

Ministry of Agriculture and Rural Development

Consolidated Financial Statements

For the Year Ended
March 31, 2009

Ministry of Agriculture and Rural Development

Consolidated Financial Statements

For the Year Ended
March 31, 2009

CONTENTS

79	Auditor's Report
80	Consolidated Statement of Operations
82	Consolidated Statement of Financial Position
83	Consolidated Statement of Cash Flows
84	Notes to the Consolidated Financial Statements
92	Consolidated Schedule of Expenses – Directly Incurred Detailed by Object
93	Consolidated Schedule of Loans Receivable
94	Consolidated Schedule of Investments
95	Consolidated Schedule of Tangible Capital Assets
96	Consolidated Schedule of Notes and Interest Payable
97	Consolidated Schedule of Related Party Transactions
98	Consolidated Schedule of Allocated Costs



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 Rural Development as at March 31, 2009 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, 2009 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
June 1, 2009

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

	2009 Budget	2009 Actual	2008 Actual (Restated - Note 3)
Revenues			
Transfers from Government of Canada	\$ 332,577	\$ 284,069	\$ 130,026
Premiums from Insured Persons	170,774	209,465	146,101
Interest and Investment Income	110,812	103,972	104,708
Fees, Permits, Licenses and Other Income	21,016	33,862	25,413
Internal Government Transfers	22,220	22,220	22,220
Ministry Revenue	657,399	653,588	428,468

continued

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

	2009 Budget	2009 Actual	2008 Actual (Restated - Note 3)
Expenses (Schedule 1)			
Program			
Agriculture Income Support	335,904	655,031	157,806
Insurance	385,271	391,554	338,562
Industry Development	47,777	46,837	66,275
Rural Development	35,045	37,326	40,161
Environment and Food Safety	66,765	62,574	67,941
Planning and Competitiveness	13,992	14,060	13,336
Farm Fuel Distribution Allowance	33,500	29,391	32,830
Lending	26,688	25,222	25,822
Infrastructure Assistance	43,700	34,558	26,242
Ministry Support Services	15,116	16,158	12,316
Livestock and Meat Strategy	-	2,648	-
Program Expense	1,003,758	1,315,359	781,291
Other			
Debt Servicing Costs	53,262	57,287	46,402
Valuation Adjustments	6,062	1,714	9,168
	59,324	59,001	55,570
Ministry Expense	1,063,082	1,374,360	836,861
Loss on Disposal of Tangible			
Capital Assets	-	(41)	(195)
	-	(41)	(195)
Net Operating Results	\$ (405,683)	\$ (720,813)	\$ (408,588)

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

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

(in thousands)

	2009	2008 (Restated - Note 3)
Assets		
Cash and Cash Equivalents	\$ 415,606	\$ 267,524
Accounts Receivable	40,900	83,232
Due from Government of Canada	203,450	216,917
Loans Receivable (Schedule 2)	1,173,186	1,073,061
Investments (Schedule 3)	477,041	438,592
Tangible Capital Assets (Schedule 4)	77,522	70,359
	\$ 2,387,705	\$ 2,149,685
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 59,700	\$ 100,473
Indemnities Payable	299,972	303,183
Allowance for Loan Guarantees	515	656
Unearned Revenue	41,445	11,185
Due to Crop Reinsurance Fund of Canada for Alberta	625	210
Notes and Interest Payable to the Province of Alberta (Schedule 5)	1,123,448	1,006,719
	1,525,705	1,422,426
Net Assets		
Net Assets at Beginning of Year	727,259	680,416
Net Operating Results	(720,813)	(408,588)
Net Financing Provided from General Revenues	855,554	455,431
Net Assets at End of Year	862,000	727,259
	\$ 2,387,705	\$ 2,149,685

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

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009	2008 (Restated - Note 3)
Operating Transactions		
Net Operating Results	\$ (720,813)	\$ (408,588)
Non-cash items included in Net Operating Results	11,611	21,577
Net Change in Operating Assets and Liabilities	10,903	(86,334)
Cash Applied to Operating Transactions	(698,299)	(473,345)
Capital Transactions		
Acquisition of Tangible Capital Assets	(17,888)	(13,201)
Transfer of Tangible Capital Assets	(925)	(918)
Disposal of Tangible Capital Assets	63	93
Cash Applied to Capital Transactions	(18,750)	(14,026)
Investing Transactions		
Proceeds from Repayments of Loans Receivable,		
Advances and Sale of Properties	192,746	179,790
Loan and Advance Disbursements	(290,278)	(253,805)
Purchase of Investments	(296,771)	(285,766)
Proceeds on Disposal of Investments	268,371	270,644
Cash Applied to Investing Transactions	(125,932)	(89,137)
Financing Transactions		
Borrowing from the Province of Alberta	113,861	791,031
Repayment of Borrowing from the Province of Alberta	(40)	(718,660)
Transfer of Industry Funds	21,688	-
Net Financing Provided from General Revenues	855,554	455,431
Cash Provided by Financing Transactions	991,063	527,802
Increase (Decrease) in Cash and Cash Equivalents	148,082	(48,706)
Cash and Cash Equivalents, Beginning of Year	267,524	316,230
Cash and Cash Equivalents, End of Year	\$ 415,606	\$ 267,524

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

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2009

Note 1 Authority and Purpose

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

Organization	Authority
Department of Agriculture and Rural Development (the Department)	<i>Government Organization Act</i>
Agriculture Financial Services Corporation, including the Crop Reinsurance Fund of Alberta (the Corporation)	<i>Agriculture Financial Services Act</i>
The Alberta Livestock and Meat Agency Ltd. (the Agency)	<i>Alberta Business Corporations Act</i>

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.

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, loans, guarantees and indemnities.

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 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.

The allowance for doubtful accounts of \$13,328 (2008 – \$10,389) for estimated losses on premiums receivable and overpayments is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

Agri-Invest and Agri-Stability overpayments are non-interest bearing until December 31, 2008. Participants will receive a rebate if they repay the Agri-Invest and Agri-Stability overpayment within 90 days of the overpayment notification or they can convert the overpayment to a loan up until December 31, 2008. 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.

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

Loans Receivable - Loans receivable, recorded as \$1,173,186 (2008 – \$1,073,061) in these financial statements, include a specific allowance of \$12,251 (2008 – \$12,681) and a general allowance of \$12,220 (2008 – \$14,589) that are subject to measurement uncertainty. The amount established for specific and general allowances of \$24,471 (2008 – \$27,270) 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, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

Indemnities Payable - Estimated indemnities payable, recorded as \$299,972 (2008 – \$303,183) 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 Agri-Invest and Agri-Stability indemnities amounting to \$290,561. This includes estimated payments for the 2008 claim year of \$185,150 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. The 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 2008 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2008 claim year is based on the number of farm operations participating in the program during the 2007 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2007 and 2008. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2008 claim year would range from \$165,496 to \$226,634.

Agri-Invest and Agri-Stability indemnities payable includes estimated payments of \$75,298 for claims received but not processed for the 2007 and prior claim years (2008 - \$72,126 for the 2006 and prior claim years). The estimates for the 2007 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

Agri-Invest and Agri-Stability indemnities payable also includes estimated payments of \$30,113 (2008 – \$65,920) for related programs. The related programs were approved by the Government of Alberta for the 2006 and 2007 claim years. The estimate is based on the historical payment ratio for claims processed.

Note 3 Restatement of Prior Year Figures (in thousands)

a) Transfer of Rural Program Grants

Effective April 1, 2008, grants paid under the Rural Electric and Rural Gas programs are reported as Infrastructure Assistance. Prior year figures in the Statement of Operations have been restated as follows:

	Previously Reported	Grant Restatement	Transfer of Rural Development	Restated
Statement of Operations				
Rural Development	\$ 45,706	\$ (6,963)	\$ 1,418	\$ 40,161
Infrastructure Assistance	19,279	6,963	-	26,242

Note 3 Restatement of Prior Year Figures (continued)
(in thousands)

b) Program Transfers with Other Ministries

Based on agreement between the Ministry and Service Alberta, effective April 1, 2008, the budgetary responsibility for the functional reporting of information technology services was transferred to Service Alberta. Service Alberta continues to provide the Ministry with the services related to these functions, but no consideration is exchanged. Administrative costs for 2008 (\$1,785) have been restated as if the Ministry had never been assigned responsibility.

As a result of restructuring of government ministries announced on March 12, 2008, responsibility for Rural Development was transferred from the Ministry of Employment and Immigration. Comparatives for 2008 have been restated to reflect the current responsibilities. Net assets on March 31, 2007 is made up as follows:

Net Assets as previously reported	\$ 680,705
Transfer from the Ministry of Employment and Immigration	(289)
Net Assets at March 31, 2007	<u>\$ 680,416</u>
Net Operating Results, as previously reported at March 31, 2008	\$ (408,932)
Plus: Expenses Transferred to the Ministry of Service Alberta	1,785
Less: Expenses Transferred from the Ministry of Employment and Immigration:	
Operating Expenses	(1,418)
Valuation Adjustments	(23)
Net Operating Results, as restated at April 1, 2008	<u>\$ (408,588)</u>

c) AgrilInvest Program

In 2009, Agriculture and Agri-Food Canada started to deliver the AgrilInvest program, necessitating a change in the accounting. Further details can be found in the Corporation's financial statements, however prior year figures in the Statement of Financial Position and the Statement of Operations have been restated as follows:

	<u>Previously Reported</u>	<u>Restated</u>
Statement of Financial Position		
Due from Government of Canada	\$ 258,124	\$ 216,917
Indemnities Payable	344,390	303,183
Statement of Operations		
Transfers from Government of Canada	171,233	130,026
Agriculture Income Support	199,013	157,806

Note 4 Transfer of Industry Funds

(in thousands)

The Agency is a provincial crown corporation incorporated January 29, 2009 to act as a catalyst to help transition Alberta's livestock industry into competitiveness and sustainability. As at March 31, 2009 the Agency assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements dated for reference March 16, 2009, with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The result of this transfer will be for the Agency to assume responsibility for the delivery of provincially sponsored programs from these two industry funds.

The value of assets and liabilities transferred to the Agency are listed below:

	ALIDF	DLFOA	Total
Assets			
Cash and cash equivalents	\$ 16,474	\$ 5,214	\$ 21,688
Investments	8,044	-	8,044
Accounts receivable	40	1	41
Prepaid expenses	7	-	7
Tangible capital assets	9	-	9
	<u>\$ 24,574</u>	<u>\$ 5,215</u>	<u>\$ 29,789</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 38	\$ -	\$ 38
Grants payable	18	-	18
Unearned revenue	24,518	5,215	29,733
	<u>\$ 24,574</u>	<u>\$ 5,215</u>	<u>\$ 29,789</u>

Note 5 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, 2009. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

Note 5 Credit and Interest Risk (continued)

	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Rate Sensitive ⁽²⁾	Total	Total
	<i>(in thousands)</i>						
Loan balances	\$ 107,438	\$ 366,302	\$ 340,991	\$ 353,592	\$ 4,862	\$ 1,173,185	\$ 1,073,056
Yield ⁽³⁾	5.80%	6.04%	6.21%	5.81%	-	6.02%	6.05%
Rural utilities	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 5
Notes and interest payable							
to the Province of Alberta	\$ 89,438	\$ 492,557	\$ 214,634	\$ 313,294	\$ 13,525	\$ 1,123,448	\$ 1,006,719
Yield ⁽³⁾	4.60%	4.98%	4.98%	4.24%	-	4.82%	4.81%
Net gap	\$ 18,001	\$ (126,255)	\$ 126,357	\$ 40,298	\$ (8,663)	\$ 49,738	\$ 66,337

(1) For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For notes payable, scheduled repayments reflect contractual payments of interest and repayment of principal. 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) Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 6 Contingent Liabilities

(in thousands)

At March 31, 2009, Ministry entities are defendants in four legal claims (2008 – three legal claims). These claims have specified amounts totaling \$1,405 (2008 – \$1,932). Included in the total legal claims is one claim amounting to \$300 (2008 – two claims amounting to \$1,632) in which the Ministry has been jointly named with other entities. Two claims amounting to \$525 (2008 – two claims amounting to \$1,632) are covered by the Alberta Risk Management Fund.

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

Note 7 Contractual Obligations

	2009	2008
	<i>(in thousands)</i>	
Approved, Undisbursed Loans	\$ 43,978	\$ 59,250
Reinsurance	23,090	9,229
Grants	22,939	18,398
Service Contracts	5,842	6,749
Estimated Farm Loan Incentives	4,045	7,400
Operating Leases	2,021	740
	<u>\$ 101,915</u>	<u>\$ 101,766</u>

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

Note 7 Contractual Obligations (continued)

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

	Approved, Undisbursed Loans	Reinsurance	Grants	Service Contracts <i>(in thousands)</i>	Estimated Farm Loan Incentives	Operating Leases	Total
2010	\$ 43,978	\$ 23,090	\$ 14,175	\$ 4,141	\$ 2,220	\$ 895	\$ 88,499
2011	-	-	5,237	1,082	1,380	336	8,035
2012	-	-	2,283	597	414	322	3,616
2013	-	-	1,244	22	31	304	1,601
2014	-	-	-	-	-	164	164
	<u>\$ 43,978</u>	<u>\$ 23,090</u>	<u>\$ 22,939</u>	<u>\$ 5,842</u>	<u>\$ 4,045</u>	<u>\$ 2,021</u>	<u>\$ 101,915</u>

Note 8 Guarantees

	2009	2008	Expiry Date
	<i>(in thousands)</i>		
Feeder Associations	\$ 49,866	\$ 50,728	Ongoing
Agriculture Financial Services Corporation Guarantees	13,998	19,587	Variable
Rural Utilities Act	1	17	Ongoing
Agricultural Societies Act	-	-	2015
	<u>63,865</u>	<u>70,332</u>	
Allowance for Loan Guarantees	<u>(515)</u>	<u>(656)</u>	
	<u>\$ 63,350</u>	<u>\$ 69,676</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.

Note 9 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, 2009 trust funds under administration were as follows:

	2009	2008
	<i>(in thousands)</i>	
4-H General Trust	\$ 32	\$ 12
Wheat Board Monies Trust Fund	139	139
Claude Gallinger Memorial Trust Fund	21	22
	<u>\$ 192</u>	<u>\$ 173</u>

Note 10 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 \$10,409 for the year ended March 31, 2009 (2008 – \$9,689).

At December 31, 2008 the Management Employees Pension Plan reported a deficiency of \$568,574 (2007 – \$84,341) and the Public Service Pension Plan reported a deficiency of \$1,187,538 (2007 – \$92,509 as restated). At December 31, 2008, the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$7,111 (2007 – surplus of \$1,510).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2009, the Bargaining Unit Plan reported an actuarial deficiency of \$33,540 (2008 – \$6,319) and the Management, Opted Out, and Excluded Plan an actuarial deficiency of \$1,051 (2008 – actuarial surplus of \$7,874). The expense for these two plans is limited to employer's annual contributions for the year.

Note 11 Comparative Figures

Certain 2008 figures have been reclassified to conform to the 2009 presentation.

Note 12 Budget

The 2008-2009 Government and Lottery Fund Estimates were approved on June 3, 2008.

Note 13 Approval of the Consolidated Financial Statements

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

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECTFOR THE YEAR ENDED MARCH 31, 2009

(in thousands)

	2009 Budget	2009 Actual	2008 Actual (Restated - Note 3)
Grants	\$ 117,582	\$ 108,927	\$ 141,916
Indemnities	657,665	974,870	421,204
Salaries, Wages, Employment Contracts and Benefits	148,905	139,674	134,929
Interest	53,262	57,287	46,402
Supplies and Services	57,643	67,374	55,746
Amortization of Tangible Capital Assets	12,613	11,555	11,703
Other Expenses	9,350	12,959	15,793
Valuation Adjustments	6,062	1,714	9,168
Total	<u>\$ 1,063,082</u>	<u>\$ 1,374,360</u>	<u>\$ 836,861</u>

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED SCHEDULE OF LOANS RECEIVABLE
FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

	2009	2008
Loans Receivable	\$ 1,174,019	\$ 1,078,156
Accrued Interest	<u>25,221</u>	<u>24,451</u>
	1,199,240	1,102,607
Less Allowance for Doubtful Accounts	(24,471)	(27,270)
Less Accrued Incentives	(1,090)	(1,522)
Less Loan Discounts	<u>(493)</u>	<u>(754)</u>
	<u>\$ 1,173,186</u>	<u>\$ 1,073,061</u>

Fair values of loans receivable are not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

The allowance for doubtful accounts of \$24,471 (2008 – \$27,270) includes a specific allowance of \$12,251 (2008 – \$12,682) on impaired loans outstanding of \$14,062 (2008 - \$22,403), excluding unamortized loan discount.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

	<u>2009</u>	<u>2008</u>
Bonds and Debentures		
Government of Canada, direct and guaranteed	\$ 172,113	\$ 228,040
Other provincial, direct and guaranteed	<u>128,755</u>	<u>46,424</u>
	300,868	274,464
Corporate Securities	163,366	159,648
Equities	<u>7,342</u>	<u>-</u>
	471,576	434,112
Accrued interest	<u>5,465</u>	<u>4,480</u>
	<u>\$ 477,041</u>	<u>\$ 438,592</u>

	<u>Term to Maturity</u>			<u>2009</u>	<u>2008</u>
	<u>Within</u>	<u>1 to 5</u>	<u>6 to 10</u>		
	<u>1 Year</u>	<u>Years</u>	<u>Years</u>	<u>Total</u>	<u>Total</u>
Bonds and Debentures	\$ 1,404	\$ 217,461	\$ 82,003	\$ 300,868	\$ 274,463
Yield	0.65%	1.94%	2.59%	2.11%	4.29%
Corporate Securities	13,489	138,283	11,595	163,367	159,649
Yield	4.57%	5.49%	5.97%	5.44%	4.56%
Equities	7,341	-	-	7,341	-
Yield	<u>3.71%</u>	<u>-</u>	<u>-</u>	<u>3.71%</u>	<u>-</u>
	22,234	355,744	93,598	471,576	434,112
Accrued Interest	<u>233</u>	<u>4,034</u>	<u>1,198</u>	<u>5,465</u>	<u>4,480</u>
	<u>\$ 22,467</u>	<u>\$ 359,778</u>	<u>\$ 94,796</u>	<u>\$ 477,041</u>	<u>\$ 438,592</u>

The fair value of investments at March 31, 2009 is \$483,548 (2008 - \$443,770). Fair value is based on quoted market prices including accrued interest.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
 FOR THE YEAR ENDED MARCH 31, 2009
 (in thousands)

Estimated Useful Life	Land		Buildings		Equipment and Vehicles		Computer Hardware and Software		Rail Hopper Cars		2009 Totals	2008 Totals
	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years	35 years	2009 Totals	2008 Totals					
Historical Cost												
Beginning of year	\$ 469	\$ 11,532	\$ 40,705	\$ 62,394	\$ 49,772	\$ 164,872	\$ 156,197					
Additions	-	166	6,571	12,207	-	18,944	14,119					
Disposals	(122)	-	(1,315)	(767)	(213)	(2,417)	(5,444)					
	\$ 347	\$ 11,698	\$ 45,961	\$ 73,834	\$ 49,559	\$ 181,399	\$ 164,872					
Accumulated Amortization												
Beginning of year	\$ -	\$ 2,863	\$ 21,153	\$ 31,959	\$ 38,538	\$ 94,513	\$ 87,964					
Amortization expense	-	398	3,102	6,636	1,419	11,555	11,703					
Effect of disposals	-	-	(1,303)	(719)	(169)	(2,191)	(5,154)					
	\$ -	\$ 3,261	\$ 22,952	\$ 37,876	\$ 39,788	\$ 103,877	\$ 94,513					
Net Book Value at												
March 31, 2009	\$ 347	\$ 8,437	\$ 23,009	\$ 35,958	\$ 9,771	\$ 77,522	\$ 70,359					
Net Book Value at												
March 31, 2008	\$ 469	\$ 8,669	\$ 19,552	\$ 30,435	\$ 11,234	\$ 70,359	\$ 70,359					

Historical cost includes work-in-progress at March 31, 2009 totaling \$15,168 comprised of: equipment \$947 (2008 - \$7,011) and computer hardware and software \$14,221 (2008 - \$1,287).

This has not been amortized during the period.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED SCHEDULE OF NOTES AND INTEREST PAYABLE
FOR THE YEAR ENDED MARCH 31, 2009
(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	2009	Effective Interest Rate	2008
Within 1 year	0.38%	\$ 40,000	2.25% - 3.75%	\$ 140,000
1 to 5 years	3.25% - 7.64%	454,957	3.43% - 7.64%	319,877
6 to 10 years	4.21% - 5.93%	301,672	4.21% - 6.52%	377,084
Over 10 years	4.43% - 4.97%	313,294	4.43% - 5.12%	159,142
Accrued Interest		15,108		12,934
Unamortized discount		<u>(1,583)</u>		<u>(2,318)</u>
		<u>\$ 1,123,448</u>		<u>\$ 1,006,719</u>

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

The approximate fair value at March 31, 2009 is \$1,174,308 (2008 - \$1,047,981). 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,	2010	\$ 89,438
	2011	278,687
	2012	84,425
	2013	46,053
	2014	<u>83,393</u>
		<u>\$ 581,996</u>

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
CONSOLIDATED SCHEDULE OF RELATED PARTY TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 2009
(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.

	2009	2008 (Restated - Note 3)
Revenues:		
Grants	\$ 22,220	\$ 22,220
Other	378	376
	<u>\$ 22,598</u>	<u>\$ 22,596</u>
Expenses - Directly Incurred:		
Grants	\$ -	\$ -
Accommodation	932	1,112
Other services	3,205	6,200
Interest	57,287	46,402
	<u>\$ 61,424</u>	<u>\$ 53,714</u>
Tangible Capital Assets		
Transferred from Advanced Education and Technology	\$ 1,038	\$ 800
Transferred from Environment	9	118
Transferred to Infrastructure	(122)	-
Payable to		
Ministry of Advanced Education and Technology	1,551	2,223
Ministry of Housing and Urban Affairs	19	-
Ministry of Service Alberta	18	-
Receivable from		
Ministry of Advanced Education and Technology	-	126
Ministry of Municipal Housing and Urban Affairs	1,441	2,704
	<u>\$ 3,954</u>	<u>\$ 5,971</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.

	2009	2008
Expenses incurred by others:		
Accommodation	\$ 18,442	\$ 15,437
Legal	1,013	666
Other services	7,291	5,038
	<u>\$ 26,746</u>	<u>\$ 21,141</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.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF ALLOCATED COSTS

FOR THE YEAR ENDED MARCH 31, 2009
(in thousands)

Program	2009										2008	
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Service Alberta ⁽⁴⁾	Air Transportation ⁽⁵⁾	Internal Audit Services ⁽⁶⁾	Learning Centre ⁽⁷⁾	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses	Total Expenses (Restated - Note 3)
Insurance	\$ 391,554	\$ 586	\$ 11	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (303)	\$ 391,848	\$ 338,067	
Agriculture income support	655,031	-	-	-	-	-	-	-	4,635	659,666	155,828	
Industry development	46,837	8,484	121	-	-	-	-	(387)	-	55,063	77,149	
Environment and Food Safety	62,574	6,714	496	-	-	-	-	(61)	-	69,732	73,821	
Planning and competitiveness	14,060	693	72	-	-	-	-	(272)	(535)	14,020	14,374	
Rural Development	37,326	1,237	21	-	-	-	-	(84)	(2)	38,501	40,718	
Farm Fuel Distribution Allowance	29,391	-	-	-	-	-	-	-	-	29,391	32,830	
Lending	25,222	-	-	-	-	-	-	-	(1,208)	24,014	34,485	
Infrastructure assistance	34,558	-	-	-	-	-	-	-	-	34,558	26,242	
Ministry support services	16,158	715	176	7,011	152	104	(107)	-	1	24,212	18,012	
Livestock and Meat Strategy	2,648	13	116	-	-	-	37	-	-	2,814	-	
	\$ 1,315,359	\$ 18,442	\$ 1,013	\$ 7,011	\$ 152	\$ 104	\$ (674)	\$ 2,588	\$ 1,343,819	\$ 811,526		

⁽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 6, allocated by estimated costs incurred by each program.⁽⁵⁾ Costs shown for Air Transportation, allocated by estimated costs incurred by each program.⁽⁶⁾ Costs shown for Corporate Internal Audit Services, allocated by estimated costs incurred by each program.⁽⁷⁾ Costs shown for Learning Centre, allocated by estimated costs incurred by each program.⁽⁸⁾ 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.