75.0 million. The credit facilities expire December 31, 2021, and March 1, 2023, respectively. As part of the liquidity reserve, the Province holds short-term investments in term deposits as well as a guaranteed investment certificate.

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.

Inventories for Sale are recorded at the lower of cost or net realizable value.

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

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

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

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

for loss is established for doubtful accounts. Interest revenue is recognized on an accrual basis until such time that the collectability of either principal or interest is not reasonably assured.

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

(d) Liabilities

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

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

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

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

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

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

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

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

(e) Net Debt

The Province's consolidated financial statements are presented 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.

(f) 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	10 years
Buildings and Improvements	5 - 40 years
Leasehold Improvements	Based on length of lease
Roads	10 - 20 years
Bridges	20 - 40 years
Motor Vehicles	5 - 10 years
Equipment	1 - 25 years
Other	5 - 40 years

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

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

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

Inventories do not include the supply of COVID-19 vaccines received from the Government of Canada, as the fair value could not be reasonably determined. During the year, the Province received 39.6 thousand COVID-19 vaccines and held 411 vaccines in inventory at March 31, 2021.

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.

(g) 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 along with the accumulated Other Comprehensive Income or Loss.

(h) Revenues

Revenues are recorded on an accrual basis.

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

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

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

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

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

(i) 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 acquisitions 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 liability exists and the amount can be reasonably determined. These provisions are updated annually as estimates are revised.

3 Contractual Rights

The Province has entered into a number of multi-year contracts. These contractual rights will become revenue and assets in the future when the terms of the contracts are met. Significant contractual rights for the next five years and thereafter include:

	2022 ($000)	2023 ($000)	2024 ($000)	2025 ($000)	2026 ($000)	Thereafter ($000)	Total ($000)
Operating Fund							
Ambulance Service Agreement	340	340	340	340	-	-	1,360
Clean Water and Wastewater Fund	1,030	-	-	-	-	-	1,030
French Language Services	1,238	1,238	-	-	-	-	2,476
Investing in Canada Infrastructure Fund	98,655	44,872	9,490	5,340	-	-	158,357
Justice and Public Safety Agreements	2,665	1,984	1,060	1,078	809	4,104	11,700
Labour Market Development	31,242	31,112	-	-	-	-	62,354
Low Carbon Economy Leadership Fund	5,864	-	-	-	-	-	5,864
New Building Canada Fund	4,050	-	-	-	-	-	4,050
New Deal Gas Tax Fund	33,750	17,250	18,000	-	-	-	69,000
Official Languages in Education	2,855	2,855	-	-	-	-	5,710
Provincial Integrated Communication Services	1,131	1,131	1,131	1,131	875	-	5,399
Small Community Fund	3,658	-	-	-	-	-	3,658
Workforce Development Agreement	3,800	3,800	-	-	-	-	7,600
Youth Justice Services and Programs	1,615	1,615	-	-	-	-	3,230
Other Significant Rights	1,093	690	-	-	-	-	1,783
Agencies, Boards and Crown Corporations							
Health PEI	6,735	250	-	-	-	-	6,985
Island Investment Development Inc.	2,458	1,472	1,472	1,472	1,472	6,062	14,408
P.E.I. Housing Corporation	1,570	2,484	2,715	2,806	3,102	5,917	18,594
Total	**203,749**	**111,093**	**34,208**	**12,167**	**6,258**	**16,083**	**383,558**

The Canadian Agriculture Partnership Federal-Provincial-Territorial framework agreement on agriculture, agri-food, and agri-based products policy provides the P.E.I. Agricultural Insurance Corporation with access to funding for AgriInsurance, AgriStability, and AgriRecovery programs for fiscal years 2019 to 2023. Expected revenue is not included in the table above, as funding is tied to producer indemnity claims and premiums which cannot be reasonably estimated. However, the contractual right to access funding creates an offsetting contractual obligation to producers.

4 Restricted Cash

As at March 31, 2021, assets of $13.5 million (2020 - $13.3 million) have been restricted for designated purposes by external parties. Restricted cash includes: $7.8 million for New Deal for Cities and Communities, $1.3 million for Health PEI, $2.6 million for Northumberland Power Cable, $0.5 million for the Supreme Court, $0.4 million for the Health Care Innovation Working Group, and $0.9 million for other funds.

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. 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 and thereafter are:

	($000)
2021-2022	11,100
2022-2023	11,100
2023-2024	10,200
2024-2025	10,200
2025-2026	10,200
Thereafter	72,350
	$125,150

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

As at March 31, 2021, Sinking Fund investments include P.E.I. issues held but not cancelled in the amounts of:

		($000)		**($000)**
Debentures	Par Value	109,369	Book Value	116,944
Residuals	Par Value	62,103	Book Value	40,863

6 Solid Waste Landfill Closure and Post-Closure Liability

The collection and disposal of all solid waste generated in P.E.I. is included in the mandate of Island Waste Management Corporation (IWMC). IWMC is responsible for all liabilities related to the closure and post-closure costs of the East Prince Landfill site, which was in use at March 31, 2021. IWMC has included in its liabilities at March 31, 2021, an obligation associated with the retirement, closure, and post-closure costs of the East Prince Landfill site in the amount of $3.6 million (2020 - $3.3 million).

7 Contaminated Sites

The Province is responsible for ensuring that provincial properties not in active use do not pose a problem for the environment. The Province has reviewed a listing of its own sites, and additional properties for which it has accepted responsibility, and has recorded a liability of $1.8 million (2020 - $1.8 million) associated with these sites. The Province will continue to review these sites and re-evaluate its liability on an ongoing basis.

Included in the Province’s liability are costs associated with a number of former landfill and community dump sites. These sites operated prior to the establishment of the East Prince Landfill and were closed prior to 2003. The responsibility to monitor ground water for the former landfill sites is shared between the Province and IWMC.

8 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 for the next five years and beyond include:

	2022 ($000)	2023 ($000)	2024 ($000)	2025 ($000)	2026 ($000)	Thereafter ($000)	Total ($000)
Operating Fund							
2023 Canada Winter Games	11,155	-	-	-	-	-	11,155
Atlantic Fisheries Fund Program	1,806	1,806	1,806	-	-	-	5,418
Building Leases	7,685	6,900	6,056	4,465	2,597	5,223	32,926
Canada Nature Fund	1,257	700	-	-	-	-	1,957
Canadian Fish and Seafood Program	1,857	1,857	1,857	-	-	-	5,571
Capital Infrastructure Projects	28,646	458	94	71	49	-	29,318
Chances - Best Start Program	1,221	1,221	-	-	-	-	2,442
Clean Water and Wastewater Fund	1,545	-	-	-	-	-	1,545
Community Funding Agreement - Town of Three Rivers	1,356	416	408	176	145	237	2,738
Deadstock Disposal Services	1,114	1,114	1,114	1,114	-	-	4,456
Electronic Medical Records System	1,633	1,633	1,633	1,633	1,633	1,633	9,798
Emergency Services	13,486	-	-	-	-	-	13,486
French Language Services	2,475	2,475	-	-	-	-	4,950
Information Technology Agreements	6,908	4,220	3,255	2,961	-	-	17,344
Investing in Canada Infrastructure Fund	126,771	57,201	9,522	5,340	-	-	198,834
Labour Market Development	31,242	31,112	-	-	-	-	62,354
Low Carbon Economy Leadership Fund	5,632	-	-	-	-	-	5,632
Mental Health and Addictions Campus	6,377	-	-	-	-	-	6,377
Municipal Funding Agreement	29,742	-	-	-	-	-	29,742
New Deal Gas Tax Fund	33,750	17,250	18,000	-	-	-	69,000
Official Languages in Education	2,855	2,855	-	-	-	-	5,710
P.E.I. Energy Systems	1,602	1,602	1,602	1,602	534	-	6,942
Post Secondary	18,735	17,506	15,331	5,219	5,049	48,550	110,390
Provincial Integrated Communication Services	2,121	2,121	2,121	2,121	-	-	8,484
Provincial Policing Services	17,890	18,248	19,365	19,752	20,147	129,632	225,034
Road Maintenance	12,936	13,022	12,990	10,935	11,341	-	61,224
Salvation Army in Canada Funding	1,395	1,395	-	-	-	-	2,790
Skills PEI	8,297	6,280	1,310	-	-	-	15,887
Small Community Fund	7,317	-	-	-	-	-	7,317
Workforce Development Agreement	3,800	3,800	-	-	-	-	7,600
Youth Justice Services and Programs	2,131	2,131	-	-	-	-	4,262
Other Significant Obligations	5,075	4,303	1,651	1,373	1,056	1,056	14,514
Agencies, Boards and Crown Corporations							
Health PEI	48,899	11,469	9,027	3,364	2,624	5,363	80,746
Island Waste Management Corporation	8,216	8,356	8,497	4,216	505	-	29,790
P.E.I. Energy Corporation	24,380	7,781	2,194	2,174	2,174	10,503	49,206
P.E.I. Grain Elevators Corporation[1]	3,325	-	-	-	-	-	3,325
P.E.I. Housing Corporation	6,072	5,914	6,101	6,177	6,473	60,990	91,727
P.E.I. Liquor Control Commission	710	194	37	-	-	-	941
P.E.I. Lotteries Commission	1,106	559	345	98	98	279	2,485
Tourism PEI	2,399	1,837	67	15	15	-	4,333
Total	**494,919**	**237,736**	**124,383**	**72,806**	**54,440**	**263,466**	**1,247,750**

[1]P.E.I. Grain Elevators Corporation has a year end of July 31, 2020. The amount of $3.3 million, as at March 31, 2021, is estimated.

The Canadian Agriculture Partnership Federal-Provincial-Territorial framework agreement on agriculture, agri-food, and agri-based products policy provides the P.E.I. Agricultural Insurance Corporation with access to funding for AgriInsurance, AgriStability, and AgriRecovery programs for fiscal years 2019 to 2023. Expected obligations are not included in the table above, as funding is tied to producer indemnity claims and premiums which cannot be reasonably estimated. However, the contractual obligation to provide funding creates a partially offsetting contractual right from the federal government.

9 Commitments

The nature of the Province's activities results in commitments against future appropriations. Significant financial commitments at March 31, 2021, include:

(a) Loans

	2021 ($000)	2020 ($000)
Loans approved but not disbursed at March 31:		
Island Investment Development Inc.	8,467	17,153
Finance PEI	25,672	21,962
	34,139	39,115

(b) Innovation PEI

The Crown has committed to disbursing as development program expenses $29.6 million (2020 - $32.1 million) for P.E.I. labour rebate program assistance, $5.0 million (2020 - $6.3 million) for enriched investment tax credits, $1.2 million (2020 - $2.3 million) for development fund assistance, $61.0 thousand (2020 - $59.4 thousand) for specialized labour rebates, $66.0 thousand (2020 - $132.0 thousand) for cultural industry supports and $21.0 thousand (2020 - $21.0 thousand) for share purchase tax credits over the next four years as companies meet their eligibility requirements.

(c) Island Waste Management Corporation

The Corporation has entered into a waste processing agreement dated August 8, 1995, to supply P.E.I. Energy Systems with a minimum annual guaranteed amount of 30,617 metric tonnes of waste. The 30-year agreement, expiring in August 2025, provides for the payment by IWMC of a $45 per metric tonne quarterly fee adjusted for consumer price index fluctuations. Any shortage is the responsibility of IWMC. Current annual costs for the waste processing are estimated at $2.2 million (2020 - $2.2 million).

(d) P.E.I. Energy Corporation

Power Purchase Agreements

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

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

Land Lease Payments

In the normal course of business, the Corporation has entered into agreements for the use, or the option for 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.

The Corporation has also entered into a lease agreement for the use of land in connection with the development of an electrical smart grid. The associated future minimum lease payments are included in Schedule 4(d).

10 Contingent Liabilities

(a) Claims Outstanding

The Province is subject to legal actions arising in the normal course of business. At March 31, 2021, there were a number of outstanding claims arising from legal action in progress.

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 risk management services as well as general liability insurance, errors and omissions insurance, primary property and crime insurance, and automobile liability insurance for government entities. At March 31, 2021, Fund reserves were $8.9 million (2020 - $8.4 million). The reserve for unsettled claims represents management's best estimate of the total costs, including investigation, litigation, and the projected final settlement of specific claims incurred as of the financial statement date. It also includes a general reserve to cover possible claims incurred as of the financial statement date but not yet reported to management. Claims expense in the current year was $1.4 million (2020 - $1.7 million). The estimated amount for claims outstanding at March 31, 2021, is $8.9 million (2020 - $8.4 million). The Fund carries an excess liability policy limiting the liability of the Fund.

(b) Credit Union Deposit Insurance Corporation

The *Credit Unions Act* states that the Province shall ensure that the obligations of the Credit Union Deposit Insurance Corporation (CUDIC) are carried out. The CUDIC provides deposit insurance coverage on deposits within established limits held by P.E.I. credit unions. The CUDIC is funded by an assessment on insurable deposits in each of the seven credit unions. The Province holds two director positions on the CUDIC Board of Directors. At December 31, 2020, the CUDIC had an equity balance of $22.1 million (2019 - $19.9 million).

Deposits insured by CUDIC, on the basis of returns received from its member institutions, as at December 31, 2020, were $1,389.3 million (2019 - $1,160.9 million). The Province's contingent liability is offset by equity held by the CUDIC, Atlantic Central Credit Union, and the seven credit unions on P.E.I.

(c) Innovation PEI

A counterclaim has been commenced against Innovation PEI in response to an action for a deficiency remaining after realization on collateral held by the P.E.I. Lending Agency, a former Crown Corporation. 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 this counterclaim. The counterclaim has been ongoing since 1996.

(d) Transitional Funding

Included in revenues for the fiscal year 2014-2015 was $35.0 million in transitional funding related to the Agreement on Co-operative Capital Markets. The agreement has terms for repayment if terminated.

(e) Guaranteed Debt

The Province has guaranteed the repayment of a variety of types of loans. Guarantees amounting to $14.0 million (2020 - $18.5 million) are reported in Schedule 18.

(f) Building Remediation

The building materials within certain government buildings contain levels of asbestos. The Province monitors the condition of those buildings containing asbestos to ensure they are not posing a risk to the occupants and will remove the material as the buildings are repaired and/or renovated. Total cost to remediate has not been determined. Costs and potential liabilities associated with the remediation are the responsibility of the Province.

11 Pensions

The Province sponsors various defined benefit pension plans. The primary plans are the Prince Edward Island Public Sector Pension Plan (formerly the Civil Service Superannuation Plan), the Prince Edward Island Teachers' Pension Plan (formerly the Teachers' Superannuation Plan) and the Pension Plan for Members of the Legislative Assembly (MLA) of Prince Edward Island. Other plans include arrangements for MLA Supplementary, Senior Compensation Plan (SCP), and Pension Plan for Judges.

Investments of the primary plans 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 the Joint Investment Advisory Committee to the Minister of Finance.

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

P.E.I. Public Sector Pension Plan

Pursuant to the *Prince Edward Island Public Sector Pension Plan Act* (*PSPPA*), membership is mandatory for all permanent employees of participating employers. Pension benefits are paid from the Prince Edward Island Public Sector Pension Plan (PSPP), which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions, which are matched by the employer, as well as employer special contributions as described below.

- *Contributions:* Members are required to contribute 8.09% of their pensionable salary up to the year's maximum pensionable earnings (YMPE). For earnings above the YMPE, the contribution rate is 9.75%. Member contributions are matched by their respective employer, and combined are considered Base Contributions. Variable Contributions are in addition to Base Contributions as determined by the funded benefits ratio.

  Contribution increases, if needed, will be implemented on January 1st of the year following the effective date of the annual valuation report. The funded benefits ratio, as determined by the April 1, 2021 actuarial valuation, does not indicate that a contribution adjustment is required.

- *Pension Formula:* The annual pension for service prior to December 31, 2013, is based on the number of pensionable years of service, times 2% of the average best three years' annualized salary, with a reduction at age 65 for estimated Canada Pension Plan (CPP) benefits. The resulting pension amount represents the guaranteed Base Benefit. For service commencing January 1, 2014, pension amounts are based on the same formula as described above, applied to an employee's average weighted indexed pensionable salary. The resulting annual pension

amount each year thereafter is added to the existing annual pension and becomes the new guaranteed Base Benefit.

- *Pre-Retirement Indexation:* Beginning in 2017, pre-retirement indexation is awarded only if the funded benefits ratio (as determined at April 1st immediately prior to the calendar year in which indexation is to be awarded) is greater than 100%. If there are years that full indexation is not awarded, and if the funded benefits ratio subsequently reaches 115%, then a portion of Plan funds is available to award missed indexation on a go-forward basis (i.e. no retroactive payments). The maximum indexation is 100% of the increase in the Average Industrial Wage (AIW) in Canada; however, if in any year the assets available to provide inflation protection are not adequate to provide full AIW, partial indexation will be awarded.

- *Post-Retirement Indexation:* Post-retirement indexation is awarded only if the funded benefits ratio is greater than 110%. If there are years that full post-retirement indexation is not awarded, and if the funded benefit ratio subsequently reaches 118%, then a portion of Plan funds is available to award missed indexation on a go-forward basis (i.e. no retroactive payments). The maximum indexation is 100% of Consumer Price Index (CPI); however, if in any year the Plan cannot afford full CPI, partial indexation will be awarded. Indexation for deferred vested benefits is applied at the same level as the post-retirement indexation.

P.E.I. Teachers' Pension Plan

The *Prince Edward Island Teachers' Pension Plan Act* (*TPPA*) established a fund for the payment of pensions to retired teachers or refund of contributions under certain circumstances. Pension benefits are paid from the Prince Edward Island Teachers' Pension Plan (TPP), which is not part of the Operating Fund of the Province. The Plan is funded by employee contributions, which are matched by the employer, as well as employer special contributions as described below.

- *Contributions:* Members are required to contribute 8.3% of their pensionable salary up to the year's YMPE. For earnings above the YMPE, the contribution rate is 10.0%. Member contributions are matched by their respective employer, and combined are considered Base Contributions. Variable Contributions are in addition to Base Contributions as determined by the funded benefits ratio.

  Contribution increases, if needed, will be implemented on September 1st of the valuation year. The funded benefits ratio, as determined by the April 1, 2021 actuarial valuation, does not indicate that a contribution adjustment is required at this time.

- *Pension Formula:* The annual pension for service prior to December 31, 2013 is based on the number of years of pensionable service, times 2% of the average best five years' annualized salary, with a reduction at age 65 for estimated CPP benefits. The resulting pension amount represents the guaranteed Base Benefit. For service commencing January 1, 2014, pension amounts are based on the same formula as described above, applied to an employee's average weighted indexed pensionable salary. The resulting annual pension amount each year thereafter is added to the existing annual pension and becomes the new guaranteed Base Benefit.

- *Pre-Retirement Indexation:* With the adoption of an average weighted indexed pension salary approach to establishing yearly pension benefits, pre-retirement indexation was introduced. Pre-retirement indexation of the TPP is the same as described for the PSPP.

- *Post-Retirement Indexation:* Post-retirement indexation for the TPP is the same as described for the PSPP. Indexation for deferred vested benefits is applied at the same level as the post-retirement indexation.

Special Payments to the P.E.I. Public Sector Pension Plan and the P.E.I. Teachers' Pension Plan
Effective April 1, 2016, if the funded benefits ratio of the Plans falls below 100%, and after reflecting the future variable contributions, the Plans are still not projected to achieve a funded benefits ratio of at least 100% 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% within 5 years. This is reviewed on an annual basis and the contribution amount will be subject to change each year.

Previous contributions made by the Province in the form of promissory notes, and outstanding at year end, are listed in Schedule 12. Subsection 5(5) of the *PSPPA* and 9(5) of the *TPPA* stipulates that none of the aforementioned promissory notes may be cancelled or recalled by the Province prior to maturity unless the Province contributes to the PSPP and TPP 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. The Commission established the "Pension Plan for Members of the Legislative Assembly of Prince Edward Island" and designated the Minister of Finance as Administrator having responsibility for the day-to-day operation and administration of the Plan.

Pension benefits are based on criteria which differ depending on the period of service. The annual pension payable shall be equal to the amount accrued as at April 1, 2001, plus 25% of the required contributions made by the Member from April 1, 2001, up to and including April 12, 2014, plus 22.22% of the required contributions made by the Member on and after April 13, 2014. Indexation is provided at the same level as provided in the *PSPPA.*

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 9% of their salary. 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. Effective September 10, 2017, the Province contributes 9.12% of the Members' salary based on the unfunded position of the Fund.

Pension Plan for Members of the Legislative Assembly (Supplementary)
This 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. This Plan is unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. Annual cost of living adjustments is provided at the same level as the *PSPPA.*

Senior Compensation Plan
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 *PSPPA*. Prior to January

1, 2014, pension benefits were based on the number of years participation in the Senior Compensation Plan to a maximum of 5 years, times 2% of the best three years average salary. Effective January 1, 2014, the best three years average salary was replaced by an average weighted indexed earnings in which the indexation is contingent on the financial health of the PSPP. 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 is used as the starting point for future benefits determination. Pre- and post-retirement inflation protection is provided at the same level as provided in the *PSPPA*. 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 and New

The *Provincial Court Act* provides a pension plan for Provincial Court Judges (Old Plan) who were appointed before April 1, 1997. Pension benefits are based on two thirds of the salary payable to the judge at the time of retirement.

The *Provincial Court Act* also provides a pension plan for Provincial Court Judges (New Plan) who were appointed after March 31, 1997. This is a supplementary benefit to the benefits provided under the *PSPPA*. Pension benefits are based on the number of years of service, times 3% of the best three years average salary, less benefits received under the *PSPPA*.

Both Plans are unfunded. The Province is responsible for the unfunded liability and makes payments from the Operating Fund as they become due. The Plans provide for inflation protection to a maximum of 8% (old) and 6% (new).

(b) Summary of Plans Membership

	PSPP		TPP		MLA – Basic		MLA Supplementary		SCP		Judges – Old & New Plans	
Year	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Actives	7,974	7,620	1,989	1,903	26	26	26	26	31	30	3	3
Retirees	5,233	4,931	1,721	1,665	100	103	71	71	82	80	5	4
Deferreds	602	615	121	139	8	8	5	5	6	6	-	-

(c) Actuarial Valuations / Estimates

Actuarial valuations of the PSPP and TPP are performed annually, at April 1st, and are required to be completed by December 31st of each year. Actuarial valuations of all the Province's other pension plans are carried out every three years. Extrapolations based on the most recent valuations are completed by the Province to estimate accrued benefit obligations and unamortized adjustments for the years between valuations.

Due to the global pandemic from Coronavirus (COVID-19), there could be a material impact on the financial status of the Plans. There is currently insufficient information to determine the extent of either the short-term impact or the long-term impact of this pandemic on the Plans. As such, the results of the accounting valuations as at April 1, 2021, only reflect the financial impact on Plan assets and future return expectations up to that date, but do not reflect any further potential impacts on the Plans to occur after that date which may be caused by either economic and/or demographic outcomes different from the assumptions being used in the valuations. Such impacts will result in gains and losses to be revealed in future valuations.

The valuation method adopted for accounting purposes is the projected unit credit method pro-rated on service. 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:

	PSPP	TPP	MLA – Basic & Supplementary	SCP	Judges – Old & New Plans
Date of Valuation	April 1, 2021	April 1, 2021	April 1, 2020	April 1, 2020	April 1, 2020
Inflation	2.05% per annum	2.05% per annum	2.05% per annum	2.05% per annum	2.05% per annum
Discount Rate	5.40% per annum	5.40% per annum	Basic – 5.40% per annum Supplementary – 2.95% per annum	2.95% per annum	2.95% per annum
Expected Rate of Return of Plan Assets	5.40% per annum	5.40% per annum	Basic – 5.40% per annum Supplementary – n/a	n/a	n/a
Salary Escalation	2.55% per annum	2.55% per annum	2.55% per annum	2.55% per annum	2.55% per annum
Pre-Retirement Indexation	3.22% per annum for 2021, 2.55% per annum for 17 years; 0% thereafter	3.22% per annum for 2021, 2.55% per annum for 14 years; 0% thereafter	2.26% per annum for 2020, 2.55% per annum for 12 years; 0% thereafter	2.26% per annum for 2020, 2.55% per annum for 13 years; 0% thereafter	n/a
Post-Retirement Indexation (includes deferred pensioners)	2.00% per annum for 2021, 2.05% per annum for the following 8 years; 0% thereafter	2.00% per annum for 2021, 2.05% per annum for the following 6 years; 0% thereafter	2.15% per annum for 2020, 2.05% per annum for the following 3 years; 0% thereafter	2.15% per annum for 2020, 2.05% per annum for the following 3 years; 0% thereafter	1.95% per annum
Mortality	CPM2014 Public with scale CPM-B improvement scale and size adjustment factors: 1.10 for males, 0.95 for females	CPM2014 Public with scale CPM-B improvement scale and size adjustment factors: 1.00 for males, 0.95 for females	CPM2014 Public with scale CPM-B improvement scale	CPM2014 Public with scale CPM-B improvement scale and size adjustment factors: 0.750 for males, 0.926 for females	CPM2014 Public with scale CPM-B improvement scale and size adjustment factors: 0.750 for males, 0.926 for females

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

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

	2021	2020
P.E.I. Public Sector Pension Plan	14 years	14 years
P.E.I. Teachers' Pension Plan	15 years	15 years
MLA Pension – Basic & Supplementary	7 years	8 years
Senior Compensation Pension Plan	5 years	5 years
Judges Pension Old Plan	1 year	4 years
Judges Pension New Plan	3 years	5 years

Pension fund assets are valued at market values. The actual return on plan assets was 17.60% in 2021 (2020 – (2.70%)).

In 2021, actuarial estimates were performed for all the Province's pension plans that did not have an actuarial valuation completed in the current year. These estimates are completed to reflect changes to assumptions effective April 1, 2021.

The updated discount rate assumptions are as follows:

	PSPP	TPP	MLA – Basic	MLA – Supplementary	SCP	Judges – Old & New Plans
Discount Rate 2021	5.40%	5.40%	5.15%	3.05%	3.05%	3.05%
Discount Rate 2020	5.70%	5.70%	5.40%	2.95%	2.95%	2.95%

(d) Summary Pension Information

	PSPP ($000)	TPP ($000)	MLA Basic ($000)	MLA Supp[1] ($000)	SCP[1] ($000)	Judges Old Plan[1] ($000)	Judges New Plan[1] ($000)	Total ($000)
Accrued benefit obligation, beginning of year	1,998,423	943,080	22,758	18,655	29,458	9,661	4,375	3,026,410
(Gains) losses on experience and assumption changes and contingent indexation	273,850	116,609	2,624	1,278	2,034	(274)	(823)	395,298
Benefits accrued	49,388	18,333	470	632	1,398	167	203	70,591
Interest	112,482	52,804	1,197	548	871	278	108	168,288
Benefit payments	(99,502)	(51,714)	(1,667)	(791)	(1,283)	(343)	(99)	(155,399)
Accrued benefit obligation, end of year	**2,334,641**	**1,079,112**	**25,382**	**20,322**	**32,478**	**9,489**	**3,764**	**3,505,188**
Plan assets, beginning of year	1,998,423	943,080	19,385	-	-	-	-	2,960,888
Actuarial gains	248,523	107,118	2,694	-	-	-	-	358,335
Return on plan assets	113,183	53,066	1,015	-	-	-	-	167,264
Employer contributions	37,007	13,781	244	-	-	-	-	51,032
Employee contributions	37,007	13,781	241	-	-	-	-	51,029
Benefit payments	(99,502)	(51,714)	(1,667)	-	-	-	-	(152,883)
Plan assets, end of year	**2,334,641**	**1,079,112**	**21,912**	**-**	**-**	**-**	**-**	**3,435,665**
Actuarial pension liability	**-**	**-**	**3,470**	**20,322**	**32,478**	**9,489**	**3,764**	**69,523**
Unamortized adjustments, beginning of year	285,736	133,489	2,066	591	2,556	760	323	425,521
(Gains) losses on experience and assumption changes and contingent indexation	273,850	116,609	2,624	1,278	2,034	(274)	(823)	395,298
Gains on assets	(248,523)	(107,118)	(2,694)	-	-	-	-	(358,335)
Amortization of gains (losses)	(36,899)	(18,905)	(456)	(505)	(2,175)	(423)	34	(59,329)
Unamortized adjustments, end of year	**274,164**	**124,075**	**1,540**	**1,364**	**2,415**	**63**	**(466)**	**403,155**
Net pension liability	**(274,164)**	**(124,075)**	**1,930**	**18,958**	**30,063**	**9,426**	**4,230**	**(333,632)**
Expense								
Current period benefit cost	48,923	17,797	470	632	1,398	167	203	69,590
Employee and other contributions	(36,677)	(13,512)	(241)	-	-	-	-	(50,430)
Net interest	(701)	(262)	182	548	871	278	108	1,024
Amortization of (gains) losses	36,899	18,905	456	505	2,175	423	(34)	59,329
Total pension expense	**48,444**	**22,928**	**867**	**1,685**	**4,444**	**868**	**277**	**79,513**

[1] These pension plans are non-contributory.

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

	PSPP ($000)	TPP ($000)	MLA Basic ($000)	MLA Supp ($000)	SCP ($000)	Total ($000)
Base benefit liability	1,928,052	915,313	22,540	17,905	28,521	2,912,331
Contingent indexation liability[1]	406,589	163,799	2,842	2,417	3,957	579,604
Total accrued benefit obligation	**2,334,641**	**1,079,112**	**25,382**	**20,322**	**32,478**	**3,491,935**

[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 or losses on asset returns, and new benefit accruals.

(e) Other Pension Plans

Health PEI

Salaried physicians maintain their own personal Registered Retirement Savings Plan (RRSP) accounts to which Health PEI makes contributions in accordance with the Master Agreement between the Medical Society of Prince Edward Island and the Province of Prince Edward Island. Health PEI's contributions are equivalent to 9% of the physician's base salary and shall not exceed 50% of the maximum permissible contribution provided for in the federal *Income Tax Act.* Health PEI's liability is limited to its required contributions in accordance with the agreement. Contributions towards salaried physicians' personal RRSP accounts amounted to $1.5 million (2020 - $1.3 million).

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 actuarial valuation, dated January 1, 2019, the Plan had assets of $119.9 million and a surplus of $10.5 million. For the ESPP, the Province records expenses equal to the employer contributions. It is the obligation of the Province to contribute the employer's portion as per the provisions of the Plan text. It is the responsibility of the Pension Committee to ensure that the contributions are sufficient to fund the benefits provided. If the Plan's financial position is insufficient to fully fund future and accrued benefits, then the Pension Committee is responsible for amending the Plan to decrease the benefits proportionately to such amounts as are required to ensure that the members' and employer's contributions are sufficient to fully fund the benefits.

12 Other Future Employee Benefits

(a) Other Future Employee Benefits Descriptions

Retirement Pay
Employees of the Civil Service, Health, and Education sectors and MLAs are provided with retirement allowances in accordance with the applicable collective agreement, terms of employment, or legislation. Amounts paid to eligible employees at retirement are based on the pay rate in effect at the retirement date and range from four days to one month of pay for each year of eligible service, depending on the employee group. Retirement pay is subject to maximums which vary by employee group from 20 to 52 weeks of pay. These benefits are unfunded.

Death Benefits
A post-retirement death benefit in the form of life insurance coverage of $5.0 thousand is provided to regular, health, and senior compensation members of the PSPP. MLAs also receive coverage in the amount of $50.0 thousand until age 65, reducing to $25.0 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 $75.0 thousand coverage until they are 65. This benefit is unfunded and is paid 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 employee is injured while performing their duties.

The Province is an assessed employer for the purpose of providing workers compensation benefits to Civil Service, Instruction Education, and Health PEI employees. The liability associated with these benefits is held by the Workers Compensation Board of Prince Edward Island.

Sick Leave
Employees of the Civil Service, Instructional Education, and Health PEI are entitled to sick leave as provided for under collective agreements and terms of employment. Unused hours can be carried forward for future paid leave, up to predetermined maximum amounts. However, no amounts are paid out in respect of unused sick leave at termination or retirement. Eligible employees accumulate between 1.25 and 1.50 days of sick leave per month of service, depending on the employee group. Maximum accumulations range from 199 to 260 days. This program is unfunded.

(b) Actuarial Valuations / Estimates

Actuarial valuations of the Province's liability for other 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.

The valuation method adopted for accounting purposes is the projected unit credit method, pro-rated on service. 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-20	1-Apr-20	1-Apr-20	1-Apr-20	1-Apr-20	1-Apr-20	1-Apr-20
Inflation	2.05% per annum	2.05% per annum	N/A	N/A	0-4.05% per annum	2.05% per annum	2.05% per annum
Discount Rate	2.67% per annum	2.67% per annum	2.95% per annum	2.95% per annum	2.67% per annum	2.67% per annum	2.67% per annum
Salary Escalation	[1]	[1]	N/A	N/A	N/A	2.55% per annum	2.55% per annum
Retirement Age	[2]	[2]	For Members eligible to retire, same as MLA Pension (Basic & Supp)	[3]	N/A	4	PSPP Retirement Scale
Mortality	None	None	Same as MLA Pension (Basic & Supp)	Same as PSPP	CPM2014 Public Table	None	None
Termination	5	5	Same as MLA Pension (Basic & Supp)	Same as PSPP, rates are doubled for temporary and casual employees	N/A	6	PSPP Termination Scale

[1] Salary escalation assumptions for Retirement Pay (Civil, Health & Education) are as follows:
- Senior Compensation Plan members & MLAs – 2.55% per annum;
- All other civil servants and health employees – same as PSPP;
- Education sector instructional and excluded employees – same as TPP; and
- Education sector CUPE employees – 2.55% per annum.

[2] Retirement age assumptions for Retirement Pay (Civil, Health & Education) are as follows:
- Civil servants and health employees – same as PSPP retirement rates for members age 55 and older at January 1, 2019, or in one year if the member has attained age 66;
- MLAs – For members eligible to retire: 33% retire after 1st election, 50% of balance retire at 2nd election and remaining retire after 3rd election. Elections are assumed to occur every 4 years commencing October 2023;
- Education sector instructional and excluded employees – same as TPP retirement rates for members age 55 and older at January 1, 2019, 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.

[3] Same as PSPP retirement rates for members age 55 and older at January 1, 2019, or in one year if the member has attained age 66.

[4] Retirement age assumptions for Sick Leave (Civil & Education) are as follows:
- Civil servants and excluded employees – PSPP Retirement Scale;
- Education sector instructional employees – TPP Retirement Scale; and
- Education sector CUPE and excluded 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.

[5] Termination assumptions for Retirement Pay (Civil, Health & Education) are as follows:
- Civil servants – same as PSPP, rates are doubled for temporary and casual employees;
- Health employees – same as PSPP;
- MLAs – same as MLA Pension (Basic & Supplementary);
- Education sector instructional and excluded employees - same as TPP; and
- Education sector CUPE employees – same as PSPP.

[6] Termination assumptions for Sick Leave (Civil & Education) are as follows:
- Civil servants, education sector CUPE and excluded employees – PSPP Termination Scale; and
- Education sector instructional employees – TPP Termination Scale.

Actuarial gains and losses for other future employee benefits are amortized on a straight-line basis over the expected average remaining service life of the related employee group, which ranges from 8 to 15 years.

The market value of the death benefit reserve account at the end of the year was ($3.5) thousand (2020 - $83.0 thousand). The expected rate of return on death benefit assets was 2.95%. The actual return on assets was 8.1% (2020 - 3.2%).

In 2021, actuarial estimates were performed for all the Province's other future employee benefits to reflect changes to assumptions effective April 1, 2021.

The updated discount rate assumptions are as follows:

	Retirement Pay (Civil & Education)	Retirement Pay (Health)	Death Benefits (MLA)	Death Benefits (Civil & Health)	WCB	Sick Leave (Civil & Education)	Sick Leave (Health)
Discount Rate 2021	2.78%	2.78%	3.05%	3.05%	2.78%	2.78%	2.78%
Discount Rate 2020	2.67%	2.67%	2.95%	2.95%	2.67%	2.67%	2.67%

(c) Benefit Summary Information

	Retirement Pay $000	Death Benefits $000	WCB $000	Sick Leave[1] $000	Total $000
Accrued benefit obligation, beginning of year	163,348	19,156	1,559	55,445	239,508
Loss on plan amendment	-	-	4,733	-	4,733
(Gains) losses on experience and assumption changes	(10,627)	(435)	(259)	1,889	(9,432)
Benefits accrued	12,202	484	293	7,074	20,053
Interest	4,188	569	166	1,562	6,485
Benefit payments	(7,313)	(250)	(144)	(5,636)	(13,343)
Accrued benefit obligation, end of year	**161,798**	**19,524**	**6,348**	**60,334**	**248,004**
Plan assets, beginning of year	-	83	-	-	83
Actuarial gains	-	21	-	-	21
Return on plan assets	-	3	-	-	3
Employer contributions	-	130	-	-	130
Benefit payments	-	(241)	-	-	(241)
Plan liabilities, end of year	**-**	**(4)**	**-**	**-**	**(4)**
Actuarial benefit liability	**161,798**	**19,528**	**6,348**	**60,334**	**248,008**
Unamortized adjustments, beginning of year	14,912	3,422	443	(9,963)	8,814
(Gains) losses on experience and assumption changes	(10,627)	(435)	(259)	1,889	(9,432)
Gains on assets	-	(21)	-	-	(21)
Amortization of gains (losses)	(2,811)	(460)	(31)	661	(2,641)
Unamortized adjustments, end of year	**1,474**	**2,506**	**153**	**(7,413)**	**(3,280)**
Net benefit liability	**160,324**	**17,022**	**6,195**	**67,747**	**251,288**
Expense					
Current period benefit cost	12,202	484	293	7,074	20,053
Net interest	4,188	566	166	1,562	6,482
Loss on plan amendment	-	-	4,733	-	4,733
Amortization of (gains) losses	2,811	460	31	(661)	2,641
Total benefit expense	**19,201**	**1,510**	**5,223**	**7,975**	**33,909**

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

13 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, contaminated sites obligations, various federal and provincial revenues including tax revenues, and provisions for losses on loans, loan guarantees, accounts receivable, and reserves for unsettled claims.

The nature of uncertainty in the accruals for pension, retirement, and other obligations arises because actual results may differ significantly from the Province's various assumptions about Plan Members and economic conditions in the marketplace. Uncertainty exists for contaminated sites 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, including tax 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 marketplace and the financial health of recipients. There is uncertainty in the reserve for unsettled claims because it is based on estimates and assumptions that could differ significantly from actual results once the claims are settled. Measurement uncertainty also exists in the estimate of useful life of tangible capital assets.

Due to the global pandemic from Coronavirus (COVID-19), additional uncertainty exists. Best estimates have been used to reflect the impacts of the pandemic. However, changes in future conditions could materially change the amounts disclosed in the financial statements.

14 Prior Period Comparative Figures

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

15 Contingent Assets

The Province is involved in legal actions with respect to the distribution, manufacture, sale, or use of opioids and tobacco that may result in recoveries for the Province. The recoveries are contingent on a favourable outcome and cannot be reasonably estimated at this time.

16 Impact of COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic due to the Coronavirus (COVID-19) outbreak. The Province of Prince Edward Island has been operating under a public health emergency, as authorized in the *Public Health Act*, since March 16, 2020, in an effort to control the spread of the virus.

Throughout the pandemic, Government has implemented a variety of programs to assist Islanders in mitigating the social and economic impacts of COVID-19. Significant COVID-19 response efforts include:

- COVID-19 immunization program
- Implementation of border documents, such as the P.E.I. Pass
- Social and economic response packages and resources
- Risk and outbreak management measures
- Regular case monitoring and testing

The future duration and total impact of the COVID-19 pandemic on the Province cannot be reasonably estimated at this time.

17 Subsequent Events

(a) Early Learning and Child Care Agreement

On July 27th, 2021, Government of Canada and the Province entered into a bilateral agreement to receive funding to enhance early learning and childcare in P.E.I. as part of a federal commitment to work with provinces and territories on a Canada-wide early learning and childcare system. The Government of Canada estimated the Province's share from 2021-2026 at $117.7 million.

(b) Merger of Pension Plans

In September 2021, the active members of the P.E.I. Education Sector Pension Plan (ESPP) voted in favour of merging with the P.E.I. Public Sector Pension Plan (PSPP) effective December 31, 2021. ESPP assets and liabilities are expected to be added to the PSPP on the date of the merger. Based on the latest actuarial extrapolation completed as at January 1, 2020, ESPP assets were $134.3 million and the estimated accrued benefit obligation was $116.1 million, with a surplus of $18.2 million.

(c) University of Prince Edward Island Faculty of Medicine

On October 8, 2021, the University of Prince Edward Island entered into a partnership with Memorial University to create a new Faculty of Medicine and to expand the Faculty of Nursing and the Health and Wellness Centre. Funding for the new faculty and expansions is estimated to be $131.2 million, which includes the construction of a new Faculty of Medicine and six years of operational costs.

In addition, Executive Council authorized the University of Prince Edward Island to borrow an amount not to exceed $37.2 million for the construction of a new Faculty of Medicine. Also, the departments are to work with the University to develop options for funding or financing for the capital construction.

(d) Charlottetown Area Development Corporation

Subsequent to March 31, 2021, the Province of Prince Edward Island sold 50 of their existing shares in the corporation to the Town of Cornwall. The Province now owns 81% of Charlottetown Area Development Corporation.

PROVINCE OF PRINCE EDWARD ISLAND

Schedules to the Consolidated Financial Statements
for the year ended March 31, 2021

	2021 ($000)	2020 ($000)
1 Cash and Short-Term Investments		
Operating Fund Cash (Bank Advances)		
Bank Advances	(64,462)	(42,390)
Consolidated Agencies and Crown Corporations Cash (Bank Advances)		
Finance PEI	2,966	18,837
French Language School Board	1,445	880
Health PEI	12,491	7,845
Innovation PEI	3,673	6,076
P.E.I. Agricultural Insurance Corporation	16,444	29,554
P.E.I. Grain Elevators Corporation	(3,393)	(3,218)
P.E.I. Housing Corporation	1,056	1,501
Public Schools Branch	9,885	5,239
Tourism PEI	2,795	1,615
Other	2,492	2,010
Short-Term Investments		
Liquidity Reserve	420,756	170,005
Consolidated Agencies, Boards and Crown Corporations	960	825
	407,108	**198,779**
2 Accounts and Taxes Receivable		
Taxes	81,681	75,789
Government of Canada	170,346	120,816
Social Programs	7,699	7,220
Health PEI Fees and Revenues	21,251	18,592
Due from P.E.I. Liquor Control Commission	10,979	14,500
Due from P.E.I. Lotteries Commission	24,814	13,776
Other	21,274	20,055
	338,044	**270,748**
Provision for Doubtful Accounts (Schedule 19)	(12,537)	(11,679)
	325,507	**259,069**
3 Investments		
Finance PEI	482	582
Provision for Losses (Schedule 19)	(482)	(582)
	-	**-**

4 Investment in Government Business Enterprises

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

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

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

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

P.E.I. Cannabis Management Corporation
The Corporation is responsible for the administration of the *P.E.I. Cannabis Control Act*, along with the management of the purchase, sale, and distribution of cannabis and related products in the Province.

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

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

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

b) Supplementary Financial Information

	Charlottetown Area Development Corporation ($000)	Island Investment Development Inc. ($000)	Island Waste Management Corporation ($000)	P.E.I. Cannabis Management Corporation ($000)	P.E.I. Energy Corporation ($000)	P.E.I. Liquor Control Commission ($000)	P.E.I. Lotteries Commission ($000)	Total 2021 ($000)	Total 2020 ($000)
Cash and Marketable Securities	5,032	105,580	2,382	2,014	41,121	3,487	24,905	184,521	199,586
Accounts Receivable	840	14,463	1,221	460	3,896	1,513	-	22,393	21,114
Inventory	-	120	-	3,520	-	8,043	-	11,683	13,373
Loans Receivable	4,962	152,521	-	-	9,687	-	-	167,170	169,829
Tangible Capital Assets	54,106	17,521	20,476	3,418	120,033	8,583	-	224,137	224,074
Other Assets	3,243	4,594	672	5	86,203	160	6,776	101,653	98,622
Total Assets	68,183	294,799	24,751	9,417	260,940	21,786	31,681	711,557	726,598
Accounts Payable	2,016	3,215	2,759	2,060	2,619	6,262	91	19,022	19,978
Long-Term Debt	9,549	5,825	13,881	5,055	167,011	137	-	201,458	211,098
Obligations under Capital Lease	-	-	-	1,455	438	3,639	-	5,532	5,618
Other Liabilities	46,056	72,730	6,523	847	10,221	11,748	24,814	172,939	228,213
Total Liabilities	57,621	81,770	23,163	9,417	180,289	21,786	24,905	398,951	464,907
Equity	10,562	213,029	1,588	-	80,651	-	6,776	312,606	261,691
Total Liabilities and Equity	68,183	294,799	24,751	9,417	260,940	21,786	31,681	711,557	726,598
Percentage of Ownership	83%	100%	100%	100%	100%	100%	100%		
Province of P.E.I.'s Equity	**8,766**	**213,029**	**1,588**	**-**	**80,651**	**-**	**6,776**	**310,810**	**260,092**
Revenues	5,942	33,274	20,781	18,198	26,195	88,428	14,707	207,525	216,027
Expenses	4,783	14,745	21,198	17,633	17,260	65,014	3,695	144,328	144,540
Net Income	1,159	18,529	(417)	565	8,935	23,414	11,012	63,197	71,487
Minority Interest in Net Income	(197)	-	-	-	-	-	-	(197)	(176)
Income (Loss) from GBEs	962	18,529	(417)	565	8,935	23,414	11,012	63,000	71,311
Accounting Policy Change	-	-	-	-	-	-	-	-	(291)
Net Income (Loss) from GBEs	**962**	**18,529**	**(417)**	**565**	**8,935**	**23,414**	**11,012**	**63,000**	**71,020**
Other Comprehensive Income (Loss)	-	-	-	-	19,901	-	2,808	22,709	(17,473)
Income Distributions to the Province	-	-	-	(565)	-	(23,414)	(11,012)	(34,991)	(36,489)
Province's Increase in Equity	962	18,529	(417)	-	28,836	-	2,808	50,718	17,058

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

c) Long-Term Debt

Long-term debt repayments of Government Business Enterprises due over the next five years and thereafter are:

	Internal ($000)	External ($000)	Total ($000)
2021-2022	5,373	8,892	14,265
2022-2023	1,856	9,098	10,954
2023-2024	1,457	12,455	13,912
2024-2025	405	9,427	9,832
2025-2026	401	9,779	10,180
Thereafter	1,178	141,137	142,315
	10,670	**190,788**	**201,458**

d) Obligations Under Capital Lease

Future minimum lease payments of Government Business Enterprises under the capital lease obligations are as follows:

	Total ($000)
2021-2022	992
2022-2023	931
2023-2024	840
2024-2025	807
2025-2026	658
Thereafter	2,788
Total minimum lease payments	7,016
Less: Imputed Interest	(1,484)
Net Obligation	**5,532**

e) Balances and Transactions with the Provincial Reporting Entity

	Charlottetown Area Development Corporation ($000)	Island Investment Development Inc. ($000)	Island Waste Management Corporation ($000)	P.E.I. Cannabis Management Corporation ($000)	P.E.I. Energy Corporation ($000)	P.E.I. Liquor Control Commission ($000)	P.E.I. Lotteries Commission ($000)	Total 2021 ($000)	Total 2020 ($000)
Balances									
Accounts Receivable									
Due from Province of P.E.I.	-	616	-	-	-	-	-	616	1,521
Due from Agencies, Boards and Crown Corporations	-	13,197	-	-	-	-	-	13,197	7,938
Loans and Notes Receivable									
Due from Agencies, Boards and Crown Corporations	-	9,920	-	-	-	-	-	9,920	9,972
Accounts Payable									
Due to Province of P.E.I.	-	580	-	977	1,214	11,825	24,814	39,410	29,496
Deferred Revenue (included in Other Liabilities)									
Received from Province of P.E.I.	-	-	2,329	-	-	-	-	2,329	2,470
Loans and Notes Payable (included in Long-term Debt)									
Due to Province of P.E.I.	-	3,996	611	5,055	3,000	-	-	12,662	11,480
Transactions									
Transfers from									
Province of P.E.I.	837	-	-	-	-	-	-	837	2,115
Agencies, Boards and Crown Corporations	-	4,334	-	-	-	-	-	4,334	4,138
Transfers to									
Province of P.E.I.	-	-	-	799	-	23,553	11,225	35,577	37,099
Agencies, Boards and Crown Corporations	-	1,172	-	-	-	-	-	1,172	1,176

5 Sinking Fund

	2021 ($000)	2020 ($000)
FINANCIAL ACTIVITIES		
Sinking Fund Earnings		
Investment Earnings	11,689	11,197
Bank Charges	(27)	(25)
Net Sinking Fund Earnings	**11,662**	**11,172**
Installments from the Operating Fund	11,100	11,100
Change in Sinking Fund	22,762	22,272
Sinking Fund, beginning of year	292,728	270,456
Sinking Fund, end of year	**315,490**	**292,728**
FINANCIAL POSITION		
Assets		
Cash	246	428
Accrued Interest	1,950	1,913
Accounts Receivable	-	27
	2,196	2,368
Investments, at cost [1]	313,300	290,370
Total Assets	**315,496**	**292,738**
Liabilities		
Accounts Payable	6	10
Sinking Fund Reserve	315,490	292,728
Total Liabilities and Fund Reserve	**315,496**	**292,738**

[1] Market value of investments $358.3 million (2020 - $340.5 million)

	2021 ($000)	2020 ($000)
6 Loans Receivable		
Operating Fund		
Community Development loans due in varying annual amounts to the year 2023, bearing interest rates ranging from 3.00% to 4.24%.	80	123
Island Investment Development Inc. loans due to the year 2023, bearing interest rates ranging from 2.46% to 2.95%.	3,996	4,682
Island Waste Management Corporation loans due to the year 2025, bearing interest rates ranging from 1.13% to 2.56%.	611	756
P.E.I. Cannabis Management Corporation loans due to the year 2028, bearing interest rates ranging from 3.05% to 3.46%.	5,055	6,042
P.E.I. Liquor Control Commission loan due to the year 2024, bearing interest at a rate of 4.07%.	137	315
P.E.I. Energy Corporation loan due on demand, bearing interest at the Province of P.E.I. Treasury Board interest rate to Crown Corporations on advances.	3,000	-
Agencies, Boards and Crown Corporations		
Finance PEI loans repayable over various terms to a maximum of 10 years with interest rates ranging from 4.00% to 9.25%.	249,045	222,588
P.E.I. Student Financial Assistance Corporation loans due with various terms of repayment extending up to 15 years; Non-interest bearing. Commencing April 30, 2021, due to COVID-19, the Corporation suspended all repayments on eligible loans for a period of six months.	30,702	30,793
Other		
Employee Transition Advances - Non-interest bearing	1,753	1,994
Employee Loans, with a one year term, bearing interest at 1.00%.	28	43
Provision for Doubtful Accounts (Schedule 19)	(48,540)	(43,138)
	245,867	**224,198**

Student Financial Assistance Corporation loans are net of interest concession of $3,724.0 thousand (2020 - $3,441.0 thousand).

Employee Transition Advances are net of interest concession of $135.0 thousand (2020 - $195.0 thousand).

	2021 ($000)	2020 ($000)
7 Pension, Retirement and Other Obligations		
P.E.I. Public Sector Pension Plan	274,164	285,736
P.E.I. Teachers' Pension Plan	124,075	133,489
Pension Plan for Members of the Legislative Assembly	(1,930)	(1,307)
Other Pension Plans	(62,677)	(57,919)
Retirement and Death Benefits	(177,346)	(164,087)
Sick Leave	(67,747)	(65,408)
Workers' Compensation	(6,195)	(1,116)
	82,344	**129,388**
8 Deferred Revenue and Credits		
Motor Vehicle Registry	10,648	9,518
Government of Canada		
Labour Market and Workforce Development	4,523	-
COVID-19 Response and Recovery	1,732	-
Health PEI	3,888	3,420
Finance PEI	1,159	1,202
Other Consolidated Agencies, Boards and Crown Corporations	745	658
Other Operating Fund	304	217
	22,999	**15,015**
9 Accounts Payable and Accrued Liabilities		
Goods and Services	229,424	192,967
Government of Canada	38,447	65,764
Interest	29,442	29,174
Wages and Benefits	95,230	84,226
Finance PEI - Advances from Related Companies	13,197	7,938
P.E.I. Self-Insurance and Risk Management - Reserve for Unsettled Claims	8,896	8,437
Labour Market Development and Social Services	2,397	2,593
Other	18,953	18,456
	435,986	**409,555**
10 Short-Term Loans Payable		
Operating Fund		
Treasury Notes, 0.07% - 0.17%, maturing April 16, 2021 to June 29, 2021	780,000	520,000
Discount on Treasury Notes	(131)	(984)
	779,869	519,016
Finance PEI		
Demand Note Payable to Island Investment Development Inc. Interest is charged monthly at the Province of P.E.I. Treasury Board interest rate to Crown Corporations on advances.	6,998	6,998
	786,867	**526,014**

	2021 ($000)	2020 ($000)
11 Obligations Under Capital Lease		
Operating Fund		
Lease obligation payable monthly until the year 2032, bearing interest at 3.00%.	5,900	6,278
Innovation PEI		
Lease obligation payable monthly until the year 2023, non-interest bearing.	13	24
	5,913	**6,302**

Interest expense related to capital lease obligations for the year was $188.3 thousand (2020 - $204.2 thousand).

Future minimum lease payments under the capital lease obligations are as follows:

2021-2022	628
2022-2023	619
2023-2024	617
2024-2025	617
2025-2026	617
Thereafter	3,951
Total minimum lease payments	7,049
Less: Imputed interest	(1,136)
	5,913

12 Loans Payable		
Operating Fund		
Government of Canada, non-interest bearing, maturing March 31, 2022, payable in monthly installments of $9,076.	109	218
Adjustment for interest charge concession.	(3)	(10)
	106	208
P.E.I. Teachers' Pension Plan, 2.90%, maturing April 1, 2022, with interest payable semi-annually and principal payments of $8.0 million payable annually.	16,074	24,111
P.E.I. Teachers' Pension Plan, 4.14%, maturing January 1, 2029, with interest payable semi-annually and principal payments of $23.5 million payable annually beginning in 2023.	164,640	164,640
P.E.I. Public Sector Pension Plan, 2.90%, maturing April 1, 2022, with interest payable semi-annually and principal payments of $15.1 million payable annually.	30,152	45,228
P.E.I. Public Sector Pension Plan, 4.14%, maturing January 1, 2029, with interest payable semi-annually and principal payments of $33.1 million payable annually beginning in 2023.	231,530	231,530

	2021 ($000)	2020 ($000)
12 Loans Payable (continued)		
Consolidated Agencies, Boards and Crown Corporations		
Finance PEI		
Island Investment Development Inc., 4.00% note payable, no specific repayment terms.	1,430	1,430
Island Investment Development Inc., 4.00% note payable, no specific repayment terms.	557	557
Island Investment Development Inc., floating Treasury rate plus 1.50% note payable, due October 2022, repayable at $7,739 monthly including principal and interest.	935	977
Manulife Financial, 6.01% note payable, due December 2024, repayable at $88,025 monthly including principal and interest. This note payable is secured by a general security agreement covering certain property holdings with a net book value of nil.	3,544	4,363
Manulife Financial, 5.54% note payable, due December 2024, repayable at $7,969 monthly including principal and interest. This note payable is secured by a general security agreement covering certain property holdings with a net book value of nil.	324	399
P.E.I. Grain Elevators Corporation		
Demand loan payable to Scotiabank, interest payable at a variable rate, repayable in monthly principal amounts of $16,944 plus interest, due November 2021 or 15 days prior to the expiration of the guarantee from the Province if it is not renewed, amortized over 15 years.	2,066	2,269
P.E.I. Housing Corporation		
Canada Mortgage and Housing Corporation:		
- Mortgages Payable	3,166	4,518
- Debentures Payable	1,225	1,436
Interest rates range: 1.31% - 7.88%		
Maturity dates range: 2022 - 2029		
Loans and debentures are secured by properties.		
Summerside Regional Development Corporation Ltd.		
Atlantic Canada Opportunities Agency, non-interesting bearing loan payable, due in and amortized to June 2025, repayable in monthly payments of $13,900.	709	875

	2021 ($000)	2020 ($000)
12 Loans Payable (continued)		
P.E.I. Century 2000 Fund Inc., 4.64% loan payable, due August 2021, amortized to 2046, repayable in monthly payments of principal and interest of $39,434. As security the company has provided a promissory note and a first collateral mortgage on land and buildings located at 109 Water Street, 268 Water Street and 250-262 Water Street, Summerside, PE, assignment of property insurance, and assignment of lease(s) and rent(s). P.E.I. Century 2000 Fund Inc. deferred all payments (principal and interest) from April to July 2020 to help mitigate the effects of the COVID-19 pandemic. Payments from August 2020 to March 2021 were applied to interest only. Principal loan payments recommenced in April 2021.	6,975	6,975
	463,433	**489,516**

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

2021-2022	27,920
2022-2023	83,854
2023-2024	60,299
2024-2025	57,812
2025-2026	56,852
Thereafter	176,696
	463,433

13 Debentures and Sinking Fund

Issue Date	Maturity Date	Interest Rate	Term of Years	Gross Debt ($000)	Sinking Fund ($000)	Net Debt 2021 ($000)	Net Debt 2020 ($000)
Public Issues:							
25-Aug-10	2-Sep-20	3.700%	10	-	-	-	100,000
15-Dec-93	15-Dec-23	8.500%	30	60,000	56,179	3,821	6,817
17-Aug-15	25-Aug-25	2.350%	10	125,000	-	125,000	125,000
20-Aug-02	29-Jul-27	6.100%	25	100,000	35,642	64,358	66,938
11-Feb-21	11-Feb-28	1.200%	7	125,000	-	125,000	-
21-Feb-00	21-Feb-30	6.800%	30	80,000	43,121	36,879	39,666
29-Jan-02	29-Jan-32	6.250%	30	100,000	45,463	54,537	57,706
12-Jun-03	21-Feb-34	5.600%	30	100,000	34,533	65,467	67,978
16-Sep-04	15-Jun-35	5.700%	30	100,000	29,747	70,253	72,616
28-Jan-05	19-May-36	5.300%	31	100,000	27,087	72,913	75,179
12-Sep-05	19-Nov-37	4.650%	32	100,000	26,404	73,596	75,813
17-Mar-10	19-Nov-37	4.650%	27	100,000	17,314	82,686	84,559
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
11-Sep-19	1-Dec-51	2.650%	32	100,000	-	100,000	100,000
13-May-20	1-Dec-51	2.650%	31	125,000	-	125,000	-
10-Jan-13	17-Jan-53	3.600%	40	125,000	-	125,000	125,000
6-Aug-13	17-Jan-53	3.600%	40	75,000	-	75,000	75,000
11-Mar-14	17-Jan-53	3.600%	39	125,000	-	125,000	125,000
17-Jul-14	17-Jul-54	3.850%	40	125,000	-	125,000	125,000
				2,165,000	315,490	1,849,510	1,722,272
Canada Pension Plan Issues:							
2000-01	2020-2021	6.681%	20	-	-	-	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	4.968%	30	9,703	-	9,703	9,703
2009-10	2039-2040	4.984%	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
				123,495	-	123,495	132,631
				2,288,495	315,490	1,973,005	1,854,903
Debenture Discount				(17,026)	-	(17,026)	(23,919)
Total Debentures and Sinking Fund				**2,271,469**	**315,490**	**1,955,979**	**1,830,984**

13 Debentures and Sinking Fund (continued)

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

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

Interest rates are calculated on a weighted average basis.

Projected Payments

Projected payments for the next five years and thereafter are:

	Total Repayments ($000)	Sinking Fund Requirements ($000)	Net Principal Repayments ($000)
2021-2022	11,374	-	11,374
2022-2023	11,360	-	11,360
2023-2024	71,135	56,179	14,956
2024-2025	10,500	-	10,500
2025-2026	128,036	-	128,036
Thereafter	2,056,090	259,311	1,796,779
	2,288,495	**315,490**	**1,973,005**

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)	Leasehold Improvements ($000)	Roads and Bridges ($000)	Motor Vehicles ($000)	Equipment ($000)	Other ($000)	Total 2021 ($000)	Total 2020 ($000)
Cost, beginning of year	108,950	950,645	10,479	1,290,651	72,412	355,960	92,628	2,881,725	2,785,063
Additions	3,893	40,115	1,342	90,145	13,744	29,370	9,376	187,985	165,011
Disposals / Writedowns	(690)	(659)	-	(103)	(416)	(378)	-	(2,246)	(8,413)
Adjustments	-	(748)	-	-	-	(14,085)	683	(14,150)	(59,936)
Cost, end of year	112,153	989,353	11,821	1,380,693	85,740	370,867	102,687	3,053,314	2,881,725
Accumulated Amortization, beginning of year	4,015	458,643	8,552	884,026	46,633	247,674	60,114	1,709,657	1,693,687
Amortization	87	23,693	378	32,353	4,630	27,535	2,059	90,735	83,628
Disposals / Writedowns	-	(171)	-	(29)	(369)	(354)	-	(923)	(7,858)
Adjustments	-	(223)	-	-	(1)	(14,301)	374	(14,151)	(59,800)
Accumulated Amortization, end of year	4,102	481,942	8,930	916,350	50,893	260,554	62,547	1,785,318	1,709,657
Net Book Value	**108,051**	**507,411**	**2,891**	**464,343**	**34,847**	**110,313**	**40,140**	**1,267,996**	**1,172,068**

The net book value of capital assets unamortized and under construction or development is $51.9 million (2020 - $41.0 million).

	2021 ($000)	2020 ($000)
15 Inventories and Property Holdings		
Inventories		
Operating Fund		
Department of Education and Lifelong Learning	678	851
Department of Health and Wellness - Personal Protective Equipment	4,083	-
Department of Health and Wellness - Other	150	118
Department of Transportation, Infrastructure and Energy	11,054	9,149
Health PEI - Personal Protective Equipment	6,640	195
Health PEI - Other	7,752	7,128
Other Consolidated Agencies, Boards and Crown Corporations	274	177
Property Holdings		
Operating Fund		
Tax Sale Properties	668	690
Finance PEI	5,524	5,546
P.E.I. Housing Corporation	206	206
	37,029	24,060
Provision for Losses on Property Holdings (Schedule 19)	(5,039)	(4,949)
	31,990	**19,111**
16 Prepaid Expenses and Other Deferred Charges		
Operating Fund		
Information Technology Maintenance and Support	4,493	2,396
Other	612	466
Health PEI	3,200	2,921
P.E.I. Grain Elevators Corporation	310	284
Other Consolidated Agencies, Boards and Crown Corporations	260	288
	8,875	**6,355**
17 Trust Funds		
Operating Fund		
P.E.I. Public Sector Pension Plan	2,334,641	1,998,423
P.E.I. Teachers' Pension Plan	1,079,112	943,080
Pension Plan for MLAs	21,912	19,385
Public Trustee	10,459	10,214
Supreme Court	1,801	1,295
Other	3,749	3,407
Health PEI	1,279	980
P.E.I. Museum and Heritage Foundation	1,195	1,076
Public Schools Branch	271	266
Innovation PEI	-	200
	3,454,419	**2,978,326**

18 Guaranteed Debt

	Maturity Date	Authorized Limit ($000)	2021 Outstanding ($000)	2020 Outstanding ($000)
Debentures / Capital Loans				
Fathers of Confederation Building	30-Sep-2020	1,000	-	51
Island Investment Development Inc.	Apr 2016 to Apr 2021	129,280	654	2,033
Island Waste Management Corporation	31-Dec-2027	30,130	13,061	14,563
L.M. Montgomery Land Trust	31-Mar-2021	1,570	-	1,416
P.E.I. Energy Savings Bonds	31-Dec-2016	20,000	1	1
P.E.I. Firefighters Association	31-Mar-2027	140	68	78
Pownal Sports Centre	30-Jun-2024	700	253	324
		182,820	**14,037**	**18,466**

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.

19 Continuity of Provision for Doubtful Accounts and Losses

	Provision 2020 ($000)	Written Off During Year ($000)	Increase (Decrease) ($000)	Provision 2021 ($000)	
Accounts and Taxes Receivable:					
Operating Fund					
Social Programs	7,220	-	479	7,699	
Real Property Tax	618	(428)	300	490	
Other Departments	274	-	28	302	
Finance PEI	844	-	(10)	834	
Health PEI	2,332	-	462	2,794	
Innovation PEI	138	-	(9)	129	
P.E.I. Grain Elevators Corporation	36	-	26	62	
P.E.I. Housing Corporation	70	-	40	110	
Tourism PEI	147	-	(30)	117	
	11,679	**(428)**	**1,286**	**12,537**	[1]
Investments:					
Finance PEI	582	-	(100)	482	
	582	**-**	**(100)**	**482**	[2]
Loans Receivable:					
Finance PEI	30,931	-	5,962	36,893	
P.E.I. Student Financial Assistance Corp.	12,207	(475)	(85)	11,647	
	43,138	**(475)**	**5,877**	**48,540**	[3]
Property Holdings:					
Operating Fund	283	(72)	148	359	
Finance PEI	4,666	-	14	4,680	
	4,949	**(72)**	**162**	**5,039**	[4]

[1] Provision for Doubtful Accounts for Accounts and Taxes Receivable are deducted on Schedule 2.
[2] Provision for Losses on Investments are deducted on Schedule 3.
[3] Provision for Doubtful Accounts for Loans Receivable are deducted on Schedule 6.
[4] Provision for Losses on Property Holdings are deducted on Schedule 15.

20 Debentures Issued and Matured

ISSUED

Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Price Received
13-May-20	2.65%	1-Dec-51	125,000	105.31
11-Feb-21	1.20%	11-Feb-28	125,000	99.48
Total Debentures Issued			**250,000**	

MATURED

Date Of Issue	Rate of Interest	Date of Maturity	Amount of Issue ($000)	Amount Matured ($000)
1-Apr-00	6.70%	1-Apr-20	1,083	1,083
1-May-00	6.79%	1-May-20	1,241	1,241
2-Jun-00	6.90%	2-Jun-20	1,422	1,422
2-Jul-00	6.76%	2-Jul-20	900	900
1-Aug-00	6.62%	4-Aug-20	698	698
2-Sep-00	6.62%	2-Sep-20	706	706
1-Oct-00	6.66%	1-Oct-20	619	619
3-Nov-00	6.68%	3-Nov-20	730	730
1-Dec-00	6.51%	1-Dec-20	341	341
2-Mar-00	6.41%	2-Mar-21	1,225	1,225
5-Jan-01	6.37%	5-Jan-21	171	171
25-Aug-10	3.70%	2-Sep-20	100,000	100,000
Total Debentures Matured				**109,136**

		2021 Budget ($000)	2021 Actual ($000)	2020 Actual ($000)
	Revenues			
21	**Taxes**			
	Personal Income Tax	400,000	451,884	409,855
	Sales Tax	329,857	319,540	334,941
	Real Property Tax	129,058	132,230	128,425
	Corporate Income Tax	86,320	103,073	65,146
	Health Tax on Tobacco	28,825	31,876	28,291
	Gasoline Tax	23,400	24,123	29,157
	Health Tax on Liquor	16,672	21,828	21,250
	Insurance Premium Tax	15,750	18,582	15,507
	Carbon Levy	16,560	17,751	13,082
	Real Property Transfer Tax	6,200	8,340	7,660
	Corporation Capital Tax	6,500	5,793	4,624
	Cannabis Tax	1,300	1,885	1,430
	Environment Tax	1,300	1,423	1,393
		1,061,742	**1,138,328**	**1,060,761**
22	**Licenses and Permits**			
	Motor Vehicle Registry	19,735	22,084	22,049
	Securities Act	8,510	7,826	7,570
	Security Brokers and Salesperson's Licenses	3,350	3,513	3,447
	Registry Act	1,257	1,469	1,308
	P.E.I. Regulatory and Appeals Commission	929	958	1,542
	Other	4,298	4,684	4,317
		38,079	**40,534**	**40,233**
23	**Fees and Services**			
	Patient Fees	20,021	24,205	24,031
	P.E.I. Agricultural Insurance Corp.- Insurance Premiums	14,780	13,968	13,802
	Beverage Containers and Recycled Materials	7,900	8,300	8,220
	Third Party Insurance	4,900	4,851	4,924
	Land Title and Registry Fees	3,100	3,643	3,216
	Automated Property Registration	1,600	1,687	1,708
	9-1-1 Cost Recovery Fees	1,330	1,431	1,415
	Electricity Efficiency and Conservation Plan Contributions	1,200	1,175	1,521
	Provincial Integrated Communication System Recoveries	1,121	1,131	1,035
	Fines and Penalties	1,050	973	934
	International School Fees	1,450	893	1,722
	R.C.M.P. Recoveries	871	873	861
	P.E.I. Grain Elevators Corporation	628	597	636
	Tourism PEI	620	290	157
	Other	12,026	13,101	11,947
		72,597	**77,118**	**76,129**
24	**Sales**			
	P.E.I. Grain Elevators Corporation	17,186	17,933	22,219
	Tourism PEI - Golf and Park Operations	2,630	4,137	6,064
	Health PEI	1,721	1,230	1,406
	Other	1,246	1,438	908
		22,783	**24,738**	**30,597**

	2021 Budget ($000)	2021 Actual ($000)	2020 Actual ($000)
25 Investment Income			
Operating Fund	1,727	3,616	1,386
Finance PEI	9,926	11,285	10,209
Other Consolidated Agencies, Boards and Crown Corporations	291	329	451
	11,944	**15,230**	**12,046**
26 Other Income			
Operating Fund	2,030	2,017	2,909
Property Operations			
Finance PEI	4,013	4,139	5,119
P.E.I. Housing Corporation	11,394	8,567	8,140
Summerside Regional Development Corporation Ltd.	1,003	1,004	988
Health PEI - Foundation Capital Funding	6,058	5,329	8,003
Health PEI - Other	1,292	2,172	6,185
Innovation PEI	1,819	1,512	1,452
Other Consolidated Agencies, Boards and Crown Corporations	2,427	1,087	4,685
	30,036	**25,827**	**37,481**
27 Government of Canada			
Equalization	454,132	454,132	419,015
Canada Health Transfer	176,790	177,855	170,776
COVID-19 Response and Recovery	74,830	87,742	-
Canada Social Transfer	63,434	63,817	60,942
Labour Market Agreements	32,590	33,546	32,843
Infrastructure Programs			
Investing in Canada Plan	68,045	38,172	11,844
Build Canada and New Building Canada Funds	32,435	25,142	22,432
New Deals for Cities and Communities	30,184	10,967	19,267
Clean Water and Wastewater Fund	3,667	5,664	10,962
Capital Funding	18,236	5,625	9,225
Crop Insurance	18,146	16,826	25,795
Housing Programs	4,683	5,948	10,808
Low Carbon Economy	8,774	5,597	8,886
Agriculture Support Programs	4,230	3,844	3,988
Official Languages in Education	3,344	3,730	5,833
Early Learning and Childhood Care	3,559	3,568	3,559
Mental Health Services	2,510	2,518	1,878
Rehabilitation Programs	1,460	2,488	1,844
Electronic Medical Records System	5,300	2,050	1,000
Youth Justice Services	1,615	1,615	1,615
Home Care Services	1,000	1,472	1,316
Promotion of Official Languages	1,237	1,237	1,237
HST Recovery	1,300	711	5,930
Other	12,633	13,887	17,162
	1,024,134	**968,153**	**848,157**

	2021 Budget ($000)	2021 Actual ($000)	2020 Actual ($000)
Expenses			
28 Agriculture and Land			
Department of Agriculture and Land	21,208	19,756	17,991
P.E.I. Agricultural Insurance Corporation	49,885	54,723	51,593
P.E.I. Grain Elevators Corporation	17,669	18,711	22,855
	88,762	**93,190**	**92,439**
29 Economic Growth, Tourism and Culture			
Department of Economic Growth, Tourism and Culture	47,987	38,758	37,105
Innovation PEI	51,459	50,899	42,870
Finance PEI	11,201	12,710	11,095
P.E.I. 2014 Inc.	-	-	6
P.E.I. Museum and Heritage Foundation	1,905	1,703	1,946
Summerside Regional Development Corporation Ltd.	841	787	792
Tourism PEI	26,388	27,371	22,253
	139,781	**132,228**	**116,067**
30 Education and Lifelong Learning			
Department of Education and Lifelong Learning	136,875	140,262	135,304
Public Schools Branch	243,049	235,640	224,128
French Language School Board	18,866	19,411	17,526
P.E.I. Regulatory and Appeals Commission	3,026	3,595	3,728
P.E.I. Student Financial Assistance Corporation	10,090	9,210	8,122
	411,906	**408,118**	**388,808**
31 Finance			
Department of Finance	62,438	56,107	51,778
Employee Benefits	58,698	63,719	54,191
Interest on Underfunded Employee Future Benefits	5,061	5,235	5,464
P.E.I. Advisory Council on the Status of Women	214	213	215
P.E.I. Self Insurance and Risk Management Fund	4,915	3,797	3,675
General Government	101,415	80,729	8,257
	232,741	**209,800**	**123,580**
32 Fisheries and Communities			
Department of Fisheries and Communities	44,316	44,495	38,821
Employment Development Agency	7,886	5,259	5,310
P.E.I. Marine Science Organization	908	530	233
	53,110	**50,284**	**44,364**

	2021 Budget ($000)	2021 Actual ($000)	2020 Actual ($000)
33 Health and Wellness			
Department of Health and Wellness	46,477	48,947	34,647
Health PEI	758,140	745,559	708,541
	804,617	**794,506**	**743,188**
34 Justice and Public Safety			
Department of Justice and Public Safety	64,302	62,813	62,620
P.E.I. Human Rights Commission	846	755	641
	65,148	**63,568**	**63,261**
35 Social Development and Housing			
Department of Social Development and Housing	138,192	133,261	125,705
P.E.I. Housing Corporation	30,016	29,923	27,387
	168,208	**163,184**	**153,092**
36 Expenses by Object			
Administration		36,202	31,226
Amortization of Tangible Capital Assets		90,735	83,628
Debt		136,441	138,647
Materials, Supplies and Services		221,927	212,251
Professional Services		210,860	203,220
Salaries and Benefits		941,413	886,599
Travel and Training		7,997	11,026
Transfer Payments		724,624	598,996
		2,370,199	**2,165,593**

37 Reconciliation of Consolidated Deficit

	2021 Surplus (Deficit) ($000)	Consolidation Adjustments ($000)		2021 Consolidated Surplus (Deficit) ($000)
Operating Fund	**(41,127)**	**(6,039)**	[1]	**(47,166)**
Consolidated Agencies, Boards and Crown Corporations				
Finance PEI	(1,542)	256	[2]	(1,286)
French Language School Board	15	(602)	[3]	(587)
Health PEI	(9,819)	(5,595)	[4]	(15,414)
Innovation PEI	73	-		73
P.E.I. Advisory Council on the Status of Women	2	-		2
P.E.I. Agricultural Insurance Corporation	(9,367)	-		(9,367)
P.E.I. Crown Building Corporation	-	-		-
P.E.I. Grain Elevators Corporation	(341)	-		(341)
P.E.I. Housing Corporation	6,256	(7,232)	[4]	(976)
P.E.I. Human Rights Commission	(21)	-		(21)
P.E.I. Marine Science Organization	79	-		79
P.E.I. Museum and Heritage Foundation	99	(138)	[4]	(39)
P.E.I. Regulatory and Appeals Commission	(63)	-		(63)
P.E.I. Self Insurance and Risk Management Fund	3,040	-		3,040
P.E.I. Student Financial Assistance Corporation	400	(284)	[5]	116
Public Schools Branch	13	3,367	[6]	3,380
Summerside Regional Development Corporation Ltd.	(39)	-		(39)
Tourism PEI	-	-		-
Total Consolidated Agencies, Boards and Crown Corps.	**(11,215)**	**(10,228)**		**(21,443)**
Government Business Enterprises (Schedule 4)	**63,000**	**-**		**63,000**
Consolidated Deficit				**(5,609)**

Consolidation Adjustments

[1] **Operating Fund**
Adjustments for intercompany accounts. (6,039)

[2] **Finance PEI**
Net adjustment for provision for loss on intercompany loans. 256

37 Reconciliation of Consolidated Deficit (continued)

[3] **French Language School Board**	
Reversal of prior year adjustment to eliminate deferred revenue.	(540)
Eliminate current year deferred revenue.	1,028
Adjustments for intercompany accounts.	(1,090)
	(602)
[4] **Adjustment for Capital Funding Provided By Operating Fund To**	
Health PEI	(5,595)
P.E.I. Housing Corporation	(7,232)
P.E.I. Museum and Heritage Foundation	(138)
[5] **P.E.I. Student Financial Assistance Corporation**	
Net adjustment for interest concession on interest free student loans.	(284)
[6] **Public Schools Branch**	
Reversal of prior year adjustment to eliminate deferred revenue.	(4,065)
Eliminate current year deferred revenue.	7,351
Adjustments for intercompany accounts.	81
	3,367

38 Reconciliation of 2020-2021 Budget Estimates

	2020-2021 Budget per Estimates Book ($000)	Adjustments ($000)		2021 Budget ($000)
REVENUES				
Taxes	1,061,742	-		1,061,742
Licenses and Permits	37,150	929	1	38,079
Fees and Services	74,275	(1,678)	1/2/4	72,597
Sales	-	22,783	1/3	22,783
Investment Income	6,717	5,227	1/2/4	11,944
Other Income	9,048	20,988	1/2/3/4	30,036
Government of Canada	1,007,235	16,899	1/2/4	1,024,134
Government Business Enterprises	38,994	-		38,994
Sinking Fund Earnings	10,800	-		10,800
Consolidated Agencies Revenue	46,930	(46,930)	1/2/4	-
Total Revenues	**2,292,891**	**18,218**		**2,311,109**
EXPENSES				
Agriculture and Land	39,466	49,296	1/2/4	88,762
Auditor General	2,431	-		2,431
Economic Growth, Tourism and Culture	127,525	12,256	1/2/4	139,781
Education and Lifelong Learning	410,735	1,171	1/2/4	411,906
Enviroment, Water and Climate Change	34,425	(210)	2	34,215
Executive Council	9,509	-		9,509
Finance	229,559	3,182	1/2/4	232,741
Fisheries and Communities	52,283	827	1/2/4	53,110
Health and Wellness	807,548	(2,931)	1/2/4	804,617
Justice and Public Safety	64,962	186	1/2/4	65,148
Legislative Assembly	7,668	-		7,668
Public Service Commission	8,306	-		8,306
Social Development and Housing	168,373	(165)		168,208
Transportation, Infrastructure and Energy	238,191	(1,322)	1/2/4	236,869
Consolidated Agencies Expenses	44,424	(44,424)	1/2/4	-
Total Program Expenses	**2,245,405**	**17,866**		**2,263,271**
Interest Charges on Debt	128,013	352	1/2/4	128,365
Amortization of Capital Assets	92,187	-		92,187
Total Expenses	**2,465,605**	**18,218**		**2,483,823**
Consolidated Deficit	**(172,714)**			**(172,714)**

[1] Restatement of revenues and expenses to include consolidated Agencies (per Agency budgets).
[2] Adjustment for inter-organizational transactions.
[3] Re-allocate a portion of Operating Fund Other Income to Sales.
[4] Adjustment for items included in Operating Fund budget and Agency budgets.

This schedule outlines the changes in the Province's 2020-2021 budget to present, for comparative purposes, the inclusion of consolidated agencies on a line by line basis. The "Budget per Estimates Book" is taken from the *Province of P.E.I.'s Estimates of Revenue and Expenditures 2020-2021.*

39 Provincial Reporting Entity

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

Government Organizations [1]

Employment Development Agency
Finance PEI
- Atlantic Technology Centre Inc.
- 100417 P.E.I. Inc.
- P.E.I. Infrastructure Inc.

French Language School Board
Health PEI
Innovation PEI
- F.T.C. Enterprises Limited
- LaunchPad PEI Inc.

P.E.I. Advisory Council on the Status of Women
P.E.I. Agricultural Insurance Corporation
P.E.I. Crown Building Corporation
P.E.I. Grain Elevators Corporation [2]
P.E.I. Housing Corporation
P.E.I. Human Rights Commission
P.E.I. Marine Science Organization
P.E.I. Museum and Heritage Foundation
P.E.I. Regulatory and Appeals Commission
P.E.I. Self-Insurance and Risk Management Fund
P.E.I. Student Financial Assistance Corporation
Public Schools Branch
Summerside Regional Development Corporation Ltd.
Tourism PEI

Government Business Enterprises [3]

Charlottetown Area Development Corporation [4]
- Harbourside Management Services Inc.

Island Investment Development Inc.
- Prince Edward Island Century 2000 Fund Inc.
- Slemon Park Corporation

Island Waste Management Corporation
- Environmental Industrial Services Inc.

P.E.I. Cannabis Management Corporation
P.E.I. Energy Corporation
- P.E.I. Renewable Energy Corporation [5]

P.E.I. Liquor Control Commission
P.E.I. Lotteries Commission

[1] Government Organizations are included in the Provincial Reporting Entity using the consolidation method of accounting (see Note 1(b)).

[2] The P.E.I. Grain Elevators Corporation has a fiscal year end of July 31, 2020.

[3] Government Business Enterprises are included in the Provincial Reporting Entity using the modified equity method of accounting (see Note 1(b)).

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

[5] P.E.I. Renewable Energy Corporation was dissolved during the 2020-21 fiscal year.