

Financial Information

Agriculture and Food

Financial Statements

Ministry of Agriculture and Food

Consolidated Financial Statements

For the Year Ended
March 31, 2008

Ministry of Agriculture and Food

Consolidated Financial Statements

For the Year Ended
March 31, 2008

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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, 2008 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, 2008 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 3, 2008

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 2007-2008

Consolidated Statement of Operations for the Year Ended March 31, 2008

(in thousands)

	2008 Budget	2008 Actual	2007 Actual
Revenues			
Transfers from Government of Canada	\$ 329,020	\$ 171,233	\$ 250,626
Premiums from Insured Persons	180,535	146,101	132,412
Interest and Investment Income	100,703	104,708	96,791
Fees, Permits, Licenses and Other Income	26,421	25,413	29,379
Internal Government Transfers	22,220	22,220	22,220
Ministry Revenue	658,899	469,675	531,428

continued

Ministry - **continued**

Ministry of Agriculture and Food - Consolidated Financial Statements 2007-2008

continued

Consolidated Statement of Operations for the Year Ended March 31, 2008

(in thousands)

	2008 Budget	2008 Actual	2007 Actual
Expenses (Schedule 1)			
Program			
Agriculture Income Support	368,983	199,013	572,710
Insurance	378,313	338,562	216,173
Industry Development	51,694	66,275	45,708
Rural Services	37,065	45,706	36,641
Environment and Food Safety	82,028	67,941	62,877
Planning and Competitiveness	13,389	13,336	12,489
Farm Fuel Distribution Allowance	33,500	32,830	32,446
Lending	25,413	25,822	25,438
Infrastructure Assistance	17,355	19,279	50,515
Ministry Support Services	15,114	14,101	13,188
Program Expense	1,022,854	822,865	1,068,185
Other			
Debt Servicing Costs	51,125	46,402	45,135
Valuation Adjustments	2,745	9,145	2,732
	53,870	55,547	47,867
Ministry Expense	1,076,724	878,412	1,116,052
(Loss) Gain on Disposal of Tangible			
Capital Assets	-	(195)	269
	-	(195)	269
Net Operating Result	\$ (417,825)	\$ (408,932)	\$ (584,355)

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

Consolidated Statement of Financial Position as at March 31, 2008*(in thousands)*

	2008	2007
Assets		
Cash and Cash Equivalents	\$ 267,524	\$ 316,230
Accounts Receivable	83,232	125,883
Due from Government of Canada	258,124	338,680
Loans Receivable <i>(Schedule 2)</i>	1,073,061	1,009,300
Investments <i>(Schedule 3)</i>	438,592	423,144
Tangible Capital Assets <i>(Schedule 4)</i>	70,359	68,233
	\$ 2,190,892	\$ 2,281,470
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 100,184	\$ 63,885
Indemnities Payable	344,390	591,091
Allowance for Loan Guarantees	656	2,060
Unearned Revenue	11,185	10,511
Due to Crop Reinsurance Fund of Canada for Alberta	210	1,847
Notes and Interest Payable to the Province of Alberta <i>(Schedule 5)</i>	1,006,719	931,371
	1,463,344	1,600,765
Net Assets		
Net Assets at Beginning of Year	680,705	467,443
Net Operating Result	(408,932)	(584,355)
Net Financing Provided from General Revenues	455,775	797,617
Net Assets at End of Year	727,548	680,705
	\$ 2,190,892	\$ 2,281,470

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

Consolidated Statement of Cash Flows for the Year Ended March 31, 2008*(in thousands)*

	2008	2007
Operating Transactions		
Net Operating Result	\$ (408,932)	\$ (584,355)
Non-cash items included in Net Operating Result	21,577	9,649
Proceeds on Disposal of Non-capital Assets	-	33
Net Change in Operating Assets and Liabilities	(86,334)	127,097
Cash Applied to Operating Transactions	(473,689)	(447,576)
Capital Transactions		
Acquisition of Tangible Capital Assets	(13,201)	(13,997)
Transfer of Tangible Capital Assets	(918)	(1,523)
Disposal of Tangible Capital Assets	93	622
Cash Applied to Capital Transactions	(14,026)	(14,898)
Investing Transactions		
Proceeds from Repayments of Loans Receivable, Advances and Sale of Properties	179,790	176,345
Loan and Advance Disbursements	(253,805)	(218,971)
Purchase of Investments	(285,766)	(969,420)
Proceeds on Disposal of Investments	270,644	784,674
Cash Applied to Investing Transactions	(89,137)	(227,372)
Financing Transactions		
Borrowing from the Province of Alberta	791,031	832,348
Repayment of Borrowing from the Province of Alberta	(718,660)	(796,051)
Government of Canada Funding for Capital Assets	-	3,138
Province of Alberta Funding for Capital Assets	-	5,523
Net Financing Provided from General Revenues	455,775	797,617
Cash Provided by Financing Transactions	528,146	842,575
(Decrease) Increase in Cash and Cash Equivalents	(48,706)	152,729
Cash and Cash Equivalents, Beginning of Year	316,230	163,501
Cash and Cash Equivalents, End of Year	\$ 267,524	\$ 316,230

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

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2008

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	Authority
Department of Agriculture and Food (the Department)	<i>Government Organization Act</i>
Agriculture Financial Services Corporation, <i>including the Crop Reinsurance Fund of Alberta</i> (the Corporation)	<i>Agriculture Financial Services 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, 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 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 \$83,232 (2007 - \$125,883) in these financial statements, includes \$3,414 (2007 - \$15,391) for estimated overpayments for the Canadian Agricultural Income Stabilization (CAIS) program that is subject to measurement uncertainty. The estimate of \$3,414 (2007 - \$15,391) 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.

The allowance for doubtful accounts of \$10,389 (2007 - \$10,372) 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.

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

CAIS overpayments are non-interest bearing until December 31, 2008. 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 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.

Loans Receivable - Loans receivable, recorded as \$1,073,061 (2007 – \$1,009,300) in these financial statements, include a specific allowance of \$12,681 (2007 – \$12,178) and a general allowance of \$14,589 (2007 – \$18,499) that are subject to measurement uncertainty. The amount established for specific and general allowances of \$27,270 (2007 – \$30,679) 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 \$344,390 (2007 – \$591,091) 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 \$338,909. This includes estimated payments for the 2007 claim year of \$200,863 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 2007 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2007 claim year is based on the number of farm operations participating in the program during the 2006 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2006 and 2007. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2007 claim would range from \$156,400 to \$245,400.

CAIS indemnities payable includes estimated payments of \$72,126 for claims received but not processed for the 2006 and prior claim years (2007 - \$135,485 for the 2005 and prior claim years). The estimates for the 2006 claim year 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 \$65,920 (2007 – \$125,111) for related programs. The related programs were approved by the Government of Alberta for the 2005 and 2006 claim years. The estimate is based on the historical payment ratio for claims processed.

Note 3 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.

Note 3 Credit and Interest Risk (continued)

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, 2008. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

	Within 1 Year	Term to Maturity ⁽¹⁾			Not Interest Rate Sensitive ⁽²⁾	2008 Total	2007 Total (Restated)
		1 to 5 Years	6 to 10 Years	Over 10 Years			
	<i>(in thousands)</i>						
Loan balances	\$ 100,619	\$ 324,178	\$ 311,117	\$ 339,798	\$ (2,656)	\$ 1,073,056	\$ 1,009,293
Yield ⁽³⁾	6.22%	6.13%	6.01%	5.52%	-	6.05%	6.33%
Notes payable							
Province of Alberta	\$ 199,688	\$ 412,703	\$ 295,485	\$ 88,227	\$ 10,616	\$ 1,006,719	\$ 931,371
Yield ⁽³⁾	4.79%	4.94%	4.58%	3.84%	-	4.81%	4.97%
Net gap	<u>\$ (99,069)</u>	<u>\$ (88,525)</u>	<u>\$ 15,632</u>	<u>\$ 251,571</u>	<u>\$ (13,272)</u>	<u>\$ 66,337</u>	<u>\$ 77,922</u>

⁽¹⁾ For loans, term to maturity reflects the period of time to 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⁾ Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 4 Contingent Liabilities

(in thousands)

At March 31, 2008, Ministry entities are defendants in three legal claims (2007 – ten legal claims). These claims have specified amounts totaling \$1,932 (2007 – \$2,882). Included in the total legal claims are two claims amounting to \$1,632 (2007 – two claims amounting to \$1,432) in which the Ministry has been jointly named with other entities. Two claims amounting to \$1,632 (2007 – four claims amounting to \$1,832) are covered by the Alberta Risk Management Fund.

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

Note 5 Contractual Obligations

	2008	2007
	<i>(in thousands)</i>	
Approved, Undisbursed Loans	\$ 59,250	\$ 67,911
Estimated Farm Loan Incentives	7,400	11,929
Reinsurance	9,229	16,742
Grants	18,398	16,505
Service Contracts	6,749	5,689
Operating Leases	740	858
	<u>\$ 101,766</u>	<u>\$ 119,634</u>

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

Note 5 Contractual Obligations (continued)

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
	(in thousands)						
2009 \$	59,250	\$ 3,228	\$ 9,229	\$ 18,146	\$ 5,631	\$ 628	\$ 96,112
2010	-	2,286	-	124	917	52	3,379
2011	-	1,448	-	128	199	31	1,806
2012	-	419	-	-	2	23	444
2013	-	19	-	-	-	6	25
	<u>\$ 59,250</u>	<u>\$ 7,400</u>	<u>\$ 9,229</u>	<u>\$ 18,398</u>	<u>\$ 6,749</u>	<u>\$ 740</u>	<u>\$ 101,766</u>

Note 6 Guarantees

	2008	2007	Expiry Date
	(in thousands)		
Feeder Associations	\$ 50,728	\$ 44,424	Ongoing
Agriculture Financial Services Corporation Guarantees	19,587	26,336	Variable
Rural Utilities Act	17	62	Ongoing
Agricultural Societies Act	-	11	2015
	<u>70,332</u>	<u>70,833</u>	
Allowance for Loan Guarantees	(656)	(2,060)	
	<u>\$ 69,676</u>	<u>\$ 68,773</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 7 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, 2008 trust funds under administration were as follows:

	2008	2007
	(in thousands)	
4-H General Trust	\$ 12	\$ 3
Wheat Board Monies Trust Fund	139	138
Claude Gallinger Memorial Trust Fund	22	23
	<u>\$ 173</u>	<u>\$ 164</u>

Note 8 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 \$9,689 for the year ended March 31, 2008 (2007 – \$8,548).

At December 31, 2007 the Management Employees Pension Plan reported a deficiency of \$84,341 (2006 – \$6,765) and the Public Service Pension Plan reported a deficiency of \$92,070 (2006 surplus – \$153,024). At December 31, 2007, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$1,510 (2006 – \$3,698).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2008, the Bargaining Unit Plan reported an actuarial deficiency of \$6,319 (2007 surplus – \$153) and the Management, Opted Out, and Excluded Plan an actuarial surplus of \$7,874 (2007 – \$10,148). The expense for these two plans is limited to employer's annual contributions for the year.

Note 9 Comparative Figures

Certain 2007 figures have been reclassified to conform to the 2008 presentation.

Note 10 Budget

The 2007-2008 Government and Lottery Fund Estimates were approved on May 16, 2007.

Note 11 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, 2008

Schedule 1

(in thousands)

	2008 Budget	2008 Actual	2007 Actual (Restated)
Grants	\$ 120,601	\$ 141,508	\$ 138,290
Indemnities	670,334	462,411	719,055
Salaries, Wages, Employment Contracts and Benefits	137,303	134,122	123,179
Interest	51,125	46,402	45,135
Supplies and Services	61,796	57,355	59,913
Amortization of Tangible Capital Assets	12,100	11,703	10,855
Other Expenses	20,720	15,766	16,893
Valuation Adjustments	2,745	9,145	2,732
Total	<u>\$ 1,076,724</u>	<u>\$ 878,412</u>	<u>\$ 1,116,052</u>

Ministry - **continued**

**Ministry of Agriculture and Food - Consolidated Schedule of Loans Receivable
for the Year Ended March 31, 2008**

Schedule 2

(in thousands)

	2008	2007
Loans Receivable	\$ 1,078,156	\$ 1,017,383
Accrued Interest	<u>24,451</u>	<u>25,691</u>
	1,102,607	1,043,074
Less Allowance for Doubtful Accounts	(27,270)	(30,679)
Less Accrued Incentives	(1,522)	(2,030)
Less Loan Discounts	<u>(754)</u>	<u>(1,065)</u>
	<u><u>\$ 1,073,061</u></u>	<u><u>\$ 1,009,300</u></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 \$27,270 (2007 – \$30,679) includes a specific allowance of \$12,682 (2007 – \$12,180) on impaired loans outstanding of \$22,403 (2007 - \$25,303), excluding unamortized loan discount.

Ministry - **continued**

**Ministry of Agriculture and Food - Consolidated Schedule of Investments
for the Year Ended March 31, 2008**

Schedule 3

(in thousands)

	2008	2007
Bonds and Debentures		
Government of Canada, direct and guaranteed	\$ 228,040	\$ 248,762
Other provincial, direct and guaranteed	<u>46,424</u>	<u>42,791</u>
	274,464	291,553
Corporate Securities	<u>159,648</u>	<u>127,855</u>
	434,112	419,408
Accrued interest	<u>4,480</u>	<u>3,736</u>
	<u>\$ 438,592</u>	<u>\$ 423,144</u>

	Term to Maturity				2008 Total	2007 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		
Bonds and Debentures	\$ 69,278	\$ 197,674	\$ 1,971	\$ 5,540	\$ 274,463	\$ 291,553
Yield	4.24%	4.28%	5.51%	5.13%	4.29%	4.24%
Corporate Securities	-	159,648	1	-	159,649	127,855
Yield	<u>-</u>	<u>4.56%</u>	<u>-</u>	<u>-</u>	<u>4.56%</u>	<u>4.27%</u>
	69,278	357,322	1,972	5,540	434,112	419,408
Accrued Interest	<u>446</u>	<u>3,940</u>	<u>15</u>	<u>79</u>	<u>4,480</u>	<u>3,736</u>
	<u>\$ 69,724</u>	<u>\$ 361,262</u>	<u>\$ 1,987</u>	<u>\$ 5,619</u>	<u>\$ 438,592</u>	<u>\$ 423,144</u>

The fair value of investments at March 31, 2008 is \$443,770 (2007 - \$424,519). 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, 2008

Schedule 4
 (in thousands)

Estimated Useful Life	Land		Buildings		Equipment and Vehicles		Computer Hardware and Software		Rail Hopper Cars		2007 Totals
	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years	35 years	2008 Totals					
Historical Cost											
Beginning of year	\$ 469	\$ 11,532	\$ 37,384	\$ 56,824	\$ 49,988	\$ 156,197	\$ 141,890				
Additions	-	-	3,866	10,253	-	14,119	15,520				
Disposals	-	-	(544)	(4,684)	(216)	(5,444)	(1,213)				
	\$ 469	\$ 11,532	\$ 40,706	\$ 62,393	\$ 49,772	\$ 164,872	\$ 156,197				
Accumulated Amortization											
Beginning of year	\$ -	\$ 2,464	\$ 18,212	\$ 30,014	\$ 37,274	\$ 87,964	\$ 77,969				
Amortization expense	-	399	3,375	6,501	1,428	11,703	10,855				
Effect of disposals	-	-	(433)	(4,557)	(164)	(5,154)	(860)				
	\$ -	\$ 2,863	\$ 21,154	\$ 31,958	\$ 38,538	\$ 94,513	\$ 87,964				
Net Book Value at											
March 31, 2008	\$ 469	\$ 8,669	\$ 19,552	\$ 30,435	\$ 11,234	\$ 70,359					
Net Book Value at											
March 31, 2007	\$ 469	\$ 9,068	\$ 19,172	\$ 26,810	\$ 12,714	\$ 68,233					

Historical cost includes work-in-progress at March 31, 2008 totaling \$8,298 comprised of: equipment \$7,011 (2007 - \$1,190) and computer hardware and software \$1,287 (2007 - \$2,044).

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, 2008

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	2008	Effective Interest Rate	2007 (Restated)
Within 1 year	2.25% - 3.75%	\$ 140,000	4.10% - 4.18%	\$ 100,000
1 to 5 years	3.43% - 7.64%	319,877	3.75% - 7.64%	386,757
6 to 10 years	4.21% - 6.52%	377,084	4.21% - 6.52%	297,493
Over 10 years	4.43% - 5.12%	159,142	4.43% - 5.12%	139,482
Accrued Interest		12,934		11,592
Unamortized discount		(2,318)		(3,953)
		<u>\$ 1,006,719</u>		<u>\$ 931,371</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, 2008 is \$1,047,981 (2007 - \$953,325). 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,	2009	\$ 199,688
	2010	56,088
	2011	210,738
	2012	91,900
	2013	53,977
		<u>\$ 612,391</u>

Ministry - continued

Ministry of Agriculture and Food - Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2008

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.

	2008	2007
Revenues:		
Grants	\$ 22,220	\$ 22,220
Other	376	313
	<u>\$ 22,596</u>	<u>\$ 22,533</u>
Expenses - Directly Incurred:		
Grants	\$ -	\$ 158
Accommodation	1,112	1,035
Other services	7,985	5,187
Interest	46,402	45,135
	<u>\$ 55,499</u>	<u>\$ 51,515</u>
Tangible Capital Assets		
Transferred from Advanced Education and Technology	\$ 800	\$ 801
Transferred from Environment	118	518
Transferred from Infrastructure and Transportation	-	212
Transferred to Service Alberta	-	(8)
Payable to		
Ministry of Advanced Education and Technology	2,223	588
Receivable from		
Ministry of Advanced Education and Technology	126	-
Ministry of Municipal Housing and Urban Affairs	2,704	2,777
	<u>\$ 5,971</u>	<u>\$ 4,888</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.

	2008	2007
Expenses incurred by others:		
Accommodation	\$ 15,437	\$ 13,378
Legal	666	693
Service Alberta	5,038	5,057
	<u>\$ 21,141</u>	<u>\$ 19,128</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 - continued
 Ministry of Agriculture and Food - Consolidated Schedule of Allocated Costs for the Year Ended March 31, 2008

Schedule 7
 (in thousands)

Program	2008							2007		
	Expenses - Incurred by Others				Valuation Adjustments ⁽⁵⁾			Total Expenses	Total Expenses	Total Expenses
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Service Alberta ⁽⁴⁾	Vacation Pay	Doubtful Accounts	Guarantees			
Insurance	\$ 338,562	\$ -	\$ -	\$ -	\$ -	\$ (495)	\$ -	\$ 338,067	\$ 217,127	\$ 217,127
Farm income support	199,013	-	-	-	-	(1,978)	-	197,035	580,055	580,055
Industry development	66,275	8,189	137	-	286	2,247	-	77,134	50,899	50,899
Environment and Food Safety	67,941	5,563	217	-	85	(3)	-	73,803	67,967	67,967
Planning and competitiveness	13,336	557	150	-	13	532	(218)	14,370	13,794	13,794
Rural Services	45,706	651	17	-	(123)	(22)	-	46,229	37,411	37,411
Farm Fuel Distribution Allowance	32,830	-	-	-	-	-	-	32,830	32,446	32,446
Lending	25,822	-	-	-	-	8,663	-	34,485	20,089	20,089
Infrastructure assistance	19,279	-	-	-	-	-	-	19,279	50,515	50,515
Ministry support services	14,101	477	145	5,038	62	22	-	19,845	19,742	19,742
	<u>\$ 822,865</u>	<u>\$ 15,437</u>	<u>\$ 666</u>	<u>\$ 5,038</u>	<u>\$ 323</u>	<u>\$ 8,966</u>	<u>\$ (218)</u>	<u>\$ 853,077</u>	<u>\$ 1,090,045</u>	<u>\$ 1,090,045</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 6, allocated by estimated costs incurred by each program.
 (5) 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.