

DEPARTMENT OF FINANCE

Financial Statements

YEAR ENDED MARCH 31, 2005

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AUDITOR'S REPORT

To the Minister of Finance

I have audited the statement of financial position of the Department of Finance as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department 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.

Edmonton, Alberta
May 20, 2005

[Original Signed]
Fred J. Dunn, FCA
Auditor General

DEPARTMENT OF FINANCE

STATEMENT OF OPERATIONS

Year Ended March 31, 2005 (*thousands*)

	Budget (Schedule 4)	2005 Actual	2004 Actual Restated (Note 3)
Revenues (Schedule 1)			
Internal government transfers	\$ 728,606	\$ 1,246,651	\$ 1,271,239
Income taxes	7,041,956	7,012,664	6,308,958
Other taxes	1,492,481	1,612,327	1,550,087
Transfers from Government of Canada	4,055	4,178	4,100
Investment income	191,144	263,750	224,006
Fees, permits and licences	18,044	17,314	13,378
Transfers from government enterprises	-	-	21,495
Other	20,122	20,383	15,295
	<u>9,496,408</u>	<u>10,177,267</u>	<u>9,408,558</u>
Expenses - directly incurred (Note 2 (B) and Schedule 21)			
Voted (Schedules 3 and 5)			
Ministry support services	9,246	9,739	9,367
Fiscal planning and accountability	9,286	8,251	7,679
Pensions, insurance and financial institutions	3,919	5,950	5,023
Treasury management	2,732	2,151	2,426
Long term revenue and investment policy	1,797	846	609
Revenue collection and rebates	23,864	22,589	20,134
Investment	17,574	14,977	12,401
Risk management and insurance	1,202	1,212	1,162
Debt servicing costs - school construction	53,020	53,011	61,493
	<u>122,640</u>	<u>118,726</u>	<u>120,294</u>
Statutory (Schedules 3 and 5)			
Interest payments on corporate tax refunds	20,000	27,358	15,641
Farm credit stability program	300	292	501
Pension liability funding	73,700	71,045	69,242
Debt servicing costs	302,000	243,072	204,352
Valuation adjustments (Schedule 6)	(12,500)	5,944	5,520
	<u>383,500</u>	<u>347,711</u>	<u>295,256</u>
Loss on disposal of tangible capital assets	-	-	62
	<u>506,140</u>	<u>466,437</u>	<u>415,612</u>
Net Operating Results	<u>\$ 8,990,268</u>	<u>\$ 9,710,830</u>	<u>\$ 8,992,946</u>

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

DEPARTMENT OF FINANCE

STATEMENT OF FINANCIAL POSITION

As at March 31, 2005 (*thousands*)

	2005	2004 Restated (Note 3)
Assets		
Cash and temporary investments (Schedule 8)	\$ 3,446,156	\$ 2,142,990
Accounts and accrued interest receivable (Schedule 9)	775,508	1,148,546
Portfolio investments (Schedule 10)	6,185,113	4,081,865
Loans and advances to government entities (Schedule 11)	1,212,918	1,242,460
Other loans, advances and investments (Schedule 12)	18,699	31,436
Tangible capital assets (Schedule 13)	8,853	9,139
	<u>\$ 11,647,247</u>	<u>\$ 8,656,436</u>
Liabilities		
Bank overdraft	\$ 942,671	\$ 786,928
Accounts and accrued interest payable (Schedule 14)	498,005	483,401
Unmatured debt (Schedule 15)	3,722,250	5,190,416
Pension obligations (Schedule 16)	971,233	964,692
Other accrued liabilities (Schedule 17)	457,924	533,021
	<u>6,592,083</u>	<u>7,958,458</u>
Net Assets (Liabilities)		
Net assets (liabilities) at beginning of year, as restated (Note 3)	697,978	(3,631,140)
Net operating results	9,710,830	8,992,946
Net transfer to general revenues	(5,353,644)	(4,663,828)
	<u>5,055,164</u>	<u>697,978</u>
Net assets at end of year	<u>\$ 11,647,247</u>	<u>\$ 8,656,436</u>

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

DEPARTMENT OF FINANCE

STATEMENT OF CASH FLOWS

Year Ended March 31, 2005 (*thousands*)

	2005	2004 Restated (Note 3)
Operating transactions		
Net operating results	\$ 9,710,830	\$ 8,992,946
Non-cash items included in net operating results		
Amortization on investments and debt, net		
Purchase and issue discounts	35,639	(9,225)
Foreign exchange gain	(1,443)	(146,735)
Net (income) loss on investments valued at equity	(184)	547
Amortization of tangible capital assets (Schedule 3)	2,695	2,395
Loss on disposal of tangible capital assets	-	62
Valuation adjustments (Schedule 6)	5,944	5,520
	9,753,481	8,845,510
Decrease (increase) in receivables	373,611	(263,502)
Increase (decrease) in payables	16,500	(19,449)
Cash provided by operating transactions	10,143,592	8,562,559
Capital transactions		
Purchase of tangible capital assets (Schedule 5)	(2,444)	(4,261)
Proceeds from disposal of tangible capital assets	35	6
Cash used for capital transactions	(2,409)	(4,255)
Investing transactions		
Disposals of portfolio investments	3,526,809	6,126,705
Portfolio investments purchased	(5,660,256)	(7,142,110)
Repayments of loans and advances		
Government entities	1,999,464	2,365,527
Other	13,454	18,941
Loans and advances		
Government entities	(1,966,713)	(2,258,152)
Other	(16)	(725)
Cash used for investing transactions	(2,087,258)	(889,814)
Financing transactions		
Debt issues	5,258,730	10,774,743
Debt retirement	(6,736,619)	(12,396,100)
Voted non-budgetary disbursements to settle obligations (Schedule 5)	(74,969)	(82,509)
Net transfer to general revenues	(5,353,644)	(4,663,828)
Cash used for financing transactions	(6,906,502)	(6,367,694)
Net cash provided	1,147,423	1,300,796
Cash and temporary investments, net of bank overdraft, at beginning of year	1,356,062	55,266
Cash and temporary investments, net of bank overdraft, at end of year	\$ 2,503,485	\$ 1,356,062

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

DEPARTMENT OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 2005 (*thousands*)

NOTE 1 AUTHORITY AND PURPOSE

The Department of Finance (the Department) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The Department's core businesses are fiscal planning and financial management; regulation of provincial financial institutions; pensions policy, regulation and administration; financial services; long-term revenue and investment policy; manage revenue programs; manage and invest financial assets; manage risk associated with liability exposure and loss of public assets; and regulation and fostering of Alberta's capital market.

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 financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

a) Reporting Entity

The reporting entity is the Department, which is part of the Ministry of Finance and for which the Minister of Finance is accountable. Other entities reporting to the Minister of Finance are the Alberta Heritage Savings Trust Fund, the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Scholarship Fund, the Alberta Science and Engineering Research Endowment Fund, the Alberta Risk Management Fund, the Alberta Securities Commission, the Provincial Judges and Masters in Chambers Reserve Fund, the Supplementary Retirement Plan Reserve Fund, the Alberta Capital Finance Authority, the Alberta Insurance Council, the Alberta Pensions Administration Corporation, the Alberta Government Telephones Commission and its subsidiaries, the Alberta Treasury Branches and its subsidiaries, the Credit Union Deposit Guarantee Corporation, N.A. properties (1994) Ltd. and Gainers Inc. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of operations for which the Minister of Finance is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Minister of Finance administers the Fund. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer to general revenues is the difference between all cash deposits by other departments and all cash disbursements made on their behalf by the Department of Finance.

b) Basis of Financial Reporting

REVENUES

All revenues are reported on the accrual method of accounting. Corporate income tax receipts from corporations in anticipation of an upward reassessment of Alberta income tax payable are described as corporate income tax receipts in abeyance and recorded as accounts payable.

DEPARTMENT OF FINANCE

NOTE 2 (continued)**INTERNAL 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.

DEDICATED REVENUE

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

EXPENSES**Directly Incurred**

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the government's budget documents.

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 and additional government contributions for service relating to prior years.
- 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 guarantees, indemnities, pension obligations, loans repayable from future appropriations, and accrued employee vacation entitlements.
- grants are recognized when authorized and eligibility criteria are met.

Incurred by Others

Services contributed by other entities in support of the Department's operations are disclosed in Schedule 21.

ASSETS

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Portfolio investments are carried at cost. Cost includes amortization of discount or premium using the straight-line method over the life of the investment. Realized gains and losses on disposals of these investments are included in the determination of net operating results for the year. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Loans are recorded at cost less any allowance for credit loss. Where there is no reasonable assurance of timely collection of the full amount of principal and interest of a loan, a provision for credit loss is made and the carrying amount of the loan is reduced to its estimated realizable amount.

DEPARTMENT OF FINANCE

NOTE 2 (continued)

Investments are recorded at cost, except for investments in wholly owned provincial corporations operating as commercial enterprises which are valued on an equity basis. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Tangible capital assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for all other tangible capital assets is \$5,000 (2004 \$15,000).

LIABILITIES

Liabilities include all financial claims payable by the Department at fiscal year end.

Debentures included in unmatured debt are recorded at the face amount of the issue less unamortized discount, which includes issue expenses and hedging costs.

Income or expense on interest rate swaps and forward interest rate agreements used to manage interest rate exposure is recorded as an adjustment to debt servicing costs. The exchange gain or loss on the foreign exchange contracts used to manage currency exposure is deferred and amortized over the life of the contract.

FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency are translated at the year end rate of exchange.

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts.

Exchange gains and losses that arise on translation of fixed term foreign currency denominated monetary items are deferred and amortized over the life of the contract. Amortization of deferred exchange gains and losses and other exchange differences on unhedged transactions are included in the determination of net operating results for the year.

NET ASSETS/NET LIABILITIES

Net assets represents the difference between the carrying value of assets held by the Department and its liabilities.

MEASUREMENT UNCERTAINTY

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

DEPARTMENT OF FINANCE

NOTE 2 (continued)

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes and provisions for pensions and loans and advances. The nature of the uncertainty in these items arises from several factors such as the effect on accrued taxes of the verification of taxable income, the effect on accrued pensions obligations of actual experience compared to assumptions, and the effect on loans and advances of actual collectibility and changes in economic conditions. Personal income tax, recorded as \$4,648,349,000 (2004 \$4,612,531,000) in these financial statements, is subject to measurement uncertainty due primarily to the use of economic estimates of personal income growth. Use of this information in the past has resulted in a number that differs from final results by a geometric average of plus or minus \$200 million over the last four years.

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

NOTE 3 REORGANIZATION*(thousands)*

On November 24, 2004, a restructuring of government ministries was announced resulting in a change in the responsibilities of the Department of Finance. The budget, programs, operations and financial assets and liabilities of the Department of Revenue were transferred to the Department of Finance. Comparative figures for 2004 have been restated as if the Department had always been assigned its current responsibilities.

Net assets (liabilities) at March 31, 2003:

Revenue Department	\$ 393,382
Finance Department	<u>(4,024,522)</u>
Net liabilities, as restated at March 31, 2003	<u>\$ (3,631,140)</u>

NOTE 4 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Because of the short term nature of these instruments, the fair values of cash and temporary investments, accrued interest, receivables, bank overdraft, payables and other accrued liabilities are estimated to approximate their book values.

Public fixed-income securities included in portfolio investments are valued at the year end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

DEPARTMENT OF FINANCE

NOTE 4 (continued)

The fair value of unmatured debt is an approximation of its fair value to the holder.

At the year end, the fair values of assets and liabilities denominated in a foreign currency are translated at the year end exchange rate.

NOTE 5 RISK MANAGEMENT**A) LIABILITY MANAGEMENT**

The objective of the Department's liability management program is to achieve the lowest cost on debt within an acceptable degree of variability of debt servicing costs. In order to achieve this objective, the Department manages four risks - interest rate risk, currency exchange risk, credit risk, and refinancing risk. The Department manages these four risks within approved policy guidelines. The management of these risks and the policy guidelines apply to the Department's unmatured debt, excluding debt raised to fund requirements of provincial corporations and regulated funds. Debt of provincial corporations and regulated funds is managed separately in relation to their assets.

The Department has decided in light of the current debt reduction environment, that the most effective liability risk management strategy would be to allow existing debt instruments to mature in accordance with their terms.

B) ASSET MANAGEMENT

Portfolio investments are used to repay debt as it matures, to provide funding for the capital plan, and to help protect operating and capital spending from short-term declines in revenue and the costs of emergencies, disasters and natural gas rebates.

NOTE 6 CONTRACTUAL OBLIGATIONS

(thousands)

A) CREDIT UNION ACT

The Credit Union Deposit Guarantee Corporation, operating under the authority of the *Credit Union Act*, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The *Credit Union Act* provides that the Province, through the Department, will ensure that this obligation of the Corporation is carried out. As at December 31, 2004, credit unions in Alberta held deposits totaling \$8,963,176 (2003 \$8,240,449). Substantial assets are available to safeguard the Department from risk of loss arising from its potential obligation under the Act.

DEPARTMENT OF FINANCE

NOTE 6 (continued)**B) OTHER COMMITMENTS**
(thousands)

	2005	2004 Restated (Note 3)
Service contracts	\$ 4,539	\$ 4,709
Long-term leases	204	-
	<u>\$ 4,743</u>	<u>\$ 4,709</u>

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

	Service Contracts	Leases	Total Restated (Note 3)
2006	\$ 3,405	\$ 51	\$ 3,456
2007	1,134	51	1,185
2008	-	51	51
2009	-	51	51
	<u>\$ 4,539</u>	<u>\$ 204</u>	<u>\$ 4,743</u>

NOTE 7 CONTINGENT LIABILITIES

Set out below are details of contingencies resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 17.

Any losses arising from the settlement of contingencies are treated as current year expenses.

A) INDEMNITIES AND DEBENTURE, DEPOSIT AND LOAN GUARANTEES

Guaranteed liabilities at March 31, 2005 of government entities amounting to \$18,588,537 (2004 \$17,610,400), and other guarantees amounting to \$14,791 (2004 \$27,342) are analyzed in Schedules 18 and 19 respectively. These schedules are included with the financial statements because payments under debenture and loan guarantees are a statutory charge on the Department.

Payments under the guarantee of Alberta Treasury Branches deposits would also be made by the Department, under authority of a supply vote.

DEPARTMENT OF FINANCE

NOTE 7 (continued)**B) LEGAL ACTIONS (2004 restated see Note 3)**

At March 31, 2005, the Department is jointly or separately named as a defendant in twenty legal claims (2004 eighteen legal claims). Of the twenty claims, nineteen have specified amounts totalling approximately \$3,813,056 including one jointly named claim for \$3,750,000 and one claim for no specified amount. In 2004 sixteen claims had specified amounts totalling approximately \$74,102 and two had no specified amount. Seven claims amounting to \$1,886 (2004 eight amounting to \$5,822) are covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

In addition, at March 31, 2005, some taxes assessed were under objection and some were being appealed. The resulting loss, if any, cannot be reasonably estimated.

NOTE 8 TRUST FUNDS UNDER ADMINISTRATION*(thousands)*

The Department 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 Department's financial statements.

As at March 31, 2005, trust funds under administration were as follows:

	2005	2004 Restated (Note 3)
Local Authorities Pension Plan Fund	\$ 11,121,963	\$ 10,068,470
Public Service Pension Plan Fund	4,550,299	4,235,063
The Workers' Compensation Board Accident Fund	2,606,800	2,328,797
Universities Academic Pension Plan Fund	1,928,313	1,808,091
Management Employees Pension Plan Fund	1,755,326	1,633,697
Special Forces Pension Plan Fund	1,175,418	1,102,139
Regional Health Authorities and various health institutions construction accounts	914,877	395,975
Power Pool of Alberta Balancing Pool	32,697	115,892
Other	136,173	88,565
	<u>\$ 24,221,866</u>	<u>\$ 21,776,689</u>

DEPARTMENT OF FINANCE

NOTE 9 DEFINED BENEFIT PLANS*(thousands)*

The Department sponsors and participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan (see Schedule 16 (c)). The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense of these plans is equivalent to the annual contributions of \$3,266 for the year ended March 31, 2005 (2004 \$3,003).

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 Department 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 \$1,298). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 10 COMPARATIVE FIGURES

Certain figures have been restated to conform to 2005 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

The Senior Financial Officer and the Deputy Minister approved these financial statements.

DEPARTMENT OF FINANCE

SCHEDULES TO THE FINANCIAL STATEMENTS

REVENUES**Schedule 1**Year Ended March 31, 2005 (*thousands*)

	Budget	2005 Actual	2004 Actual Restated (Note 3)
Internal government transfers			
Alberta Heritage Savings Trust Fund	\$ 644,241	\$ 1,091,903	\$ 1,133,484
Lottery Fund	84,365	154,748	137,755
	<u>728,606</u>	<u>1,246,651</u>	<u>1,271,239</u>
Income taxes			
Personal income tax	5,084,671	4,648,349	4,612,531
Corporate income tax	1,957,285	2,364,315	1,696,427
	<u>7,041,956</u>	<u>7,012,664</u>	<u>6,308,958</u>
Other taxes			
Tobacco tax	660,000	697,656	670,502
Fuel tax	607,000	640,918	619,585
Insurance taxes	164,731	209,716	203,492
Hotel room tax	60,000	61,021	53,325
Financial institutions capital tax	-	149	515
Special broker tax	750	2,867	2,668
	<u>1,492,481</u>	<u>1,612,327</u>	<u>1,550,087</u>
Transfers from Government of Canada			
Unconditional subsidy	4,055	4,178	4,100
Investment income			
Farm credit stability program	2,100	2,245	3,620
Other	189,044	261,505	220,386
	<u>191,144</u>	<u>263,750</u>	<u>224,006</u>
Fees, permits and licences			
Deposit guarantee fee	16,585	15,785	11,836
Insurance companies, agents and brokers	250	246	228
Other	1,209	1,283	1,314
	<u>18,044</u>	<u>17,314</u>	<u>13,378</u>
Transfers from government enterprises			
The Alberta Government Telephones Commission	-	-	21,495
Other			
Cost recovery from dedicated revenue initiatives (Schedule 2)	17,738	15,330	12,914
Sale of assets	-	10	8
Refunds of expenditure	50	465	183
Miscellaneous	2,334	4,578	2,190
	<u>20,122</u>	<u>20,383</u>	<u>15,295</u>
	<u>\$ 9,496,408</u>	<u>\$ 10,177,267</u>	<u>\$ 9,408,558</u>

DEPARTMENT OF FINANCE

DEDICATED REVENUE INITIATIVES**Schedule 2***(thousands)*

	Authorized Dedicated Revenues	2005 Actual Dedicated Revenues	(Shortfall) (a)/ Excess
Revenue collection and rebates	\$ 225	\$ 186	\$ (39)
Investment	16,311	13,918	(2,393)
Risk management and insurance	1,202	1,226	24
	\$ 17,738	\$ 15,330	\$ (2,408)

Following is a brief description of each dedicated revenue initiative:

- Revenue collection and rebates: Recovers the costs associated with administration of the payment in lieu of tax program, related to municipally-owned utilities, from the Power Pool of Alberta Balancing Pool.
- Investment: Manages the investments of various public sector investment funds. Fees are based on cost recovery.
- Risk management and insurance: Recovers costs of risk management and insurance services from the Alberta Risk Management Fund.

The revenue of each initiative is reported in the statement of operations.

- a) The shortfall is deducted from the current year's authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.

DEPARTMENT OF FINANCE

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT**Schedule 3***(thousands)*

	Budget	2005 Actual	2004 Actual Restated (Note 3)
Voted			
Salaries, wages and employee benefits	\$ 42,718	\$ 40,651	\$ 36,551
Supplies and services	22,688	21,319	18,656
Grants	53,042	53,033	61,637
Financial transactions and other	1,325	1,113	1,128
Amortization of tangible capital assets	2,931	2,695	2,395
Total voted expenses before recoveries	122,704	118,811	120,367
Less recovery from support service arrangements with related parties (a)	64	85	73
	\$ 122,640	\$ 118,726	\$ 120,294
Statutory			
Interest payments on corporate tax refunds	\$ 20,000	\$ 27,358	\$ 15,641
Farm credit stability program	300	292	501
Pension liability funding	73,700	71,045	69,242
Debt servicing costs	302,000	243,072	204,352
Valuation adjustments (Schedule 6)	(12,500)	5,944	5,520
	\$ 383,500	\$ 347,711	\$ 295,256

a) The Department provides financial, administrative and human resource services to various departments and Offices of the Legislative Assembly. Costs incurred by the Department are recovered from the recipients of the services.

DEPARTMENT OF FINANCE

BUDGET**Schedule 4***(thousands)*

	2004-05 Estimates	Adjustments (a)	2004-05 Budget	Authorized Supplementary Estimates (b)	2004-05 Authorized Budget
Revenues					
Internal government transfers	\$ 728,606	\$ -	\$ 728,606	\$ -	\$ 728,606
Income taxes	7,041,956	-	7,041,956	-	7,041,956
Other taxes	1,492,481	-	1,492,481	-	1,492,481
Transfers from Government of Canada	4,055	-	4,055	-	4,055
Investment income	191,144	-	191,144	-	191,144
Fees, permits and licences	18,044	-	18,044	-	18,044
Other	20,122	-	20,122	-	20,122
	9,496,408	-	9,496,408	-	9,496,408
Expenses - Directly Incurred					
Voted					
Ministry support services	9,246	-	9,246	-	9,246
Fiscal planning and accountability	9,286	-	9,286	-	9,286
Pensions, insurance and financial institutions	3,919	-	3,919	1,400	5,319
Treasury management	2,732	-	2,732	-	2,732
Long term revenue and investment policy	1,797	-	1,797	-	1,797
Revenue collection and rebates	23,864	-	23,864	-	23,864
Investment	17,574	-	17,574	-	17,574
Risk management and insurance	1,202	-	1,202	-	1,202
Debt servicing costs	53,020	-	53,020	-	53,020
Dedicated revenue shortfall (Schedule 2)	-	(2,408)	(2,408)	-	(2,408)
	122,640	(2,408)	120,232	1,400	121,632
Statutory					
Interest payment on corporate tax refunds	20,000	-	20,000	-	20,000
Farm credit stability program	300	-	300	-	300
Pension liability funding	73,700	-	73,700	-	73,700
Debt servicing costs	302,000	-	302,000	-	302,000
Valuation adjustments	500	(13,000)	(12,500)	-	(12,500)
	396,500	(13,000)	383,500	-	383,500
	519,140	(15,408)	503,732	1,400	505,132
Net operating results	\$ 8,977,268	\$ 15,408	\$ 8,992,676	\$ (1,400)	\$ 8,991,276
Equipment/inventory purchases	\$ 2,434	\$ -	\$ 2,434	\$ -	\$ 2,434

a) Adjustments consist of \$2,408 for dedicated revenue shortfall and \$13,000 for pension provisions excluded from the Estimates.

b) Supplementary Estimates were approved on March 24, 2005.

DEPARTMENT OF FINANCE

**COMPARISON OF EXPENSES AND EQUIPMENT/INVENTORY
PURCHASES AND DISBURSEMENTS BY ELEMENT TO AUTHORIZED BUDGET**

Schedule 5

(thousands)

	2004-05 Budget	Authorized Supplementary Estimates (a)	2004-05 Authorized Budget	2004-05 Actual Expense (b)	Unexpended (Over Expended)
Voted Expenses and Equipment/ Inventory Purchases					
Program Ministry Support Services					
Minister's Office	\$ 592	-	\$ 592	\$ 526	\$ 66
Finance Deputy Minister's Office	405	-	405	616	(211)
Revenue Deputy Minister's Office	353	-	353	473	(120)
Strategic and Business Services					
- Operating Expense	7,099	-	7,099	7,506	(407)
- Equipment/Inventory Purchases	50	-	50	89	(39)
Communications	704	-	704	496	208
Standing Policy Committee on Economic Development and Finance	93	-	93	122	(29)
	9,296	-	9,296	9,828	(532)
Program - Fiscal Planning and Accountability					
Office of Budget and Management	9,286	-	9,286	8,251	1,035
Program - Pensions, Insurance and Financial Institutions					
Assistant Deputy Minister's Office	468	-	468	533	(65)
Financial Institutions Regulation	2,647	1,400	4,047	4,619	(572)
Pension Policy	442	-	442	496	(54)
Corporate Management Services to Alberta Capital Finance Authority	362	-	362	302	60
	3,919	1,400	5,319	5,950	(631)
Program - Treasury Management					
Treasury Management					
- Operating Expense	2,732	-	2,732	2,151	581
- Equipment/Inventory Purchases	30	-	30	-	30
	2,762	-	2,762	2,151	611
Program - Long Term Revenue and Investment Policy					
Policy and Strategic Planning and Special Projects	1,797	-	1,797	846	951
Program - Revenue Collection and Rebates					
Tax and Revenue Administration					
- Operating Expense	23,864	-	23,864	22,589	1,275
- Equipment/Inventory Purchases	1,204	-	1,204	1,410	(206)
	25,068	-	25,068	23,999	1,069

DEPARTMENT OF FINANCE

COMPARISON OF EXPENSES AND EQUIPMENT/INVENTORY PURCHASES AND DISBURSEMENTS BY ELEMENT TO AUTHORIZED BUDGET Schedule 5 (continued)

(thousands)

	2004-05 Budget	Authorized Supplementary Estimates (a)	2004-05 Authorized Budget	2004-05 Actual Expense (b)	Unexpended (Over Expended)
Program - Investment					
Investment Management	10,637	-	10,637	8,401	2,236
Internal Audit	500	-	500	319	181
Securities Administration and Systems					
- Operating Expense	6,437	-	6,437	6,257	180
- Equipment/Inventory Purchases	1,150	-	1,150	945	205
	18,724	-	18,724	15,922	2,802
Program - Risk Management and Insurance					
Risk Management and Insurance	1,202	-	1,202	1,212	(10)
Debt Servicing					
Grants for School Construction Debenture Interest Payments	53,020	-	53,020	53,011	9
	125,074	1,400	126,474	121,170	5,304
Dedicated Revenue Shortfall (Schedule 2)	(2,408)	-	(2,408)	-	(2,408)
	\$ 122,666	1,400	\$ 124,066	\$ 121,170	\$ 2,896
Summary					
Program Operating Expense	\$ 120,232	1,400	\$ 121,632	\$ 118,726	\$ 2,906
Equipment/Inventory Purchases	2,434	-	2,434	2,444	(10)
	\$ 122,666	1,400	\$ 124,066	\$ 121,170	\$ 2,896
Statutory Expenses					
Interest payment on corporate tax refunds	\$ 20,000	-	\$ 20,000	\$ 27,358	\$ (7,358)
Farm credit stability program	300	-	300	292	8
Pension liability funding	73,700	-	73,700	71,045	2,655
Debt servicing costs	302,000	-	302,000	243,072	58,928
Valuation adjustments	(12,500)	-	(12,500)	5,944	(18,444)
	\$ 383,500	-	\$ 383,500	\$ 347,711	\$ 35,789
Voted Non-Budgetary Disbursements					
Grants for school construction debenture principal repayment	\$ 75,059	-	\$ 75,059	\$ 74,969	\$ 90

a) Supplementary Estimates were approved on March 24, 2005.

b) Includes achievement bonus of \$2,323.

DEPARTMENT OF FINANCE

VALUATION ADJUSTMENTS

Schedule 6

(thousands)

	Budget	2005 Actual	2004 Actual Restated (Note 3)
Pension provisions	\$ (13,000)	\$ 6,541	\$ 2,445
Provision for employee benefits other than pensions	-	(20)	471
Provision for doubtful accounts and loans	500	(581)	3,570
Provision for guarantees and indemnities	-	4	(966)
	<u>\$ (12,500)</u>	<u>\$ 5,944</u>	<u>\$ 5,520</u>

SALARY AND BENEFITS DISCLOSURE

Schedule 7

	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	2005 Total	2004 Total
Senior Officials					
Deputy Minister of Finance ⁽⁴⁾⁽⁵⁾⁽⁶⁾	\$ 175,575	\$ 103,621	\$ 34,354	\$ 313,550	\$ 245,767
Deputy Minister of Revenue ⁽⁴⁾⁽⁷⁾	157,392	60,123	35,276	252,791	236,234
Controller ⁽⁴⁾	128,052	18,823	27,711	174,586	172,382
Executives					
Assistant Deputy Minister - Pensions, Insurance and Financial Institutions	132,204	39,645	25,875	197,724	175,942
Assistant Deputy Minister - Revenue ⁽⁷⁾	122,112	33,857	25,541	181,510	162,904
Chief Investment Officer ⁽⁷⁾⁽⁸⁾	241,500	157,965	44,665	444,130	349,652
Executive Director, Treasury Management	132,204	19,434	28,494	180,132	167,721
Chief Administrative Officer ⁽⁷⁾	132,216	30,256	28,425	190,897	170,085

- 1) Base salary includes regular base pay.
- 2) Other cash benefits include bonuses, vacation payouts and lump sum payments.
- 3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees including pensions, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
- 4) Automobile provided, no dollar amount included in benefits and allowances figures.
- 5) Position occupied by two individuals during the year.
- 6) Other cash benefits include \$64,372 for vacation payout to the previous incumbent.
- 7) As a result of the amalgamation of the Ministries of Finance and Revenue on November 24, 2004, these positions have been transferred from the former Department of Revenue to the Department of Finance.
- 8) Base salary includes regular base pay and a market modifier.

DEPARTMENT OF FINANCE

CASH AND TEMPORARY INVESTMENTS**Schedule 8***(thousands)*

	2005	2004 Restated (Note 3)
Fixed-income securities (a)		
Government of Canada, direct and guaranteed	\$ 144,666	\$ 431,770
Provincial, direct and guaranteed	129,585	39,850
Corporate	1,439,061	659,932
	<u>1,713,312</u>	<u>1,131,552</u>
Deposit in Consolidated Cash Investment Trust Fund	948,606	863,168
Cash in bank and in transit	784,238	148,270
	<u>\$ 3,446,156</u>	<u>\$ 2,142,990</u>

- a) Fixed-income securities have an average effective yield of 2.7% (2004 2.2%) per annum. All of the securities had terms to maturity of less than one year (2004 less than one year).

ACCOUNTS AND ACCRUED INTEREST RECEIVABLE**Schedule 9***(thousands)*

	2005	2004 Restated (Note 3)
Personal income tax	\$ 265,486	\$ 346,065
Corporate income tax (a)	37,275	291,935
Alberta Heritage Savings Trust Fund	62,388	152,484
Alberta Treasury Branches	81,503	73,237
Fuel tax	62,529	56,911
Lottery Fund	68,422	52,756
Present value of future contributions from credit union system	38,695	47,695
Accrued interest receivable	77,007	46,616
Insurance corporations tax	50,083	39,573
Tobacco tax	6,024	16,992
Swap accruals	16,403	15,106
Hotel room tax	5,437	4,851
Other	5,757	6,303
Financial institutions capital tax	1,965	1,855
The Alberta Government Telephones Commission	-	185
	<u>778,974</u>	<u>1,152,564</u>
Less allowance for doubtful accounts	3,466	4,018
	<u>\$ 775,508</u>	<u>\$ 1,148,546</u>

- a) During the year, the methodology used to estimate corporate income tax receivable was changed to include an estimated accrual for corporate income tax refunds payable based on a five year moving average.

DEPARTMENT OF FINANCE

PORTFOLIO INVESTMENTS*(thousands)***Schedule 10**

	Book Value	2005 Fair Value	Book Value	2004 Fair Value
Fixed-income securities (a)				
Government of Canada, direct and guaranteed	\$ 535,086	\$ 535,649	\$ 963,239	\$ 967,217
Provincial, direct and guaranteed	2,218,264	2,227,197	1,043,995	1,051,195
Municipal	71,639	71,617	14,250	14,459
Corporate	3,360,124	3,356,610	2,060,381	2,071,659
	<u>\$ 6,185,113</u>	<u>\$ 6,191,073</u>	<u>\$ 4,081,865</u>	<u>\$ 4,104,530</u>

- a) The Department's fixed-income securities are held to repay debt as it matures, to provide funding for the capital plan, and to help protect operating and capital spending from short-term declines in revenue and the costs of emergencies, disasters and natural gas rebates. The securities held have an average effective market yield of 3.4% (2004 2.3%) per annum and 65.8% (2004 77.3%) of the securities have terms to maturity of less than two years.

LOANS AND ADVANCES TO GOVERNMENT ENTITIES*(thousands)***Schedule 11**

	2005	2004
Agriculture Financial Services Corporation	\$ 899,750	\$ 911,867
Alberta Social Housing Corporation	312,944	330,369
Public Trustee	224	224
	<u>\$ 1,212,918</u>	<u>\$ 1,242,460</u>

DEPARTMENT OF FINANCE

OTHER LOANS, ADVANCES AND INVESTMENTS

Schedule 12

(thousands)

	2005	2004 Restated (Note 3)
Loans and advances		
Farm Credit Stability Act	\$ 14,445	\$ 25,878
Board of Governors of the University of Alberta	1,292	1,663
Pratt & Whitney Canada Ltd.	851	1,407
University of Lethbridge Students' Union	422	611
Implemented guarantees and indemnities	144	201
Judgement debts	47	51
Accountable advances	21	394
	<u>17,222</u>	<u>30,205</u>
Less allowance for doubtful loans and advances	191	253
	<u>17,031</u>	<u>29,952</u>
Investments		
N.A. Properties (1994) Ltd.	1,623	1,439
Alberta Capital Finance Authority	45	45
	<u>1,668</u>	<u>1,484</u>
	<u>\$ 18,699</u>	<u>\$ 31,436</u>

TANGIBLE CAPITAL ASSETS

Schedule 13

(thousands)

	Estimated Useful Life	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value Restated (Note 3)
Computer hardware and software	5 years	\$ 21,246	\$ 12,393	\$ 8,853	\$ 9,139

ACCOUNTS AND ACCRUED INTEREST PAYABLE

Schedule 14

(thousands)

	2005	2004 Restated (Note 3)
Corporate income tax receipts in abeyance	\$ 364,942	\$ 345,925
Accrued interest on unmatured debt	61,889	108,280
Other	71,174	29,196
	<u>\$ 498,005</u>	<u>\$ 483,401</u>

DEPARTMENT OF FINANCE

UNMATURED DEBT

Schedule 15

(thousands)

	Effective Rate (a)(b)(c) %	Modified Duration (d) years	Book Value (a)	2005 Fair Value (a)	Book Value (a)	2004 Fair Value (a)
Canadian dollar debt and fully hedged foreign currency debt						
Floating rate and short-term fixed rate (e)	5.25	0.42	\$ 1,307,481	\$ 1,313,269	\$ 1,529,533	\$ 1,555,966
Fixed rate long-term (f)	6.92	4.22	2,284,613	2,601,025	2,932,683	3,429,457
	6.31	2.94	3,592,094	3,914,294	4,462,216	4,985,423
Unhedged U.S. dollar debt (g)						
Floating rate and short-term fixed rate (e)	3.75	0.32	130,156	122,999	680,239	694,077
Fixed rate long-term	-	-	-	-	47,961	52,941
	3.75	0.32	130,156	122,999	728,200	747,018
	6.22	2.86	\$ 3,722,250	\$ 4,037,293	\$ 5,190,416	\$ 5,732,441

- a) Book value represents the amount the Department owes. Fair value is an approximation of market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.
- b) Weighted average effective rates on unhedged U.S. dollar debt are based upon debt stated in U.S. dollars.
- c) Weighted average effective rate on total unmatured debt is on debt inclusive of deferred exchange gains on unhedged U.S. dollar debt (see note (g)).
- d) Modified duration is the weighted average term to maturity of the security's cash flows (i.e. interest and principal) and is a measure of price volatility; the greater the modified duration of a bond, the greater its percentage price volatility.
- e) Floating rate debt includes short-term debt, term debt with less than one year remaining to maturity, and term debt with interest rate reset within a year.
- f) Canadian dollar fixed rate debt includes \$678,696 (2004 \$678,696) held by the Canada Pension Plan Investment Fund.
- g) U.S. dollar debt includes the Department's effective exposure to U.S. dollars through cross-currency swaps totaling \$107,600 U.S. at March 31, 2005. Unhedged U.S. dollar debt is translated into Canadian dollars at the March 31 noon exchange rate of \$1.21 per U.S. dollar (2004 \$1.31 per U.S. dollar). Deferred exchange gains on unhedged U.S. dollar debt amounted to \$5,879 at March 31, 2005 (2004 \$4,653). Amortization of deferred exchange gains amounted to \$1,420 for the year ended March 31, 2005 (2004 \$146,260). In Budget 2004, a change in the exchange rate of one U.S. cent to the Canadian dollar was estimated to have a \$6 million effect on debt servicing costs.

DEPARTMENT OF FINANCE

Schedule 15 (continued)

Debt principal repayment requirements at par in each of the next five years, including short-term debt maturing in 2005-06, and thereafter are as follows:

(thousands)

	Total in Canadian Dollars	Unhedged in U.S. Dollars
2005-06	\$1,355,119	\$107,600
2006-07	149,379	-
2007-08	273,428	-
2008-09	730,679	-
2009-10	78,342	-
Thereafter	1,144,171	-
	<u>\$3,731,118</u>	<u>\$107,600</u>

None of the debt has call provisions (2004 none).

Derivative Financial Instruments

The Department uses interest rate swaps and cross-currency interest rate swaps and contracts to manage the interest rate risk and currency exposure associated with unmatured debt. In addition, forward interest rate agreements are used to manage interest rate exposure in the short term. Associated with these instruments are credit risks that could expose the Department to potential losses. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit exposure to counterparties is a fraction of the notional principal amount, as shown in the table below. The Department minimizes its credit risk associated with these contracts by dealing with only the most credit worthy counterparties.

Interest rate swaps involve the exchange of a series of interest payments, either at a fixed or floating rate, based upon a contractual or notional principal amount. An interest rate swap agreement based upon a notional amount involves no exchange of underlying principal. The notional amount serves as the basis for determining the exchange of interest payments. At March 31, 2005, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

Cross-currency interest rate swaps involve both the swapping of interest rates and currencies.

DEPARTMENT OF FINANCE

Schedule 15 (continued)

The following table summarizes the Department's derivative portfolio and related credit exposure. Notional amount represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the financial statements. Replacement cost represents the cost of replacing, at current market rates, all contracts that have a positive fair value. The fair value of interest rate swaps and cross-currency interest rate swaps are based on discounted cash flows using current market yields and exchange rates.

(thousands)

	2005		2004	
	Notional Amount	Replacement Cost	Notional Amount	Replacement Cost
Interest rate swaps	\$ 825,000	\$ 25,825	\$ 1,131,000	\$ 50,394
Cross-currency interest rate swaps	173,905	21,365	498,173	29,727
	<u>\$ 998,905</u>	<u>\$ 47,190</u>	<u>\$ 1,629,173</u>	<u>\$ 80,121</u>

DEPARTMENT OF FINANCE

PENSION OBLIGATIONS*(thousands)***Schedule 16**

The Department's pension obligations are described below.

	2005	2004
Obligations to pension plans for current and former employees and Members of the Legislative Assembly		
Public Service Management (Closed Membership) Pension Plan (a)	\$ 656,274	\$ 675,856
Members of the Legislative Assembly Pension Plan (b)	46,770	49,625
Management Employees Pension Plan (c)	12,349	-
Public Service Pension Plan (c)	8,181	-
	<u>723,574</u>	<u>725,481</u>
Obligations to pension plans for employees of organizations outside the government reporting entity		
Universities Academic Pension Plan (d)	184,760	171,501
Special Forces Pension Plan (d)	62,899	67,710
	<u>247,659</u>	<u>239,211</u>
	<u>\$ 971,233</u>	<u>\$ 964,692</u>

- a) The Public Service Management (Closed Membership) Pension Plan provides benefits to former members of the Public Service Management Pension Plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992. The costs of all benefits under the plan are paid by the Department.
- b) The Department has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after this date.
- c) The Department is the sponsor of two multi-employer defined benefit pension plans on behalf of the Government of Alberta. The two plans are the Management Employees Pension Plan (MEPP) and the Public Service Pension Plan (PSPP). For each Plan, current service costs and the Plan's deficiency are being financed by employer and employee contributions at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. Contributions from employer and employees are in the ratio of 58.0% and 42.0% respectively for MEPP and 50.0% each for PSPP. The Department records the Government's share of the employer's estimated accrued benefit liability for each of these plans. An accrued benefit asset is not recorded.
- d) Under the *Public Sector Pension Plans Act*, the Department has obligations for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and the Special Forces plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25% of pensionable salaries by the Department, and contributions by employers and employees to fund the remaining amount, as determined by the plan valuation, over the period ending on or before December 31, 2043. Employers and employees fund current service costs.

For Special Forces, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45% by the Department and 27.27% each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

DEPARTMENT OF FINANCE

Schedule 16 (continued)

Pension obligations are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services. The assumptions used in the valuations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the employee group.

Information about the economic assumptions used in the most recent actuarial valuations is provided below for each plan. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation	Real Rate of of Return %	Inflation Rate %	Investment Rate of Return %
Public Service Management (Closed Membership) Pension Plan	December 31, 2002	3.00	3.00	6.00
Members of the Legislative Assembly Pension Plan	March 31, 2003	3.00	3.00	6.00
Management Employees Pension Plan	December 31, 2003	4.00	2.75	6.75
Public Service Pension Plan	December 31, 2002	3.75	3.25	7.00
Universities Academic Pension Plan	December 31, 2004	4.00	2.75	6.75
Special Forces Pension Plan	December 31, 2001	3.75	3.25	7.00

These actuarial valuations indicated a deficiency of net assets over actuarial present value of accrued benefits. Including deferred losses of \$354,932 (2004 \$369,207), unfunded liabilities were extrapolated to March 31, 2005.

A separate pension plan fund is maintained for each pension plan except for the members of the Legislative Assembly plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

DEPARTMENT OF FINANCE

OTHER ACCRUED LIABILITIES

Schedule 17

(thousands)

	2005	2004 Restated (Note 3)
Future funding to school boards to enable them to repay debentures issued to the Alberta Capital Finance Authority	\$ 450,657	\$ 525,626
Guarantees and indemnities (Schedule 19)	2,550	2,550
Vacation entitlements	4,385	4,501
Other	332	344
	<u>\$ 457,924</u>	<u>\$ 533,021</u>

GUARANTEED DEBT OF GOVERNMENT ENTITIES

Schedule 18

(thousands)

	Held by:			Total 2005	Total 2004
	Department of Finance	Alberta Heritage Savings Trust Fund	Others		
Debentures					
Alberta Capital Finance Authority	\$ -	\$ -	\$ 4,267,567	\$ 4,267,567	\$ 4,069,558
Alberta Social Housing Corporation	312,944	88,340	79,654	480,938	505,722
	<u>312,944</u>	<u>88,340</u>	<u>4,347,221</u>	<u>4,748,505</u>	<u>4,575,280</u>
Deposits					
Alberta Treasury Branches	2,579	-	13,837,453	13,840,032	13,035,120
	<u>\$ 315,523</u>	<u>\$ 88,340</u>	<u>\$ 18,184,674</u>	<u>\$ 18,588,537</u>	<u>\$ 17,610,400</u>

Guarantees include principal borrowings only and exclude guaranteed interest, the amount of which is not determinable.

The net asset position from the most recent financial statements of government entities with guaranteed liabilities are reported below.

(thousands)

Entity	Date	Position	2005	2004
Alberta Capital Finance Authority	December 31, 2004	Shareholders' Equity	\$ 12,728	\$ 22,470
Alberta Social Housing Corporation	March 31, 2005	Surplus	\$ 371,674	\$ 322,309
Alberta Treasury Branches	March 31, 2005	Equity	\$ 1,150,274	\$ 962,961

DEPARTMENT OF FINANCE

OTHER GUARANTEES (a)

(thousands)

Schedule 19

	2005	2004	Expiry Date
Farm Credit Stability Act (b)	\$ 15,175	\$ 27,081	2011
Centre for Engineering Research Inc.	792	1,149	2005
University of Calgary	1,004	1,071	2016
Rural utilities loans	370	591	2015
	<u>17,341</u>	<u>29,892</u>	
Less estimated liability (Schedule 17)	<u>2,550</u>	<u>2,550</u>	
	<u>\$ 14,791</u>	<u>\$ 27,342</u>	

- a) Authorized loan guarantee limits decline as guaranteed loans are repaid.

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

No new program guarantees are being issued under the following Acts: *Farm Credit Stability Act*, *Rural Utilities Act*.

- b) The expiry date shown is the latest expiry date for guaranteed loans under the program.

DEPARTMENT OF FINANCE

RELATED PARTY TRANSACTIONS**Schedule 20**

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

As explained in Note 2(A), the Department is responsible for managing all departments' cash transactions. As a result, the Department engages in transactions with its own funds and agencies and with all other departments and their funds and agencies in the normal course of operations.

The Deputy Minister of Finance is a director of the Alberta Pensions Administration Corporation and the Alberta Capital Finance Authority. Alberta Pensions Administration Corporation is wholly owned and Alberta Capital Finance Authority is 70% owned by the Government of Alberta, through the Department. The Deputy Minister of Finance did not receive any benefit during the year, in cash or in kind, as a result of these directorships.

The investment in Alberta Capital Finance Authority is recorded at cost (see Schedule 12) because the Corporation has the power to pay its retained earnings, which amounted to \$12,664,000 at December 31, 2004 (2003 \$22,406,000), to municipal and other shareholders, which have borrowed money from the Corporation. During the 2004-05 fiscal year, the Department paid \$127,980,000 (2004 \$144,002,000) to the Corporation by way of grants to school boards to satisfy their interest and principal repayment obligations in respect of school board debentures. These amounts are not included in the table below as school boards are not related parties. The investment in Alberta Pensions Administration Corporation is not significant, either on a cost or on an equity basis.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licences 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.

DEPARTMENT OF FINANCE

Schedule 20 (continued)*(thousands)*

The Department 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.

	Entities in the Ministry		Other Entities	
	2005	2004 Restated (Note 3)	2005	2004 Restated (Note 3)
Revenues				
Transfers	\$ 1,091,903	\$ 1,154,979	\$ 154,748	\$ 137,755
Interest	3,937	5,924	65,435	68,913
Charges for services	19,961	15,626	45	798
	<u>\$ 1,115,801</u>	<u>\$ 1,176,529</u>	<u>\$ 220,228</u>	<u>\$ 207,466</u>
Expenses				
Cost of services	\$ 73	\$ 85	\$ 6,106	\$ 6,057
Assets				
Accounts receivable	\$ 144,361	\$ 73,856	\$ 68,439	\$ 52,756
Accrued interest receivable	1,695	1,271	11,812	13,721
Loans, advances and investments	1,668	1,484	1,212,694	1,242,236
	<u>\$ 147,724</u>	<u>\$ 76,611</u>	<u>\$ 1,292,945</u>	<u>\$ 1,308,713</u>
Liabilities				
Accounts and accrued interest payable	\$ 327	\$ 316	\$ -	\$ 47

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

The Department 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 21.

(thousands)

	Entities in the Ministry		Other Entities	
	2005	2004 Restated (Note 3)	2005	2004 Restated (Note 3)
Expenses - incurred by others				
Accommodation	\$ -	\$ -	\$ 2,965	\$ 2,965
Legal services	-	-	2,059	1,993
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,024</u>	<u>\$ 4,958</u>

DEPARTMENT OF FINANCE

ALLOCATED COSTS BY PROGRAM

Schedule 21

(thousands)

Program	Expenses(1)	Expenses - Incurred by Others		Vacation Pay	Valuation Adjustments			Pension Provisions	Total 2005	Total 2004 Restated (Note 3)
		Accommodation Costs	Legal Services		Banked Overtime	Doubtful Accounts				
Ministry support services	\$ 9,739	\$ 571	\$ 24	\$ 1	\$ 29	\$ -	\$ -	\$ 10,364	\$ 9,949	
Fiscal planning and accountability	8,251	243	152	(67)	27	-	-	8,606	8,012	
Pensions, insurance and financial institutions	5,950	104	631	(20)	-	-	-	6,665	5,760	
Treasury management	2,151	70	59	36	-	(58)	-	2,258	2,205	
Long term revenue and investment policy	846	-	20	58	-	-	-	924	609	
Revenue collection and rebates	22,589	1,582	46	(32)	-	(519)	-	23,666	25,805	
Investment	14,977	305	181	(55)	13	-	-	15,421	12,957	
Risk management and insurance	1,212	90	946	(38)	28	-	-	2,238	2,151	
Debt servicing costs and pension provisions	394,778	-	-	-	-	-	6,541	401,319	353,674	
	<u>\$ 460,493</u>	<u>\$ 2,965</u>	<u>\$ 2,059</u>	<u>\$ (117)</u>	<u>\$ 97</u>	<u>\$ (577)</u>	<u>\$ 6,541</u>	<u>\$ 471,461</u>	<u>\$ 421,122</u>	

1) Expenses - directly incurred as per Statement of Operations, excluding valuation adjustments.

