



AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture, Food and Rural Development as at March 31, 2006 and the consolidated statements of operations and cash flows for the year then ended. These consolidated financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these consolidated 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, 2006 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 Dunn
FCA
Auditor General

Edmonton, Alberta
May 19, 2006

[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, Food and Rural Development – Consolidated Financial Statements
2005-2006****Consolidated Statement of Operations for the Year Ended March 31, 2006***(in thousands)*

	2006 Budget	2006 Actual	2005 Actual
Revenues			
Transfers from Government of Canada	\$ 354,630	\$ 299,091	\$ 506,215
Premiums from insured persons	158,521	141,524	135,941
Interest and investment income	86,434	82,686	80,674
Fees, permits, licenses and other income	10,432	30,353	52,274
Internal government transfers	22,220	22,220	16,620
Reinsurance recoveries	–	10	2,163
Ministry revenue	632,237	575,884	793,887

continued

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2005-2006****continued****Consolidated Statement of Operations for the Year Ended March 31, 2006***(in thousands)*

	2006 Budget	2006 Actual	2005 Actual
Expenses (Schedule 1)			
Program –			
Farm income support	334,434	491,758	529,654
Insurance	418,004	255,290	284,382
BSE recovery program	133,190	18,853	147,225
Industry development	48,928	85,514	137,917
Sustainable agriculture	55,587	56,548	46,354
Planning and competitiveness	46,241	44,188	37,083
Farm fuel distribution allowance	33,500	33,295	32,637
Lending	33,179	27,350	30,318
Infrastructure assistance	27,000	29,442	23,815
Ministry support services	18,553	19,889	17,841
Program expense	1,148,616	1,062,127	1,287,226
Other –			
Debt servicing costs	53,279	44,849	45,057
Valuation adjustments	2,427	(2,175)	3,801
	55,706	42,674	48,858
Ministry expense	1,204,322	1,104,801	1,336,084
Loss on disposal of tangible capital assets			
	–	21	1,217
	–	21	1,217
Net operating results	\$ (572,085)	\$ (528,938)	\$ (543,414)

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements**

2005-2006

Consolidated Statement of Financial Position as at March 31, 2006*(in thousands)*

	2006	2005
Assets		
Cash	\$ 163,501	\$ 76,278
Accounts receivable	143,939	128,020
Due from Government of Canada	372,365	411,355
Loans receivable <i>(Schedule 2)</i>	973,088	977,466
Investments <i>(Schedule 3)</i>	238,459	171,229
Tangible capital assets <i>(Schedule 4)</i>	63,921	58,661
	\$1,955,273	\$1,823,009
Liabilities		
Accounts payable and accrued liabilities	\$ 103,024	\$ 242,630
Indemnities payable	456,883	449,849
Allowance for loan guarantees	3,428	3,790
Unearned revenue	3,278	3,540
Deferred contributions <i>(Note 3)</i>	7,730	10,861
Due to Crop Reinsurance Fund of Canada for Alberta	16,630	13,737
Notes and interest payable to the Province of Alberta <i>(Schedule 5)</i>	897,059	910,653
	1,488,032	1,635,060
Net Assets		
Net assets at beginning of year	187,949	66,867
Net operating results	(528,938)	(543,414)
Net transfer from general revenues	808,230	664,496
Net assets at end of year	467,241	187,949
	\$1,955,273	\$1,823,009

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2005-2006****Consolidated Statement of Cash Flows for the Year Ended March 31, 2006***(in thousands)*

	2006	2005
Operating Transactions		
Net operating results	\$ (528,938)	\$ (543,414)
Non-cash items	2,732	7,362
Proceeds on disposal of non-capital assests	93	111
Net change in operating assets and liabilities	(113,597)	(30,797)
Cash applied to operating transactions	(639,710)	(566,738)
Capital Transactions		
Acquisition of tangible capital assets	(14,987)	(13,493)
Transfer of tangible capital assets	(7)	(139)
Disposal of tangible capital assets	468	317
Cash applied to capital transactions	(14,526)	(13,315)
Investing Transactions		
Proceeds from repayments of loans receivable, advances and sale of properties	190,142	181,119
Loan and advance disbursements	(184,198)	(171,979)
Purchase of investments	(680,013)	(523,780)
Proceeds on disposal of investments	614,452	454,501
Cash applied to investing transactions	(59,617)	(60,139)
Financing Transactions		
Borrowing from the Province of Alberta	568,581	1,828,362
Repayment of borrowing from the Province of Alberta	(584,385)	(1,840,186)
Government of Canada funding for capital assets	3,432	619
Province of Alberta funding for capital assets	5,218	954
Net transfer from general revenues	808,230	664,496
Cash provided by financing transactions	801,076	654,245
Increase in cash	87,223	14,053
Cash, beginning of year	76,278	62,225
Cash, end of year	\$ 163,501	\$ 76,278

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

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2005-2006

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2006

Note 1 Authority and Purpose

The Minister of Agriculture, Food 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 in partnership with vibrant rural communities.

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, Food 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, Food and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture, Food 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 financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

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

(c) Basis of Financial Reporting

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

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

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

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

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

Expenses

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

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2005-2006

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 for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

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

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

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

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

Investments are carried at cost or amortized cost, unless there is another 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 \$143,939 in these financial statements, includes \$88,502 for estimated overpayments for the Canadian Agricultural Income Stabilization (CAIS) program that is subject to measurement uncertainty. The amount could change substantially in the future if factors considered by management in establishing the estimate for the CAIS program overpayments were to change significantly. The estimate of \$88,502 is for CAIS program participants who received advance payments but who have not yet had their final claim processed by the Corporation. The estimate is based on historical experience.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2005-2006

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

CAIS overpayments are non-interest bearing until December 31, 2006. Participants will receive a rebate if they repay the CAIS overpayment within 90 days of the overpayment notification or they can convert the overpayment to an interest-bearing loan up until December 31, 2006. If the overpayment is not repaid or converted to a loan, the Corporation will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Corporation as well as programs administered by the Province of Alberta and the Government of Canada.

Loans Receivable – Loans receivable, recorded as \$973,088 in these financial statements, are subject to measurement uncertainty. The amount established for specific and general allowances of \$37,430 to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

The majority of the Corporation's loan portfolio is with beginning and developing business operations and hence, is subject to high risk. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages based on risks and applies them to loan receivable balances. Risk is based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

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

Included in estimated indemnities payable are CAIS indemnities amounting to \$449,222. This includes estimated payments for the 2005 claim year of \$318,310 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 2005 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2005 claim year is based on the number of farm operations participating in the program during the 2004 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2004 and 2005. If the 2005 estimated program margins were to increase by 5%, the estimated indemnities payable for the 2005 claim year would decrease by \$12,000. If the 2005 program margins were to decrease by 5% the estimated indemnities payable for the 2005 claim year would increase by \$14,000.

CAIS indemnities payable includes estimated payments of \$46,010 for claims received but not processed for the 2003 and 2004 claim years. The estimates for the 2003 and 2004 claim years are based on the number of claims received but not yet processed and the estimated average payment per claim.

CAIS indemnities payable also includes estimated payments of \$84,902 for the 2003, 2004 and 2005 claim years. The estimate is for claims not yet processed that may receive an increased payment as a result of a change in the way support levels are determined. The estimate is based on the historical payment ratio for claims processed.

Note 3 Deferred Contributions

(in thousands)

Deferred contributions consist of Premiums from Insured Persons of \$7,730 (2005 – \$10,861).

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.

Ministry – continued

**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2005-2006**

Note 4 Credit and Interest Risk (continued)

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, 2006. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

	Term to Maturity ⁽¹⁾				Not Interest Rate Sensitive ⁽²⁾	2006 Total	2005 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	<i>(in thousands)</i>						
Farm loans	\$ 71,212	\$266,913	\$235,956	\$240,743	\$ (4,492)	\$810,332	\$812,138
Yield ⁽³⁾	6.85%	6.53%	6.63%	6.25%	–	6.59%	6.87%
Commercial loans	\$ 56,561	\$ 94,032	\$ 12,345	\$ –	\$ (186)	\$162,752	\$165,322
Yield ⁽³⁾	7.00%	7.73%	5.30%	–	–	6.94%	7.17%
Rural utilities	\$ 4	\$ –	\$ –	\$ –	\$ –	\$ 4	6
Total	\$127,777	\$360,945	\$248,301	\$240,743	\$ (4,678)	\$973,088	\$977,466
Yield ⁽³⁾	6.87%	6.57%	6.61%	6.25%	–	6.61%	6.89%
Notes payable							
Province of Alberta	\$158,704	\$414,143	\$222,144	\$ 92,444	\$ 9,624	\$897,059	\$910,653
Yield ⁽³⁾	5.34%	5.35%	5.33%	5.20%	–	5.34%	5.50%
Net gap before pre- payment adjustment	\$(30,927)	\$(53,198)	\$ 26,157	\$148,299	\$(14,302)	\$ 76,029	\$ 66,807
Estimated prepayment	42,957	72,475	(23,375)	(92,057)	–	–	–
Net gap	\$ 12,030	\$ 19,277	\$ 2,782	\$ 56,242	\$(14,302)	\$ 76,029	\$ 66,807

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

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

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

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2005-2006****Note 5 Contingent Liabilities***(in thousands)*

At March 31, 2006, Ministry entities are defendants in ten legal claims (2005 – seven legal claims). These claims have specified amounts totalling \$6,072 (2005 – \$2,526). Included in the total legal claims is one claim amounting to \$1,332 (2005 – one claim amounting to \$1,332) in which the Ministry has been jointly named with other entities. Two claims amounting to \$4,533 (2005 – one claim amounting to \$1,332) are covered by the Alberta Risk Management Fund.

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

The Ministry has a contingent liability in respect of a claim concerning the methodology used to calculate pension benefit payments under the Public Service Pension Plan (PSPP). The claim has been filed jointly and severally against the Province of Alberta and the employers participating in the PSPP. The claim specified an amount of \$1,250,000.

Note 6 Contractual Obligations

	2006	2005
	<i>(in thousands)</i>	
Approved, undisbursed loans	\$36,914	\$42,861
Estimated farm loan incentives	15,569	14,612
Reinsurance	15,500	15,615
Grants	4,447	3,035
Service contracts	3,719	2,068
Operating leases	1,003	1,371
Building costs	–	217
	<u>\$77,152</u>	<u>\$79,779</u>

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

Note 7 Guarantees

	2006	2005	Expiry Date
	<i>(in thousands)</i>		
Feeder associations	\$49,675	\$48,820	Ongoing
Agriculture Financial Services Corporation guarantees	29,939	34,716	Variable
Rural Utilities Act	183	370	Ongoing
Agricultural Societies Act	12	29	2015
	79,809	83,935	
Allowance for loan guarantees	<u>(3,428)</u>	<u>(3,790)</u>	
	<u>\$76,381</u>	<u>\$80,145</u>	

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

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2005-2006****Note 8 Trust Funds Under Administration**

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Since 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 consolidated financial statements. As at March 31, 2006 trust funds under administration were as follows:

	2006	2005 (Restated)
		<i>(in thousands)</i>
4-H General Trust	\$ 51	\$ 85
Wheat Board Monies Trust Fund	96	97
Claude Gallinger Memorial Trust Fund	23	24
	<u>\$170</u>	<u>\$206</u>

Note 9 Defined Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of \$7,859 for the year ended March 31, 2006 (2005 – \$6,907).

At December 31, 2005 the Management Employees Pension Plan reported a deficiency of \$165,895 (2004 – \$268,101) and the Public Service Pension Plan reported a deficiency of \$187,704 (2004 – \$450,068). At December 31, 2005, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$10,018 (2004 – \$9,404).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2006, the Bargaining Unit Plan reported an actuarial deficiency of \$8,699 (2005 – \$11,817) and the Management, Opted Out, and Excluded Plan an actuarial surplus of \$8,309 (2005 – \$3,208). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10 Comparative Figures

Certain 2005 figures have been reclassified to conform to the 2006 presentation.

Note 11 Budget

The 2005-2006 Government and Lottery Fund Estimates were approved on June 2, 2005.

Note 12 Approval of the Consolidated Financial Statements

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Expenses –
Directly Incurred Detailed by Object for the Year Ended March 31, 2006****Schedule 1***(in thousands)*

	2006 Budget	2006 Actual	2005 Actual
Grants	\$ 270,509	\$164,131	\$ 334,038
Indemnities	657,803	638,984	720,436
Salaries, wages, employment contracts and benefits	122,459	119,566	119,111
Interest	59,070	49,732	45,057
Supplies and services	68,327	66,672	60,474
Amortization of tangible capital assets	8,114	9,245	8,050
Other expenses	15,613	58,646	45,117
Valuation adjustments	2,427	(2,175)	3,801
Total	<u>\$1,204,322</u>	<u>\$1,104,801</u>	<u>\$1,336,084</u>

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Loans
Receivable for the Year Ended March 31, 2006****Schedule 2***(in thousands)*

	2006	2005
Loans receivable	\$ 989,409	\$ 999,050
Accrued interest	<u>24,946</u>	<u>25,701</u>
	1,014,355	1,024,751
Less allowance for doubtful accounts	(37,430)	(42,745)
Less accrued incentives	(2,279)	(2,451)
Less loan discounts	<u>(1,558)</u>	<u>(2,089)</u>
	<u>\$ 973,088</u>	<u>\$ 977,466</u>

The allowance for doubtful accounts of \$37,430 (2005 – \$42,745) includes a specific allowance for \$9,204 (2005 – \$12,853) on impaired loans outstanding of \$26,120 (2005 – \$24,647), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2006 is \$981,203 (2005 – \$967,192). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Investments
for the Year Ended March 31, 2006****Schedule 3***(in thousands)*

	2006	2005
Bonds and debentures		
Government of Canada, direct and guaranteed	\$141,546	\$124,308
Other provincial, direct and guaranteed	<u>15,742</u>	<u>14,293</u>
	157,288	138,601
Corporate securities	<u>78,520</u>	<u>31,075</u>
	235,808	169,676
Accrued interest	<u>2,651</u>	<u>1,553</u>
	<u>\$238,459</u>	<u>\$171,229</u>

	Term to Maturity ⁽¹⁾				2006 Total	2005 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		
Bonds and debentures	\$22,487	\$116,610	\$10,153	\$8,038	\$157,288	\$138,601
Yield ⁽²⁾	3.70%	3.84%	4.65%	5.64%	3.69%	3.98%
Securities	–	37,451	41,069	–	78,520	31,075
Yield ⁽²⁾	<u>0.00%</u>	<u>4.46%</u>	<u>4.45%</u>	<u>–</u>	<u>0.00%</u>	<u>5.15%</u>
	22,487	154,061	51,222	8,038	235,808	169,676
Accrued interest	<u>180</u>	<u>1,435</u>	<u>936</u>	<u>100</u>	<u>2,651</u>	<u>1,553</u>
	<u>\$22,667</u>	<u>\$155,496</u>	<u>\$52,158</u>	<u>\$8,138</u>	<u>\$238,459</u>	<u>\$171,229</u>

The fair value of investments at March 31, 2006 is \$238,183 (2005 – \$173,697). Fair value is based on quoted market prices including accrued interest.

(1) Term to maturity classifications are based on contractual maturity date of the security.

(2) Yield represents the rate which discounts future cash receipts to the carrying amount.

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Tangible
Capital Assets for the Year Ended March 31, 2006****Schedule 4***(in thousands)*

	Estimated Useful Life	Cost	2006 Accumulated Amortization	Net Book Value	2005 Net Book Value
Land	Indefinite	\$ 469	\$ –	\$ 469	\$ 793
Land improvements	10-40 years	452	18	434	–
Buildings	40 years	11,080	2,048	9,032	9,185
Equipment*	5-10 years	33,738	17,022	16,716	16,212
Computer hardware and software	3-5 years	45,727	22,729	22,998	16,709
Rail hopper cars	35 years	<u>50,425</u>	<u>36,153</u>	<u>14,272</u>	<u>15,762</u>
		<u>\$141,891</u>	<u>\$77,970</u>	<u>\$63,921</u>	<u>\$58,661</u>

* Equipment includes heavy equipment, vehicles, furniture and assets under construction.

Computer hardware and software includes \$8,107 (2005 – \$428) for software development and equipment includes \$408 (2005 – \$0) for development of lab equipment that has not been amortized during the period.

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Notes and Interest Payable for the Year Ended March 31, 2006****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	2006	Effective Interest Rate	2005
Within 1 year	2.57% - 5.54%	\$ 92,843	2.45% - 5.53%	\$137,020
1 to 5 years	3.75% - 5.93%	263,492	2.57% - 5.54%	189,374
6 to 10 years	4.26% - 7.64%	192,358	4.28% - 7.64%	274,193
Over 10 years	4.43% - 6.52%	335,395	5.04% - 6.52%	298,898
Accrued Interest		<u>12,971</u>		<u>11,168</u>
		<u>\$897,059</u>		<u>\$910,653</u>

Net unamortized discounts of \$3,347 (2005 – \$3,724) are included in the balances disclosed.

The approximate fair value at March 31, 2006 is \$922,702 (2005 – \$950,615). Fair values for notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include a liquidity premium to reflect the fact that if the notes are sold, there will be a limited pool of these securities trading in the market; and that the notes would be new to the market and are not direct issues of the Province; a factor to reflect the blended payment structure of the notes.

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

Year ending March 31,	2007	\$158,704
	2008	87,629
	2009	159,688
	2010	56,088
	2011	<u>110,738</u>
		<u>\$572,847</u>

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2006****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:

	2006	2005
Revenues		
Grants	\$22,220	\$16,620
Other	<u>1,224</u>	<u>880</u>
	<u>\$23,444</u>	<u>\$17,500</u>
Expenses – directly incurred		
Grants	\$406	\$ 249
Accommodation	1,268	1,402
Other services	7,441	7,684
Interest	<u>44,849</u>	<u>45,057</u>
	<u>\$53,964</u>	<u>\$54,392</u>
Tangible capital assets transferred from Innovation and Science	<u>\$ 7</u>	<u>\$ 139</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.

	2006	2005
Expenses – incurred by others		
Accommodation	\$13,327	\$12,735
Other services	<u>486</u>	<u>349</u>
	<u>\$13,813</u>	<u>\$13,084</u>

Note: The Ministry receives services under contracts managed by the Ministry of Restructuring and Government Efficiency. Any commitments under these contracts are reported by the Ministry of Restructuring and Government Efficiency.

Ministry – continued
Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Allocated Costs for the Year Ended March 31, 2006

Schedule 7
(in thousands)

Program	2006				2005		
	Expenses ⁽¹⁾	Expenses – Incurred by Others	Valuation Adjustments ⁽⁴⁾	Total	Expenses	Expenses	Total
		Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Vacation Pay	Doubtful Accounts	Guarantees	Expenses
Insurance	\$ 255,290	\$ –	\$ –	\$ –	\$ 280	\$ –	\$ 255,570
Farm income support	491,758	–	–	–	–	–	491,758
BSE recovery program	18,853	–	–	–	–	–	18,853
Industry development	85,514	4,748	118	188	(30)	–	90,538
Sustainable agriculture	56,548	4,584	147	198	237	–	61,714
Planning and competitiveness	44,188	2,452	111	(126)	150	–	46,775
Farm fuel distribution allowance	33,295	–	–	–	–	–	33,295
Lending	27,350	–	–	–	(2,796)	(362)	24,554
Infrastructure assistance	29,442	–	–	–	–	–	29,442
Ministry support services	19,889	1,543	110	86	–	–	21,628
	<u>\$1,062,127</u>	<u>\$13,327</u>	<u>\$486</u>	<u>\$346</u>	<u>\$(2,159)</u>	<u>\$(362)</u>	<u>\$1,074,127</u>
							<u>\$1,304,102</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) Valuation Adjustments as per Statement of Operations, Employee Benefits, Doubtful Accounts and Guarantees provisions included in Valuation Adjustments were allocated as follows:
- Vacation Pay – allocated to the program by employee.
 - Doubtful Accounts Provision – estimated allocation to program.
 - Guarantees – estimated allocation to program.