



AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture and Food as at March 31, 2007, and the consolidated statements of operations and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
May 24, 2007

[The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.]

Ministry – continued**Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007****Consolidated Statement of Operations for the Year Ended March 31, 2007***(in thousands)*

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Revenues			
Transfers from Government of Canada	\$ 303,354	\$ 250,626	\$ 299,071
Premiums from insured persons	123,646	132,412	141,524
Interest and investment income	85,688	96,791	82,686
Fees, permits, licenses and other income	11,811	29,379	30,353
Internal government transfers	22,220	22,220	22,220
Reinsurance recoveries	–	–	10
Ministry revenue	546,719	531,428	575,864

continued

Ministry – continued
Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007

continued

Consolidated Statement of Operations for the Year Ended March 31, 2007

(in thousands)

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Expenses (Schedule 1)			
Program –			
Farm income support	337,928	572,710	491,758
Insurance	374,282	216,173	255,290
BSE recovery program	–	–	18,853
Industry development	46,793	45,708	81,896
Rural services	36,216	36,641	34,910
Environment and food safety	78,325	62,877	57,704
Planning and competitiveness	13,097	12,489	11,203
Farm fuel distribution allowance	33,500	32,446	33,295
Lending	27,147	25,438	27,350
Infrastructure assistance	29,000	50,515	29,442
Ministry support services	13,687	13,188	14,632
Program expense	989,975	1,068,185	1,056,333
Other –			
Debt servicing costs	48,347	45,135	44,849
Valuation adjustments	2,359	2,732	(2,175)
	50,706	47,867	42,674
Ministry expense	1,040,681	1,116,052	1,099,007
Gain (loss) on disposal of tangible capital assets	–	269	(21)
	–	269	(21)
Net operating results	\$(493,962)	\$(584,355)	\$(523,164)

*The accompanying notes and schedules
are part of these consolidated financial statements.*

Ministry – continued**Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007****Consolidated Statement of Financial Position as at March 31, 2007***(in thousands)*

	2007	2006 (Restated - Note 3)
Assets		
Cash	\$ 316,230	\$ 163,501
Accounts receivable	125,883	143,940
Due from Government of Canada	338,680	372,365
Loans receivable <i>(Schedule 2)</i>	1,009,300	973,088
Investments <i>(Schedule 3)</i>	423,144	238,459
Tangible capital assets <i>(Schedule 4)</i>	68,233	63,921
	\$2,281,470	\$1,955,274
Liabilities		
Accounts payable and accrued liabilities	\$ 63,885	\$ 102,823
Indemnities payable	591,091	456,883
Allowance for loan guarantees	2,060	3,428
Unearned revenue	10,511	11,008
Due to Crop Reinsurance Fund of Canada for Alberta	1,847	16,630
Notes and interest payable to the Province of Alberta <i>(Schedule 5)</i>	931,371	897,059
	1,600,765	1,487,831
Net Assets		
Net assets at beginning of year	467,443	188,087
Net operating results	(584,355)	(523,164)
Net transfer from general revenues	797,617	802,520
Net assets at end of year	680,705	467,443
	\$2,281,470	\$1,955,274

*The accompanying notes and schedules
are part of these consolidated financial statements.*

Ministry – continued**Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007****Consolidated Statement of Cash Flows for the Year Ended March 31, 2007***(in thousands)*

	2007	2006 (Restated - Note 3)
Operating Transactions		
Net operating results	\$(584,355)	\$(523,164)
Non-cash items	9,649	2,732
Proceeds on disposal of non-capital assets	33	93
Net change in operating assets and liabilities	127,097	(113,660)
Cash applied to operating transactions	(447,576)	(633,999)
Capital Transactions		
Acquisition of tangible capital assets	(13,997)	(14,987)
Transfer of tangible capital assets	(1,523)	(7)
Disposal of tangible capital assets	622	468
Cash applied to capital transactions	(14,898)	(14,526)
Investing Transactions		
Proceeds from repayments of loans receivable, advances and sale of properties	176,345	190,142
Loan and advance disbursements	(218,971)	(184,199)
Purchase of investments	(969,420)	(680,013)
Proceeds on disposal of investments	784,674	614,452
Cash applied to investing transactions	(227,372)	(59,618)
Financing Transactions		
Borrowing from the Province of Alberta	832,348	568,581
Repayment of borrowing from the Province of Alberta	(796,051)	(584,385)
Government of Canada funding for capital assets	3,138	3,432
Province of Alberta funding for capital assets	5,523	5,218
Net transfer from general revenues	797,617	802,520
Cash provided by financing transactions	842,575	795,366
Increase in cash	152,729	87,223
Cash, beginning of year	163,501	76,278
Cash, end of year	\$316,230	\$ 163,501

*The accompanying notes and schedules
are part of these consolidated financial statements.*

Ministry – continued

Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2007

Note 1 Authority and Purpose

The Minister of Agriculture and Food has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries.

(a) Reporting Entity

The Minister of Agriculture and Food administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture and Food and constitute the reporting entity.

Organization

Department of Agriculture and Food
(the Department)

Agriculture Financial Services Corporation, including the
Crop Reinsurance Fund of Alberta (the Corporation)

Authority

Government Organization Act

Agriculture Financial Services Act

The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(c) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Expenses

Directly Incurred – Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability, as reflected in the Government's budget documents.

Ministry – continued

Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.
- provision for doubtful accounts and guarantees. The provision includes amounts established for specifically identified potential losses on loans and guarantees as well as general allowances for losses that do not meet the specific provision criteria. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others – Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7.

Assets – Cash consists of deposits in the Consolidated Cash Investment Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; due to Crop Reinsurance Fund of Canada for Alberta; accounts payable and accrued liabilities; and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of loans receivable; investments; and notes and interest payable to the Province of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

Liabilities – Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets – Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Measurement Uncertainty (*in thousands*) – Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Accounts Receivable – Accounts Receivable, recorded as \$125,883 (2006 – \$143,940) in these financial statements, includes \$15,391 (2006 – \$88,502) for estimated overpayments for the Canadian Agricultural Income Stabilization (CAIS) program that is subject to measurement uncertainty. The estimate of \$15,391 (2006 – \$88,502) is for CAIS participants who have received advance payments but have not yet had their final claim processed by the Ministry. The estimate is based on historical experience of advances resulting in overpayments.

Ministry – continued

Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

The allowance for doubtful accounts of \$10,372 (2006 – \$2,285) for estimated losses on premiums receivable and overpayments is also subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

CAIS overpayments are non-interest bearing until December 31, 2007. Participants will receive a rebate if they repay the CAIS overpayment within 90 days of the overpayment notification or they can convert the overpayment to an interest bearing loan up until December 31, 2007. If the overpayment is not repaid or converted to a loan, the Ministry will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Province of Alberta and Government of Canada.

Loans Receivable – Loans receivable, recorded as \$1,009,300 (2006 – \$973,088) in these financial statements, include a specific allowance of \$12,180 (2006 – \$9,206) and a general allowance of \$18,499 (2006 – \$28,224) that are subject to measurement uncertainty. The amount established for specific and general allowances of \$30,679 (2006 – \$37,430) to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Provisions are established for specifically identified potential losses on loans. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the Ministry establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, debt servicing ratios, net capital ratios, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

Indemnities Payable – Estimated indemnities payable, recorded as \$591,091 (2006 – \$456,883) in these financial statements, and corresponding indemnities expense and contributions and receivables from the Government of Canada are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in estimated indemnities payable are CAIS indemnities amounting to \$580,973. This includes estimated payments for the 2006 claim year of \$320,377 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the fiscal year end. CAIS program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2006 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2006 claim year is based on the number of farm operations participating in the program during the 2005 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2005 and 2006. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2006 claim would range from \$270,971 to \$377,362.

CAIS indemnities payable includes estimated payments of \$135,485 for claims received but not processed for the 2004 and 2005 claim years. The estimates for the 2004 and 2005 claim years are based on the number of claims received but not yet processed and the estimated average payment per claim.

CAIS indemnities payable also includes estimated payments of \$125,111 for related programs. The related programs were approved by the Government of Alberta for the 2003, 2004, 2005 and 2006 claim years. The estimate is based on the historical payment ratio for claims processed.

Ministry – continued**Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007****Note 3 Government Reorganization**

(in thousands)

As a result of restructuring of government ministries announced on December 13, 2006, responsibility for Rural Development was transferred to the Ministry of Employment, Immigration and Industry. Comparatives for 2006 have been restated as if the Ministry had never been assigned responsibility. Net assets on March 31, 2005 is made up as follows:

Net Assets as previously reported	\$187,949
Transfer to the Ministry of Employment, Immigration and Industry	<u>138</u>
Net Assets at March 31, 2005	<u>\$188,087</u>

Administrative costs for 2006 have been restated as if the Ministry had always been assigned with its current responsibilities. The costs of certain administrative functions are now the responsibility of the Ministry of Service Alberta. The Ministry of Service Alberta continues to provide the Ministry with the services related to these administrative functions, but no consideration is exchanged.

Note 4 Credit and Interest Risk

Credit Risk – Credit risk is the risk that debtors may not pay amounts owing to the Ministry. To manage this risk, the Ministry closely monitors and counsels high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

The concentration of credit risk for insurance contracts held with reinsurers is monitored through a reinsurance broker who also evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

Interest Risk – Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

The gaps between the loans receivable and notes and interest payable to the Province of Alberta represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2007. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

Ministry – continued

Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007

Note 4 Credit and Interest Risk (continued)

	Term to Maturity ⁽¹⁾				Not Interest Rate Sensitive ⁽²⁾	2007 Total	2006 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	<i>(in thousands)</i>						
Farm loans	\$ 72,406	\$280,080	\$238,180	\$256,249	\$ (6,168)	\$ 840,747	\$810,332
Yield ⁽³⁾	6.46%	6.29%	6.31%	5.84%	–	6.28%	6.59%
Commercial loans	\$ 44,285	\$100,999	\$ 24,717	\$ 1,641	\$ (3,096)	\$ 168,546	\$162,752
Yield ⁽³⁾	7.08%	7.12%	5.83%	8.67%	–	6.95%	6.94%
Rural utilities	\$ 7	\$ –	\$ –	\$ –	\$ –	\$ 7	\$ 4
Total	\$116,698	\$381,079	\$262,897	\$257,890	\$ (9,264)	\$1,009,300	\$973,088
Yield ⁽³⁾	6.47%	6.36%	6.28%	5.83%	–	6.31%	6.61%
Notes payable	\$162,629	\$468,414	\$220,683	\$ 72,006	\$ 7,639	\$ 931,371	\$897,059
Province of Alberta							
Yield ⁽³⁾	5.13%	4.90%	4.99%	4.25%	–	4.96%	5.34%
Net gap before pre- payment adjustment	\$(45,931)	\$(87,335)	\$ 42,214	\$185,884	\$(16,903)	\$ 77,929	\$ 76,029
Estimated prepayment	45,527	76,388	(24,688)	(97,227)	–	–	–
Net gap	<u>\$(404)</u>	<u>\$(10,947)</u>	<u>\$ 17,526</u>	<u>\$ 88,657</u>	<u>\$(16,903)</u>	<u>\$ 77,929</u>	<u>\$ 76,029</u>

(1) For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For notes payable, term to maturity reflects the contractual maturity date of the debt. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal.

(2) Includes general provisions, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

(3) For notes payable, yield represents the rate which discounts future cash receipts to the carrying amount. For loans, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date or the rate which discounts future cash receipts to the carrying amount.

This gap analysis does not include the investment portfolio because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

Note 5 Contingent Liabilities

(in thousands)

At March 31, 2007, Ministry entities are defendants in ten legal claims (2006 – ten legal claims). These claims have specified amounts totaling \$2,882 (2006 – \$6,072). Included in the total legal claims are two claims amounting to \$1,432 (2006 – one claim amounting to \$1,332) in which the Ministry has been jointly named with other entities. Four claims amounting to \$1,832 (2006 – two claims amounting to \$4,533) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Ministry – continued**Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007****Note 6 Contractual Obligations**

	2007	2006
	<i>(in thousands)</i>	
Approved, undisbursed loans	\$ 67,911	\$36,914
Estimated farm loan incentives	11,929	15,569
Reinsurance	15,600	15,500
Grants	16,505	4,447
Service contracts	5,689	3,719
Operating leases	858	1,003
	<u>\$118,492</u>	<u>\$77,152</u>

The operating lease commitments are for accommodations with terms up to five years.

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Approved, Undisbursed Loans	Estimated Farm Loan Incentives	Reinsurance	Grants	Service Contracts	Operating Leases	Total
	<i>(in thousands)</i>						
2008	\$67,911	\$ 2,868	\$15,600	\$15,101	\$4,140	\$710	\$106,330
2009	–	2,630	–	1,152	1,221	113	5,116
2010	–	2,388	–	124	175	28	2,715
2011	–	2,143	–	128	147	7	2,425
2012	–	1,900	–	–	6	–	1,906
	<u>\$67,911</u>	<u>\$11,929</u>	<u>\$15,600</u>	<u>\$16,505</u>	<u>\$5,689</u>	<u>\$858</u>	<u>\$118,492</u>

Note 7 Guarantees

	2007	2006	Expiry Date
	<i>(in thousands)</i>		
Feeder Associations	\$44,424	\$49,675	Ongoing
Agriculture Financial Services Corporation guarantees	26,336	29,939	Variable
Rural Utilities Act	62	183	Ongoing
Agricultural Societies Act	11	12	2015
	<u>70,833</u>	<u>79,809</u>	
Allowance for loan guarantees	<u>(2,060)</u>	<u>(3,428)</u>	
	<u>\$68,773</u>	<u>\$76,381</u>	

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Ministry – continued**Ministry of Agriculture and Food – Consolidated Financial Statements 2006-2007****Note 8 Trust Funds Under Administration**

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 2007 trust funds under administration were as follows:

	<i>(in thousands)</i>	
	2007	2006
4-H General Trust	\$ 3	\$ 51
Wheat Board Monies Trust Fund	138	96
Claude Gallinger Memorial Trust Fund	<u>23</u>	<u>23</u>
	<u>\$164</u>	<u>\$170</u>

Note 9 Defined Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of \$8,460 for the year ended March 31, 2007 (2006 – \$7,859).

At December 31, 2006 the Management Employees Pension Plan reported a deficiency of \$6,765 (2005 – \$165,895) and the Public Service Pension Plan reported a surplus of \$153,024 (2005 – deficiency of \$187,704). At December 31, 2006, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$3,698 (2005 – \$10,018).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2007, the Bargaining Unit Plan reported an actuarial surplus of \$153 (2006 – actuarial deficiency of \$8,699) and the Management, Opted Out, and Excluded Plan an actuarial surplus of \$10,148 (2006 – \$8,309). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10 Comparative Figures

Certain 2006 figures have been reclassified to conform to the 2007 presentation.

Note 11 Budget

The 2006-2007 Government and Lottery Fund Estimates were approved on May 24, 2006.

Note 12 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry – continued**Ministry of Agriculture and Food – Consolidated Schedule of Expenses – Directly Incurred
Detailed by Object for the Year Ended March 31, 2007****Schedule 1***(in thousands)*

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Grants	\$ 128,128	\$ 138,290	\$ 168,905
Indemnities	630,843	719,055	638,984
Salaries, wages, employment contracts and benefits	126,003	123,179	118,811
Interest	48,347	45,135	44,849
Supplies and services	65,045	60,231	61,773
Amortization of tangible capital assets	9,600	10,855	9,245
Other expenses	30,356	16,575	58,615
Valuation adjustments	2,359	2,732	(2,175)
Total	<u>\$1,040,681</u>	<u>\$1,116,052</u>	<u>\$1,099,007</u>

Ministry – continued
Ministry of Agriculture and Food – Consolidated Schedule of Loans Receivable
for the Year Ended March 31, 2007

Schedule 2
(in thousands)

	2007	2006
Loans receivable	\$1,017,383	\$ 989,409
Accrued interest	<u>25,691</u>	<u>24,946</u>
	1,043,074	1,014,355
Less allowance for doubtful accounts	(30,679)	(37,430)
Less accrued incentives	(2,030)	(2,279)
Less loan discounts	<u>(1,065)</u>	<u>(1,558)</u>
	<u>\$1,009,300</u>	<u>\$ 973,088</u>

The allowance for doubtful accounts of \$30,679 (2006 – \$37,430) includes a specific allowance for \$12,180 (2006 – \$9,206) on impaired loans outstanding of \$25,303 (2006 – \$26,126), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2007 is \$987,333 (2006 – \$981,203). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Ministry – continued
Ministry of Agriculture and Food – Consolidated Schedule of Investments
for the Year Ended March 31, 2007

Schedule 3

(in thousands)

	2007	2006
Bonds and debentures		
Government of Canada, direct and guaranteed	\$248,762	\$141,546
Other provincial, direct and guaranteed	<u>42,791</u>	<u>15,742</u>
	291,553	157,288
Corporate securities	<u>127,855</u>	<u>78,520</u>
	419,408	235,808
Accrued interest	<u>3,736</u>	<u>2,651</u>
	<u>\$423,144</u>	<u>\$238,459</u>

	Term to Maturity				2007 Total	2006 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		
Bonds and debentures	\$148,042	\$ 86,612	\$46,964	\$ 9,935	\$291,553	\$157,288
Yield	4.20%	4.10%	4.43%	5.22%	4.24%	3.69%
Securities	–	89,176	38,679	–	127,855	78,520
Yield	–	4.51%	3.73%	–	4.27%	4.46%
	<u>148,042</u>	<u>175,788</u>	<u>85,643</u>	<u>9,935</u>	419,408	235,808
Accrued interest	<u>589</u>	<u>1,740</u>	<u>1,294</u>	<u>113</u>	<u>3,736</u>	<u>2,651</u>
	<u>\$148,631</u>	<u>\$177,528</u>	<u>\$86,937</u>	<u>\$10,048</u>	<u>\$423,144</u>	<u>\$238,459</u>

The fair value of investments at March 31, 2007 is \$424,519 (2006 – \$238,183). Fair value is based on quoted market prices including accrued interest.

Ministry – continued
Ministry of Agriculture and Food – Consolidated Schedule of Tangible Capital Assets for the Year Ended March 31, 2007

Schedule 4
(in thousands)

Estimated Useful Life	Land		Land Improvements		Buildings		Equipment and Vehicles		Computer Hardware and Software		Rail Hopper Cars		2006 Totals	
	Indefinite	25 years	25 years	25 - 40 years	5 - 10 years	5 - 10 years	2 - 10 years	35 years	2007 Totals	2006 Totals				
Historical cost														
Beginning of year	\$469	\$452	\$11,080	\$33,738	\$45,727	\$50,425	\$141,891	\$128,568						
Additions	–	–	–	5,663	9,857	–	15,520	14,994						
Disposals	–	–	–	(602)	(174)	(437)	(1,213)	(1,671)						
	\$469	\$452	\$11,080	\$38,799	\$55,410	\$49,988	\$156,198	\$141,891						
Accumulated amortization														
Beginning of year	\$ –	\$ 18	\$ 2,048	\$17,022	\$22,729	\$36,153	\$ 77,970	\$ 69,907						
Amortization expense	–	18	380	2,806	6,219	1,432	10,855	9,245						
Effect of disposals	–	–	–	(549)	–	(311)	(860)	(1,182)						
	\$ –	\$ 36	\$ 2,428	\$19,279	\$28,948	\$37,274	\$ 87,965	\$ 77,970						
Net book value at March 31, 2007	\$469	\$416	\$ 8,652	\$19,520	\$26,462	\$12,714	\$ 68,233							
Net book value at March 31, 2006	\$469	\$434	\$ 9,032	\$16,716	\$22,998	\$14,272	\$ 63,921							

Historical cost includes work-in-progress at March 31, 2007 totaling \$3,234 comprised of: equipment \$1,190 (2006 – \$408) and computer hardware and software \$2,044 (2006 – \$8,107).

This has not been amortized during the period.

Ministry – continued**Ministry of Agriculture and Food – Consolidated Schedule of Notes and Interest Payable for the Year Ended March 31, 2007****Schedule 5***(in thousands)*

Notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2007	Effective Interest Rate	2006
Within 1 year	4.10% - 4.18%	\$ 98,610	2.57% - 5.54%	\$ 92,843
1 to 5 years	3.75% - 7.64%	385,916	3.75% - 5.93%	263,492
6 to 10 years	4.21% - 6.52%	296,180	4.26% - 7.64%	192,358
Over 10 years	4.43% - 5.12%	139,073	4.43% - 6.52%	335,395
Accrued interest		<u>11,592</u>		<u>12,971</u>
		<u>\$931,371</u>		<u>\$897,059</u>

Net unamortized discounts of \$3,953 (2006 – \$3,347) are included in the balances disclosed.

The approximate fair value at March 31, 2007 is \$953,325 (2006 – \$922,702). Fair value is an approximation of market value to the holder.

Scheduled principal repayments in each of the next five years are as follows:

Year ending March 31,	2008	\$162,629
	2009	159,688
	2010	56,088
	2011	160,738
	2012	<u>91,900</u>
		<u>\$631,043</u>

Ministry – continued**Ministry of Agriculture and Food – Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2007****Schedule 6***(in thousands)*

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2007	2006 (Restated - Note 3)
Revenues		
Grants	\$22,220	\$22,220
Other	313	1,224
	<u>\$22,533</u>	<u>\$23,444</u>
Expenses – directly incurred		
Grants	\$ 158	\$ 406
Accommodation ⁽¹⁾	1,035	1,268
Other services	5,187	3,935
Interest	45,135	44,849
	<u>\$51,515</u>	<u>\$50,458</u>
Tangible capital assets		
Transferred from Advanced Education and Technology	\$ 801	\$ 7
Transferred from Environment	518	–
Transferred from Infrastructure and Transportation	212	–
Transferred to Service Alberta	(8)	–
Payable to		
Ministry of Advanced Education and Technology	588	459
Receivable from		
Ministry of Municipal Affairs and Housing	2,777	4,812
	<u>\$ 4,888</u>	<u>\$ 5,278</u>

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 7.

	2007	2006
Expenses incurred by others		
Accommodation	\$13,378	\$13,245
Legal	693	486
Other services	5,057	4,631
	<u>\$19,128</u>	<u>\$18,362</u>

Note: The Ministry receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

(1) Actual accommodation expenses for Agriculture Financial Services Corporation for 2006/07 total \$1,035. Rebate of prior year rent in the amount of \$1,330 credited against current year expenses.

Ministry – continued
Ministry of Agriculture and Food – Consolidated Schedule of Allocated Costs for the Year Ended March 31, 2007

Schedule 7
(in thousands)

Program	2007						2006	
	Expenses – Incurred by Others						Valuation Adjustments ⁽⁶⁾	
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Service Alberta ⁽⁴⁾	Corporate Audit Services ⁽⁵⁾	Vacation Pay	Doubtful Accounts	Total Expenses (Restated - Note 3)
Insurance	\$ 216,173	\$ 254	\$ –	\$ –	\$ –	\$ –	\$ 700	\$ 217,127
Farm income support	572,710	24	–	–	–	–	7,321	580,055
BSE recovery program	–	–	–	–	–	–	–	–
Industry development	45,708	4,413	163	–	–	614	1	50,899
Environment and food safety	62,877	4,705	368	–	–	17	–	67,967
Planning and competitiveness	12,489	1,393	57	–	–	(192)	47	13,794
Rural services	36,641	1,163	14	–	–	(407)	–	37,411
Farm fuel distribution allowance	32,446	–	–	–	–	–	–	32,446
Lending	25,438	145	–	–	–	–	(5,494)	20,089
Infrastructure assistance	50,515	–	–	–	–	–	–	50,515
Ministry support services	13,188	1,281	91	4,989	68	123	2	19,742
	<u>\$1,068,185</u>	<u>\$13,378</u>	<u>\$693</u>	<u>\$4,989</u>	<u>\$68</u>	<u>\$155</u>	<u>\$2,577</u>	<u>\$1,090,045</u>
								<u>\$1,068,234</u>

- (1) Expenses – Directly incurred per the Consolidated Statement of Operations, excluding valuation adjustments and debt servicing costs.
- (2) Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 6, allocated by budgeted full-time equivalent employment.
- (3) Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.
- (4) Costs shown for Service Alberta on Schedule 7, allocated by estimated costs incurred by each program.
- (5) Costs shown for Corporate Internal Audit Services on Schedule 7, allocated by estimated costs incurred by each program.
- (6) Valuation Adjustments as per Statement of Operations, Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:
 - Vacation Pay – allocated to the program by employee.
 - Doubtful Accounts Provision – estimated allocation to program.