

Financial Information

Financial Statements

Ministry

**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005**



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, 2005 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, 2005 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 20, 2005

[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
2004-2005**

Consolidated Statement of Operations for the Year Ended March 31, 2005

(in thousands)

	2005 Budget	2005 Actual	2004 Actual (Restated)
Revenues			
Transfers from Government of Canada	\$ 286,298	\$ 506,215	\$ 560,814
Premiums from insured persons	153,139	135,941	145,960
Interest and investment income	84,520	80,674	86,394
Fees, permits, licenses and other income	8,712	52,274	8,800
Internal government transfers	16,620	16,620	16,620
Reinsurance recoveries	–	2,163	9,000
Ministry revenue	549,289	793,887	827,588

continued

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005****continued****Consolidated Statement of Operations for the Year Ended March 31, 2005***(in thousands)*

	2005 Budget	2005 Actual	2004 Actual (Restated)
Expenses (Schedule 1)			
Program –			
Farm income support	220,317	529,654	399,793
Insurance	447,130	284,382	343,096
BSE recovery program	–	147,225	488,554
Industry development	49,404	137,917	85,762
Sustainable agriculture	38,894	46,354	36,037
Planning and competitiveness	39,230	37,083	40,709
Farm fuel distribution allowance	33,500	32,637	30,972
Lending	33,540	30,318	33,320
Infrastructure assistance	24,000	23,815	16,732
Ministry support services	18,430	17,841	18,371
Program expense	904,445	1,287,226	1,493,346
Other –			
Debt servicing costs	52,627	45,057	47,212
Valuation adjustments	4,144	3,801	6,605
	56,771	48,858	53,817
Ministry expense	961,216	1,336,084	1,547,163
Loss on disposal of tangible capital assets			
	–	1,217	12
	–	1,217	12
Net operating results	\$ (411,927)	\$ (543,414)	\$ (719,587)

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements****2004-2005****Consolidated Statement of Financial Position as at March 31, 2005***(in thousands)*

	2005	2004 (Restated)
Assets		
Cash	\$ 76,278	\$ 62,225
Accounts receivable	128,020	11,384
Due from Government of Canada	411,355	267,429
Loans receivable <i>(Schedule 2)</i>	977,466	988,186
Investments <i>(Schedule 3)</i>	171,229	100,297
Tangible capital assets <i>(Schedule 4)</i>	58,661	54,454
	\$1,823,009	\$1,483,975
Liabilities		
Accounts payable and accrued liabilities	\$ 242,630	\$ 211,245
Indemnities payable	449,849	263,024
Allowance for loan guarantees	3,790	2,663
Unearned revenue	3,540	4,690
Deferred contributions <i>(Note 4)</i>	10,861	6,094
Due to Crop Reinsurance Fund of Canada for Alberta	13,737	4,740
Notes and interest payable to the Province of Alberta <i>(Schedule 5)</i>	910,653	924,652
	1,635,060	1,417,108
Net Assets		
Net assets at beginning of year	66,867	71,275
Net operating results	(543,414)	(719,587)
Net transfer from general revenues	664,496	715,179
Net assets at end of year	187,949	66,867
	\$1,823,009	\$1,483,975

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

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

2004-2005

Consolidated Statement of Cash Flows for the Year Ended March 31, 2005*(in thousands)*

	2005	2004 (Restated)
Operating Transactions		
Net operating results	\$ (543,414)	\$ (719,587)
Non-cash items	7,362	7,497
Net change in operating assets and liabilities	(30,797)	(52,397)
Cash applied to operating transactions	(566,849)	(764,487)
Capital Transactions		
Acquisition of tangible capital assets	(13,493)	(12,035)
Transfer of tangible capital assets	(139)	–
Disposal of tangible capital assets	428	71
Cash applied to capital transactions	(13,204)	(11,964)
Investing Transactions		
Proceeds from repayments of loans receivable, advances and sale of properties	181,119	159,862
Loan and advance disbursements	(171,979)	(184,923)
Purchase of investments	(523,780)	(218,446)
Proceeds on disposal of investments	454,501	224,412
Cash applied to investing transactions	(60,139)	(19,095)
Financing Transactions		
Borrowing from the Province of Alberta	1,828,362	1,103,226
Repayment of borrowing from the Province of Alberta	(1,840,186)	(1,081,805)
Government of Canada funding for capital assets	619	2,094
Province of Alberta funding for capital assets	954	1,372
Net transfer from general revenues	664,496	715,179
Cash provided by financing transactions	654,245	740,066
Increase (decrease) in cash	14,053	(55,480)
Cash, beginning of year	62,225	117,705
Cash, end of year	\$ 76,278	\$ 62,225

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

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2004-2005

Notes to the Consolidated Financial Statements for the Year Ended March 31, 2005

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.

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 <i>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 method 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 2004-2005

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

Directly incurred expenses 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 and guarantees.
- 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 Trust Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

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

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, when 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 represent financial claims payable by the Ministry at fiscal year end.

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 significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Amounts due from the Government of Canada, recorded as \$411,355 in these financial statements, include amounts due under the Canadian Farm Income Program (CFIP) of \$37,750 and corresponding revenues that are subject to measurement uncertainty. The Federal-Provincial agreement obligates the Government of Canada to make contributions to Alberta where credited Provincial programs offset some of the benefit that would otherwise be provided by CFIP. This amount is contingent upon amounts paid by the Province under the Farm Income Disaster Program and/or the Farm Income Assistance Program. Amounts included in the financial statements have been estimated based on a formula agreed to by the Government of Canada and could change based on the finalization of claims under the program.

Ministry – continued

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2004-2005

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

Loans receivable, recorded as \$977,466 in these financial statements, are subject to measurement uncertainty. The amount established for specific and general allowances of \$42,745 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.

Indemnities payable, recorded as \$449,849, and amounts due from the Government of Canada, recorded as \$411,355 in these financial statements, and corresponding expenses and revenues are subject to measurement uncertainty. The Ministry has recorded a liability to provide for indemnities under the Canadian Agricultural Income Stabilization Program (CAIS) of \$408,064. The Ministry has also recorded a corresponding receivable from the Government of Canada of \$232,899 for the Government of Canada's funding of the program. In addition, accounts receivable recorded as \$128,020 in these financial statements, include amounts recoverable from producers for CAIS overpayments and advances. The estimated indemnities payable and corresponding receivables for CAIS could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly. Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of participants elected their coverage levels and information necessary to process a claim is received. It is also difficult to predict the estimated indemnities because of the wide variation that business risks may have on individual program margins.

Note 3 Program Transfer

(in thousands)

Effective April 1, 2004, responsibility for funding the Standing Policy Committee (the Committee) was transferred to the Department of Infrastructure and Transportation. Comparatives for 2004 have been restated as if the Ministry had never been assigned responsibility for the Committee.

Net operating results, as previously reported at March 31, 2004	\$(719,683)
Add: Expenses transferred to the Department of Infrastructure and Transportation	<u>96</u>
Net operating results, as restated at April 1, 2004	<u>\$(719,587)</u>

Note 4 Deferred Contributions

(in thousands)

Deferred contributions consist of Premiums from Insured Persons of \$10,861 (2004 – \$6,094).

Note 5 Credit and Interest Risk

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

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

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

Interest Risk – Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching the 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, 2005. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005****Note 5** Credit and Interest Risk (continued)

	Term to Maturity ⁽¹⁾				Not Interest Rate Sensitive ⁽²⁾	2005 Total	2004 Total
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years			
	<i>(in thousands)</i>						
Farm loans	\$ 72,928	\$262,344	\$241,427	\$238,033	\$ (2,594)	\$812,138	\$827,395
Yield ⁽³⁾	6.79%	6.93%	6.91%	6.63%	–	6.87%	7.05%
Commercial loans	69,379	87,055	10,261	–	(1,373)	165,322	160,787
Yield ⁽³⁾	6.97%	7.73%	5.30%	–	–	7.17%	8.28%
Rural utilities	6	–	–	–	–	6	4
Total	\$142,313	\$349,399	\$251,688	\$238,033	\$ (3,967)	\$977,466	\$988,186
Yield ⁽³⁾	6.81%	6.98%	6.87%	6.33%	–	6.89%	7.11%
Notes payable							
Province of Alberta	184,804	434,109	214,796	69,531	7,413	910,653	924,652
Yield ⁽³⁾	5.13%	5.54%	5.84%	5.40%	–	5.50%	5.58%
Net gap before pre- payment adjustment	(42,491)	(84,710)	36,892	168,502	(11,380)	66,813	63,534
Estimated prepayment	44,477	73,927	(23,977)	(94,427)	–	–	–
Net gap	\$ 1,986	\$(10,783)	\$ 12,915	\$ 74,075	\$(11,380)	\$ 66,813	\$ 63,534

(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.

Note 6 Contingencies

(in thousands)

At March 31, 2005, Ministry entities are defendants in seven legal claims (2004 – seven legal claims). These claims have specified amounts totalling \$2,526 (2004 – \$2,069). Included in the total legal claims is one claim amounting to \$1,332 (2004 – three claims amounting to \$1,788) in which the Ministry has been jointly named with other entities. One claim amounting to \$1,332 (2004 – two claims amounting to \$1,488) is covered by the Alberta Risk Management Fund.

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005****Note 7 Contractual Obligations**

	2005	2004
	<i>(in thousands)</i>	
Approved, undisbursed loans	\$42,861	\$40,606
Estimated farm loan incentives	14,612	16,205
Reinsurance	15,615	–
Grants	3,035	7,465
Service contracts	2,068	3,916
Operating leases	1,371	1,961
Building cost	217	2,521
	<u>\$79,779</u>	<u>\$72,674</u>

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

Note 8 Guarantees

	2005	2004	Expiry Date
	(Restated)		
	<i>(in thousands)</i>		
Feeder associations	\$48,820	\$51,611	Ongoing
Agriculture Financial Services Corporation guarantees	34,716	38,829	Variable
Rural Utilities Act	370	591	Ongoing
Agricultural Societies Act	29	25	2015
	<u>83,935</u>	<u>91,056</u>	
Allowance for loan guarantees	<u>(3,790)</u>	<u>(2,663)</u>	
	<u>\$80,145</u>	<u>\$88,393</u>	

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

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

Note 9 Trust Funds Under Administration

The Ministry administers trust funds 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, trust funds under administration were as follows:

	2005	2004
	(Restated)	
	<i>(in thousands)</i>	
Wheat Board Monies Trust Fund	\$ 97	\$ 99
4-H General Trust	86	85
Claude Gallinger Memorial Trust Fund	24	23
4-H Scholarships Trust Fund	–	59
	<u>\$207</u>	<u>\$266</u>

Effective August 25, 2004 responsibility for administering the 4-H Scholarships Trust Fund was transferred to the 4-H Foundation of Alberta.

Ministry – continued

**Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2004-2005**

Note 10 Defined Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of \$6,907 for the year ended March 31, 2005 (2004 – \$6,194).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of \$268,101 (2003 – \$290,014) and the Public Service Pension Plan reported a deficiency of \$450,068 (2003 – \$584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$9,404 (2003 – \$9,312).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2005, the Bargaining Unit Plan reported an actuarial deficiency of \$11,817 (2004 – \$9,766) and the Management, Opted Out, and Excluded Plan an actuarial surplus of \$3,208 (2004 – actuarial surplus of \$1,298). The expense for these two plans is limited to employer's annual contributions for the year.

Note 11 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

Note 12 Budget

The 2004-2005 Government and Lottery Fund Estimates were approved on May 19, 2004.

Note 13 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, 2005**

Schedule 1

(in thousands)

	2005 Budget	2005 Actual	2004 Actual (Restated)
Grants	\$129,154	\$ 334,038	\$ 633,055
Indemnities	585,872	765,325	686,729
Salaries, wages, employment contracts and benefits	115,428	119,111	110,152
Interest	60,026	45,057	47,212
Supplies and services	58,395	60,474	56,423
Amortization of tangible capital assets	7,964	8,050	6,506
Other expenses	233	228	481
Valuation adjustments	4,144	3,801	6,605
Total	<u>\$961,216</u>	<u>\$1,336,084</u>	<u>\$1,547,163</u>

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Loans
Receivable for the Year Ended March 31, 2005****Schedule 2***(in thousands)*

	2005	2004
Loans receivable	\$ 999,050	\$1,010,227
Accrued interest	<u>25,701</u>	<u>26,547</u>
	1,024,751	1,036,774
Less allowance for doubtful accounts	(42,745)	(43,130)
Less accrued incentives	(2,451)	(2,580)
Less loan discounts	<u>(2,089)</u>	<u>(2,878)</u>
	<u>\$ 977,466</u>	<u>\$ 988,186</u>

The allowance for doubtful accounts of \$42,745 (2004 – \$43,130) includes a specific allowance for \$12,853 (2004 – \$13,062) on impaired loans outstanding of \$24,647 (2004 – \$30,370), excluding unamortized loan discount.

The approximate fair value of the loan portfolio at March 31, 2005 is \$967,192 (2004 – \$988,452 restated). 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, 2005****Schedule 3***(in thousands)*

	2005	2004
Bonds and debentures		
Government of Canada, direct and guaranteed	\$124,308	\$ 46,044
Other provincial, direct and guaranteed	14,293	20,405
	<u>138,601</u>	<u>66,449</u>
Corporate securities	31,075	32,759
	<u>169,676</u>	<u>99,208</u>
Accrued interest	1,553	1,089
	<u>\$171,229</u>	<u>\$100,297</u>

	Within 1 Year	Term to Maturity ⁽¹⁾			2005 Total	2004 Total
		1 to 5 Years	6 to 10 Years	Over 10 Years		
Bonds and debentures	\$ –	\$123,028	\$ 6,146	\$9,427	\$138,601	\$ 66,449
Yield ⁽²⁾	–	3.79%	5.10%	5.77%	3.98%	4.62%
Securities	5,000	14,820	11,255	–	31,075	32,759
Yield ⁽²⁾	<u>5.40%</u>	<u>5.18%</u>	<u>5.00%</u>	<u>–</u>	<u>5.15%</u>	<u>5.21%</u>
	5,000	137,848	17,401	9,427	169,676	99,208
Accrued interest	131	1,092	177	153	1,553	1,089
	<u>\$5,131</u>	<u>\$138,940</u>	<u>\$17,578</u>	<u>\$9,580</u>	<u>\$171,229</u>	<u>\$100,297</u>

The fair value of investments at March 31, 2005 is \$173,697 (2004 – \$104,806). 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, 2005****Schedule 4***(in thousands)*

	Estimated Useful Life	Cost	2005 Accumulated Amortization	Net Book Value	2004 Net Book Value
Land	Indefinite	\$ 793	\$ –	\$ 793	\$ 403
Buildings	40 years	10,852	1,667	9,185	6,662
Equipment*	5-10 years	31,558	15,346	16,212	15,411
Computer hardware and software	3-5 years	34,780	18,071	16,709	14,717
Rail hopper cars	35 years	<u>50,585</u>	<u>34,823</u>	<u>15,762</u>	<u>17,261</u>
		<u>\$128,568</u>	<u>\$69,907</u>	<u>\$58,661</u>	<u>\$54,454</u>

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

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Notes and Interest Payable for the Year Ended March 31, 2005****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	2005	Effective Interest Rate	2004
Within 1 year	2.45% - 5.23%	\$137,020	2.14% - 6.15%	\$123,845
1 to 5 years	2.57% - 5.93%	283,771	3.64% - 5.54%	177,605
6 to 10 years	4.28% - 7.64%	179,796	5.43% - 7.64%	294,799
Over 10 years	5.04% - 6.52%	298,898	5.04% - 6.52%	315,431
Accrued Interest		11,168		12,972
		<u>\$910,653</u>		<u>\$924,652</u>

Net unamortized discounts of \$3,724 (2004 – \$3,346) are included in the balances disclosed.

The approximate fair value at March 31, 2005 is \$950,615 (2004 – \$977,596). 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, 2006	\$184,804
2007	130,704
2008	87,629
2009	159,688
2010	56,088
	<u>\$618,913</u>

Ministry – continued**Ministry of Agriculture, Food and Rural Development – Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2005****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:

	2005	2004
Revenues		
Grants	\$16,620	\$16,620
Fees and charges	–	6
Other	566	591
	<u>\$17,186</u>	<u>\$17,217</u>
Expenses – directly incurred		
Grants	\$ 249	\$ 207
Accommodation	1,402	1,293
Other services	6,961	7,205
Interest	45,057	47,212
	<u>\$53,669</u>	<u>\$55,917</u>
Tangible capital assets transferred from Innovation and Science	<u>\$ 139</u>	<u>\$ –</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.

	2005	2004
Expenses – incurred by others		
Accommodation	\$12,735	\$11,682
Other services	349	378
	<u>\$13,084</u>	<u>\$12,060</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, 2005

Schedule 7

(in thousands)

Program	2005						Total Expenses	2004 Total Expenses (Restated)
	Expenses ⁽¹⁾	Expenses – Incurred by Others		Valuation Adjustments ⁽⁴⁾				
		Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Vacation Pay	Doubtful Accounts	Guarantees		
Insurance	\$ 284,382	\$ –	\$ 2	\$ –	\$ 38	\$ –	\$ 284,422	\$ 343,201
Farm income support	529,654	–	–	–	–	–	529,654	399,793
BSE recovery program	147,225	–	–	–	–	–	147,225	488,554
Industry development	137,917	4,600	123	192	79	–	142,911	90,087
Sustainable agriculture	46,354	4,313	72	125	5	–	50,869	40,143
Planning and competitiveness	37,083	2,318	107	151	427	1,204	41,290	44,289
Farm fuel distribution allowance	32,637	–	–	–	–	–	32,637	30,972
Lending	30,318	–	–	–	1,634	(77)	31,875	38,285
Infrastructure assistance	23,815	–	–	–	–	–	23,815	16,732
Ministry support services	17,841	1,504	39	20	–	–	19,404	19,955
	<u>\$1,287,226</u>	<u>\$12,735</u>	<u>\$343</u>	<u>\$488</u>	<u>\$2,183</u>	<u>\$1,127</u>	<u>\$1,304,102</u>	<u>\$1,512,011</u>

(1) Expenses – Directly incurred per the Consolidated Statement of Operations, excluding valuation adjustments.

(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.