

**Ministry of Agriculture and
Rural Development**

Consolidated Financial Statements

Year Ended March 31, 2010

Ministry of Agriculture and Rural Development

Consolidated Financial Statements

Year Ended March 31

CONTENTS

- 1 Auditor's Report
- 2 Consolidated Statements of Operations
- 3 Consolidated Statements of Financial Position
- 4 Consolidated Statements of Cash Flows
- 5 Notes to the Consolidated Financial Statements
- 11 Consolidated Schedules of Expenses – Directly Incurred Detailed by Object
- 12 Consolidated Schedules of Loans Receivable
- 13 Consolidated Schedules of Investments
- 14 Consolidated Schedules of Tangible Capital Assets
- 15 Consolidated Schedules of Notes and Interest Payable
- 16 Consolidated Schedules of Related Party Transactions
- 17 Consolidated Schedules of Allocated Costs



Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statements of financial position of the Ministry of Agriculture and Rural Development as at March 31, 2010 and 2009 and the consolidated statements of operations and cash flows for the years 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 audits.

I conducted my audits 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Merwan N. Saher]

CA
Auditor General

Edmonton, Alberta
June 17, 2010

Ministry of Agriculture and Rural Development – Consolidated Financial Statements 2009-10

Consolidated Statements of Operations Year Ended March 31

(in thousands)

	2010 Budget	2010 Actual	2009 Actual (Restated - Note 3)
Revenues			
Transfers from Government of Canada	\$ 374,127	\$ 376,008	\$ 284,069
Premiums from Insured Persons	251,413	221,455	209,465
Interest and Investment Income	107,824	99,013	103,972
Fees, Permits, Licenses and Other Income	17,188	41,689	33,862
Internal Government Transfers	20,720	20,720	22,220
Ministry Revenue	771,272	758,885	653,588
Expenses (Schedule 1)			
Program			
Agriculture Income Support	346,834	362,870	652,378
Insurance	473,164	642,853	391,554
Industry Development and Food Safety	95,784	107,432	104,541
Rural Development and Regulatory Services	26,439	29,142	30,553
Policy and Environment	33,909	36,628	42,178
Farm Fuel Distribution Allowance	33,500	33,173	29,391
Lending	26,116	24,551	25,222
Infrastructure Assistance	29,050	29,049	22,252
Ministry Support Services	16,341	15,798	17,097
Livestock and Meat Strategy	55,090	48,930	2,648
Program Expense	1,136,227	1,330,426	1,317,814
Other			
Debt Servicing Costs	52,819	51,489	57,287
Valuation Adjustments	2,852	20,860	1,714
	55,671	72,349	59,001
Ministry Expense	1,191,898	1,402,775	1,376,815
Loss on Disposal of Tangible Capital Assets	-	(17)	(41)
Net Operating Results	\$ (420,626)	\$ (643,907)	\$ (723,268)

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

Ministry of Agriculture and Rural Development – Consolidated Financial Statements 2009-10

Consolidated Statements of Financial Position as at March 31

(in thousands)

	2010	2009 (Restated - Note 3)
Assets		
Cash and Cash Equivalents	\$ 301,252	\$ 415,606
Accounts Receivable	16,051	40,900
Due from Government of Canada	339,761	203,450
Loans Receivable (Schedule 2)	1,264,023	1,173,186
Investments (Schedule 3)	496,564	477,041
Tangible Capital Assets (Schedule 4)	84,565	77,522
	\$ 2,502,216	\$ 2,387,705
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 70,496	\$ 59,858
Indemnities Payable	486,248	299,972
Allowance for Loan Guarantees	972	515
Unearned Revenue	33,276	41,445
Due to Crop Reinsurance Fund of Canada for Alberta	800	625
Notes and Interest Payable to the Province of Alberta (Schedule 5)	1,211,200	1,123,448
	1,802,992	1,525,863
Net Assets		
Net Assets at Beginning of Year	861,842	727,127
Net Operating Results	(643,907)	(723,268)
Net Financing Provided from General Revenues	481,289	857,983
Net Assets at End of Year	699,224	861,842
	\$ 2,502,216	\$ 2,387,705

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

Ministry of Agriculture and Rural Development – Consolidated Financial Statements 2009-10

Consolidated Statements of Cash Flows Year Ended March 31

(in thousands)

	2010	2009 (Restated - Note 3)
Operating Transactions		
Net Operating Results	\$ (643,907)	\$ (723,268)
Non-cash items included in Net Operating Results	34,272	11,611
Net Change in Operating Assets and Liabilities	61,086	10,929
Cash Applied to Operating Transactions	(548,549)	(700,728)
Capital Transactions		
Acquisition of Tangible Capital Assets ⁽¹⁾	(19,242)	(18,813)
Proceeds on Disposal of Tangible Capital Assets	27	63
Cash Applied to Capital Transactions	(19,215)	(18,750)
Investing Transactions		
Proceeds from Repayments of Loans Receivable, Advances and Sale of Properties	237,756	192,746
Loan and Advance Disbursements	(327,053)	(290,278)
Purchase of Investments	(565,718)	(296,771)
Proceeds on Disposal of Investments	537,466	268,371
Cash Applied to Investing Transactions	(117,549)	(125,932)
Financing Transactions		
Borrowing from the Province of Alberta	299,026	113,861
Repayment of Borrowing from the Province of Alberta	(209,356)	(40)
Transfer of Industry Funds	-	21,688
Net Financing Provided from General Revenues ⁽¹⁾	481,289	857,983
Cash Provided by Financing Transactions	570,959	993,492
Increase (Decrease) in Cash and Cash Equivalents	(114,354)	148,082
Cash and Cash Equivalents, Beginning of Year	415,606	267,524
Cash and Cash Equivalents, End of Year	\$ 301,252	\$ 415,606

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

⁽¹⁾ Includes Capital Asset Transfer of \$4,307.

Notes to the Consolidated Financial Statements Year Ended March 31

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 are the cost of employer contributions 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 not recognized and are disclosed in Schedule 6 and allocated to programs 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 \$24,998 (2009 – \$13,328) 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.

Loans Receivable - Loans receivable, recorded as \$1,264,023 (2009 – \$1,173,186) in these financial statements, include a specific allowance of \$7,544 (2009 – \$12,251) and a general allowance of \$17,135 (2009 – \$12,220) that are subject to measurement uncertainty. The amount established for specific and general allowances of \$24,679 (2009 – \$24,471) 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.

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

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 \$486,248 (2009 – \$299,972) 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 \$449,301. This includes estimated payments for the 2009 claim year of \$390,753 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 2009 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2009 claim year is based on the number of farm operations participating in the program during the 2008 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2008 and 2009. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2009 claim year would range from \$329,415 to \$477,914.

Agri-Invest and Agri-Stability indemnities payable includes estimated payments of \$49,605 for claims received but not processed for the 2008 and prior claim years (2009 - \$75,298 for the 2007 and prior claim years). The estimates for the 2008 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 \$8,943 (2009 – \$30,113) for related programs. The related programs were approved and entirely funded by the Government of Alberta.

Note 3 Restatement of Prior Year Figures

(in thousands)

(a) Program Transfers

Effective April 1, 2009 the Ministry of Infrastructure transferred budgetary responsibilities for funding one FTE to the Ministry. The 2009 comparatives have been restated as if the Ministry had always been assigned with its current responsibilities. Expenses for 2008-09 were increased by \$75 and the Net Financing Provided from General Revenues was increased by \$75 resulting in no change in net assets at March 31, 2009.

(b) Government Reorganization

As a result of restructuring of government ministries announced on March 12, 2009, responsibility for International Marketing was transferred from the Ministry of International and Intergovernmental Relations. Comparatives for 2009 have been restated as if the Ministry had always been assigned with its current responsibilities.

Net liabilities on March 31, 2008 is made up as follows:

Net liabilities as previously reported	\$ 727,259
Transferred from the Ministry of International and Intergovernmental Relations	(132)
Net liabilities at March 31, 2008	<u>\$ 727,127</u>
Net Operating Results, as previously reported at March 31, 2009	\$ (720,813)
Expenses Transferred from the Ministry of Infrastructure	(75)
Expenses Transferred from the Ministry of International and Intergovernmental Relations	(2,380)
Net Operating Results, as restated at April 1, 2009	<u>\$ (723,268)</u>

Ministry of Agriculture and Rural Development – Consolidated Financial Statements 2009-10

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, 2010. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

	Scheduled Repayment ⁽¹⁾				Not Interest Rate Sensitive ⁽²⁾	2010 Total	2009 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	<i>(in thousands)</i>						
Loan balances	\$ 119,434	\$ 387,796	\$ 366,190	\$ 386,078	\$ 9,732	\$ 1,269,230	\$ 1,173,185
Yield ⁽³⁾	5.45%	5.66%	5.83%	5.47%	-	5.65%	6.02%
Rural utilities	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 1
Notes and Interest payable							
to the Province of Alberta	\$ 318,687	\$ 309,349	\$ 312,264	\$ 259,294	\$ 11,606	\$ 1,211,200	\$ 1,123,448
Yield ⁽³⁾	4.68%	4.74%	4.78%	5.63%	-	4.80%	4.82%
Net gap	\$ (199,252)	\$ 78,447	\$ 53,926	\$ 126,784	\$ (1,874)	\$ 58,031	\$ 49,737

⁽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 5 Contingent Liabilities

(in thousands)

At March 31, 2010, Ministry entities are defendants in three legal claims (2009 – four legal claims). These claims have specified amounts totaling \$980 (2009 – \$1,405). Included in the total legal claims are two claims amounting to \$800 (2009 – one claim amounting to \$300) in which the Ministry has been jointly named with other entities. One claim amounting to \$300 (2009 – two claims amounting to \$525) is covered by the Alberta Risk Management Fund.

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

Ministry of Agriculture and Rural Development – Consolidated Financial Statements 2009-10

Note 6 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2010	2009
Obligations under operating leases, contracts and programs	\$ 68,500	\$ 53,892
Loans and advances approved	<u>60,587</u>	<u>48,023</u>
	<u>\$ 129,087</u>	<u>\$ 101,915</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations Under Operating Leases, Contracts and Programs

	Total
2010-11	\$ 54,408
2011-12	9,504
2012-13	3,335
2013-14	1,078
2014-15	175
	<u>\$ 68,500</u>

Loans and advances

	Total
2010-11	\$ 60,208
2011-12	379
	<u>\$ 60,587</u>

Note 7 Guarantees

(in thousands)

	2010	2009	Expiry Date
Feeder Associations	\$ 49,004	\$ 49,866	Ongoing
Agriculture Financial Services Corporation Guarantees	12,355	13,998	Variable
<i>Rural Utilities Act</i>	130	1	Ongoing
<i>Agricultural Societies Act</i>	<u>-</u>	<u>-</u>	2015
	61,489	63,865	
Allowance for Loan Guarantees	<u>(972)</u>	<u>(515)</u>	
	<u>\$ 60,517</u>	<u>\$ 63,350</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 of Agriculture and Rural Development – Consolidated Financial Statements 2009-10

Note 8 Trust Funds Under Administration

(in thousands)

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, 2010 trust funds under administration were as follows:

	2010	2009
4-H General Trust	\$ 17	\$ 32
Wheat Board Monies Trust Fund	134	139
Claude Gallinger Memorial Trust Fund	21	21
	<u>\$ 172</u>	<u>\$ 192</u>

Note 9 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 \$11,383 for the year ended March 31, 2010 (2009 - \$10,409).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of \$483,199 (2008 deficiency - \$568,574) and the Public Service Pension Plan reported a deficiency of \$1,729,196 (2008 deficiency - \$1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$39,516 (2008 deficiency - \$7,111).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2010, the Bargaining Unit Plan reported an actuarial deficiency of \$8,335 (2009 deficiency - \$33,540) and the Management, Opted Out, and Excluded Plan an actuarial surplus of \$7,431 (2009 deficiency - \$1,051). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10 Subsequent Event

(in thousands)

The Governments of Canada and Alberta have agreed on the Canada-Alberta Pasture Recovery Initiative under the Growing Forward: A Federal-Provincial-Territorial Framework Agreement. The initiative is a response to extreme drought conditions in 2009 and low Spring 2010 moisture reserves in certain parts of Alberta and will be implemented in the next fiscal year. The estimated cost of the response is \$94,800 to be shared by the parties as per the agreement. The cost and the corresponding contributions from the Province of Alberta and the Government of Canada are subject to measurement uncertainty.

Note 11 Comparative Figures

Certain 2009 figures have been reclassified to conform to the 2010 presentation.

Note 12 Budget

The 2009-2010 Government and Lottery Fund Estimates were approved on May 26, 2009.

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 Schedules of Expenses – Directly Incurred
Detailed by Object Year Ended March 31**

Schedule 1
(in thousands)

	2010 Budget	2010 Actual	2009 Actual (Restated - Note 3)
Grants	\$ 152,542	\$ 169,249	\$ 109,444
Indemnities	731,849	927,056	974,870
Salaries, Wages, Employment Contracts and Benefits	152,289	138,402	141,251
Interest	52,819	51,489	57,287
Supplies and Services	58,373	58,421	67,735
Amortization of Tangible Capital Assets	14,222	12,155	11,555
Other Expenses	26,952	25,143	12,959
Valuation Adjustments	2,852	20,860	1,714
Total	<u>\$ 1,191,898</u>	<u>\$ 1,402,775</u>	<u>\$ 1,376,815</u>

**Ministry of Agriculture and Rural Development – Consolidated Schedules of Loans Receivable
Year Ended March 31**

Schedule 2
(in thousands)

	2010	2009
Loans Receivable	\$ 1,265,654	\$ 1,174,019
Accrued Interest	<u>24,086</u>	<u>25,221</u>
	1,289,740	1,199,240
Less Allowance for Doubtful Accounts	(24,679)	(24,471)
Less Accrued Incentives	(661)	(1,090)
Less Loan Discounts	<u>(377)</u>	<u>(493)</u>
	<u><u>\$ 1,264,023</u></u>	<u><u>\$ 1,173,186</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 \$24,679 (2009 – \$24,471) includes a specific allowance of \$7,544 (2009 – \$12,251) on impaired loans outstanding of \$13,501 (2009 - \$14,062), excluding unamortized loan discount.

**Ministry of Agriculture and Rural Development – Consolidated Schedules of Investments
Year Ended March 31**

Schedule 3
(in thousands)

	<u>2010</u>	<u>2009</u>
Bonds and Debentures		
Government of Canada, direct and guaranteed	\$ 135,757	\$ 172,113
Other provincial, direct and guaranteed	<u>180,247</u>	<u>128,755</u>
	316,004	300,868
Corporate Securities	175,209	163,366
Equities	<u>-</u>	<u>7,342</u>
	491,213	471,576
Accrued interest	<u>5,351</u>	<u>5,465</u>
	<u>\$ 496,564</u>	<u>\$ 477,041</u>

	<u>Term to Maturity</u>			<u>2010 Total</u>	<u>2009 Total</u>
	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>		
Bonds and Debentures	\$ 2,119	\$ 294,450	\$ 19,435	\$ 316,004	\$ 300,868
Yield	1.00%	2.64%	3.71%	2.70%	2.11%
Corporate Securities	17,106	158,103	-	175,209	163,367
Yield	1.50%	2.67%	-	2.55%	5.44%
Equities	-	-	-	-	7,341
Yield	-	-	-	-	3.71%
	<u>19,225</u>	<u>452,553</u>	<u>19,435</u>	<u>491,213</u>	<u>471,576</u>
Accrued Interest	<u>186</u>	<u>4,876</u>	<u>289</u>	<u>5,351</u>	<u>5,465</u>
	<u>\$ 19,411</u>	<u>\$ 457,429</u>	<u>\$ 19,724</u>	<u>\$ 496,564</u>	<u>\$ 477,041</u>

The fair value of investments at March 31, 2010 is \$503,384 (2009 - \$483,548). Fair value is based on quoted market prices including accrued interest.

Ministry of Agriculture and Rural Development – Consolidated Schedules of Tangible Capital Assets Year Ended March 31

Schedule 4

(in thousands)

Estimated Useful Life	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	Leasehold Improvements	2010 Total	2009 Total
	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years	35 years	5 years		
Historical Costs								
Beginning of year	\$ 347	\$ 11,698	\$ 45,961	\$ 73,834	\$ 49,559	\$ -	\$ 181,399	\$ 164,872
Additions	-	67	7,267	11,775	-	133	19,242	18,944
Disposals	-	-	(353)	(5,388)	-	-	(5,741)	(2,417)
	<u>\$ 347</u>	<u>\$ 11,765</u>	<u>\$ 52,875</u>	<u>\$ 80,221</u>	<u>\$ 49,559</u>	<u>\$ 133</u>	<u>\$ 194,900</u>	<u>\$ 181,399</u>
Accumulated Amortization								
Beginning of year	\$ -	\$ 3,261	\$ 22,952	\$ 37,876	\$ 39,788	\$ -	\$ 103,877	\$ 94,513
Amortization expense	-	399	3,707	6,614	1,415	20	12,155	11,555
Effect of disposals	-	-	(337)	(5,360)	-	-	(5,697)	(2,191)
	<u>\$ -</u>	<u>\$ 3,660</u>	<u>\$ 26,322</u>	<u>\$ 39,130</u>	<u>\$ 41,203</u>	<u>\$ 20</u>	<u>\$ 110,335</u>	<u>\$ 103,877</u>
Net Book Value at								
March 31, 2010	<u>\$ 347</u>	<u>\$ 8,105</u>	<u>\$ 26,553</u>	<u>\$ 41,091</u>	<u>\$ 8,356</u>	<u>\$ 113</u>	<u>\$ 84,565</u>	
Net Book Value at								
March 31, 2009	<u>\$ 347</u>	<u>\$ 8,437</u>	<u>\$ 23,009</u>	<u>\$ 35,958</u>	<u>\$ 9,771</u>			<u>\$ 77,522</u>

Historical cost includes work-in-progress at March 31, 2010 totaling \$10,815 comprised of: equipment \$5,318 (2009 - \$947) and computer hardware and software \$5,497 (2009 - \$14,221).

This has not been amortized during the period.

**Ministry of Agriculture and Rural Development – Consolidated Schedules of Notes and Interest Payable
Year Ended March 31**

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	2010	Effective Interest Rate	2009
Within 1 year	0.22% - 5.93%	\$ 291,063	0.38%	\$ 40,000
1 to 5 years	2.06% - 7.64%	273,998	3.25% - 7.64%	454,957
6 to 10 years	0.58% - 5.93%	375,239	4.21% - 5.93%	301,672
Over 10 years	4.90% - 4.97%	259,294	4.43% - 4.97%	313,294
Accrued Interest		12,709		15,108
Unamortized discount		(1,103)		(1,583)
		<u>\$ 1,211,200</u>		<u>\$ 1,123,448</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, 2010 is \$1,260,342 (2009 - \$1,174,308). 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,	2011	\$ 318,687
	2012	84,425
	2013	96,053
	2014	83,393
	2015	45,479
		<u>\$ 628,037</u>

**Ministry of Agriculture and Rural Development – Consolidated Schedules of Related Party Transactions
Year Ended March 31**

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 Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

	2010	2009
Revenues:		
Grants	\$ 20,720	\$ 22,220
Other	582	378
	<u>\$ 21,302</u>	<u>\$ 22,598</u>
Expenses - Directly Incurred:		
Grants	\$ 14,213	\$ 458
Accommodation	826	932
Other services	4,472	2,747
Interest	51,489	57,287
	<u>\$ 71,000</u>	<u>\$ 61,424</u>
Tangible Capital Assets		
Transferred from Advanced Education and Technology	\$ 4,307	\$ 1,038
Transferred from Environment	-	9
Transferred to Infrastructure	-	(122)
	<u>\$ 4,307</u>	<u>\$ 925</u>
Payable to		
Ministry of Advanced Education and Technology	4,281	1,551
Ministry of Housing and Urban Affairs	-	19
Ministry of Service Alberta	-	18
Receivable from		
Ministry of Advanced Education and Technology	128	-
Ministry of Municipal Housing and Urban Affairs	-	1,441
	<u>\$ 4,409</u>	<u>\$ 3,029</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.

	2010	2009
Expenses incurred by others:		
Accommodation	\$ 22,264	\$ 18,442
Legal	708	1,013
Other services	7,304	7,291
	<u>\$ 30,276</u>	<u>\$ 26,746</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 Schedules of Allocated Costs Year Ended March 31

Schedule 7 (in thousands)

Program	2010						Valuation Adjustments ⁽⁷⁾		2009	
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Service Alberta ⁽⁴⁾	Air Transportation ⁽⁵⁾	Learning Centre ⁽⁶⁾	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Restated - Note 3)
Insurance	\$ 642,853	\$ 1,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217	\$ 644,156	\$ 391,848
Agriculture income support	362,870	62	-	-	-	-	-	11,978	374,910	657,013
Industry Development and Food Safety	107,432	10,454	323	-	-	22	139	(20)	118,350	116,884
Policy and Environment	36,628	5,347	168	-	-	11	110	(16)	42,248	43,769
Rural Development and Regulatory Services	29,142	2,507	92	-	-	5	164	-	31,910	32,966
Farm Fuel Distribution Allowance	33,173	-	-	-	-	-	-	-	33,173	29,391
Lending	24,551	728	-	-	-	-	-	8,240	33,519	24,014
Infrastructure assistance	29,049	-	-	-	-	-	-	-	29,049	22,252
Ministry support services	15,798	2,080	125	7,121	141	4	67	-	25,336	25,323
Livestock and Meat Strategy	48,930	-	-	-	-	-	(38)	-	48,892	2,814
	<u>\$ 1,330,426</u>	<u>\$ 22,264</u>	<u>\$ 708</u>	<u>\$ 7,121</u>	<u>\$ 141</u>	<u>\$ 42</u>	<u>\$ 442</u>	<u>\$ 20,399</u>	<u>\$ 1,381,543</u>	<u>\$ 1,346,274</u>

⁽¹⁾ Expenses - Directly incurred per Consolidated Statements 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 Learning Centre, allocated by budgeted full-time equivalent employment.

⁽⁷⁾ Valuation Adjustments as per Statements of Operations, Provision for Doubtful Accounts and Provision for Vacation Pay included in Valuation

Adjustments were allocated as follows:

- Vacation Pay - allocated to the program by employee.

- Provision for Doubtful Accounts - estimated allocation to program.