

Ministry of Housing and Urban Affairs

Consolidated Financial Statements

March 31, 2010

Auditor's Report

Consolidated Statements of Operations

Consolidated Statements of Financial Position

Consolidated Statements of Cash Flows

Notes to the Consolidated Financial Statements

Schedules to the Consolidated Financial Statements:

- 1 Revenues
- 2 Expenses - Directly Incurred Detailed by Object
- 3 Budget
- 4 Related Party Transactions
- 5 Allocated Costs

Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statements of financial position of the Ministry of Housing and Urban Affairs as at March 31, 2010 and 2009 and consolidated statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“Original signed by Merwan N. Saher”, CA
Auditor General

Edmonton, Alberta
June 8, 2010

MINISTRY OF HOUSING AND URBAN AFFAIRS

Consolidated Statements of Operations

Year ended March 31

(in thousands)

	2010		2009
	Budget (Schedule 3)	Actual	Actual (Restated - Note 2d)
Revenues (Schedule 1)			
Transfers from the Government of Canada	\$ 80,100	\$ 138,649	\$ 107,422
Investment Income	6,035	2,281	5,942
Other Revenue	225	17,324	11,950
	<u>86,360</u>	<u>158,254</u>	<u>125,314</u>
Expenses - Directly Incurred (Note 2c and Schedule 5)			
Voted (Schedule 2)			
Ministry Support Services	6,375	5,464	4,233
Housing Development and Operations	278,421	286,730	468,709
Homeless Support and Land Development	179,522	180,225	55,320
Policy and Urban Affairs	2,281	2,114	1,771
	<u>466,599</u>	<u>474,533</u>	<u>530,033</u>
Statutory (Schedule 2)			
Alberta Social Housing Corporation	87,320	126,397	99,851
Debt Servicing Costs	18,970	18,968	20,394
	<u>106,290</u>	<u>145,365</u>	<u>120,245</u>
Valuation Adjustments			
Provision for Doubtful Accounts	-	-	1,385
Provision for Losses on Guarantees, Indemnities and Mortgages	85	4	6
Provision for Vacation Pay	-	131	366
	<u>106,375</u>	<u>145,500</u>	<u>122,002</u>
	<u>572,974</u>	<u>620,033</u>	<u>652,035</u>
Gain on Disposal of Tangible Capital Assets	14,410	7,337	10,252
Net Operating Results	<u>\$ (472,204)</u>	<u>\$ (454,442)</u>	<u>\$ (516,469)</u>

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

MINISTRY OF HOUSING AND URBAN AFFAIRS

Consolidated Statements of Financial Position

Year ended March 31

(in thousands)

	2010	2009 (Restated - Note 2d)
Assets		
Cash (Note 3)	\$ 255,667	\$ 237,328
Accounts Receivable (Note 4)	99,573	45,461
Loans and Advances (Note 5)	3,161	4,998
Deferred Financing Charges	515	668
Tangible Capital Assets (Note 6)	626,621	638,796
	<u>\$ 985,537</u>	<u>\$ 927,251</u>
Liabilities		
Accounts Payable	\$ 3,338	\$ 5,862
Accrued Liabilities	495,144	375,016
Accrued Interest Payable	2,172	2,264
Allowance for Losses on Guarantees and Indemnities (Note 7)	18	12
Long-Term Debt (Note 8)	253,912	277,803
	<u>754,584</u>	<u>660,957</u>
Net Assets		
Net Assets at Beginning of Year	266,294	373,650
Net Operating Results	(454,442)	(516,469)
Net Financing Provided from General Revenues	419,101	409,113
Net Assets at End of Year	<u>230,953</u>	<u>266,294</u>
	<u>\$ 985,537</u>	<u>\$ 927,251</u>

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

MINISTRY OF HOUSING AND URBAN AFFAIRS

Consolidated Statements of Cash Flows

Year ended March 31

(in thousands)

	2010	2009 (Restated - Note 2d)
Operating Transactions		
Net Operating Results	\$ (454,442)	\$ (516,469)
Non-cash items included in Net Operating Results		
Amortization of Tangible Capital Assets	23,001	22,867
Amortization of Deferred Financing Charges	153	167
Grants in Kind	7,078	19,200
Capital Contributions in Kind	(9,457)	(4,499)
Gain on Disposal of Tangible Capital Assets	(7,337)	(10,252)
Valuation Adjustments	135	1,757
	<u>(440,869)</u>	<u>(487,229)</u>
Changes in Working Capital		
(Increase) Decrease in Accounts Receivable Before Valuation Adjustments	(54,112)	18,532
(Decrease) in Accounts Payable Before Valuation Adjustments	(2,661)	(6,345)
Increase in Accrued Liabilities	120,127	144,499
(Decrease) in Accrued Interest Payable	(92)	(86)
Cash Applied to Operating Transactions	<u>(377,607)</u>	<u>(330,629)</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,844)	(1,505)
Proceeds on Disposal of Tangible Capital Assets	2,743	104
Cash Applied to Capital Transactions	<u>(1,101)</u>	<u>(1,401)</u>
Investing Transactions		
Repayment of Loans and Advances	1,837	1,556
Cash Provided by Investing Transactions	<u>1,837</u>	<u>1,556</u>
Financing Transactions		
Repayment of Long-Term Debt	(23,891)	(22,486)
Net Financing Provided from General Revenues	419,101	409,113
Cash Provided by Financing Transactions	<u>395,210</u>	<u>386,627</u>
Increase (Decrease) in Cash	18,339	56,153
Cash, Beginning of Year	237,328	181,175
Cash, End of Year	\$ 255,667	\$ 237,328

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

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 1 Authority and Purpose

The Ministry of Housing and Urban Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also disclosed in Note 2(a).

The Ministry works in partnership with Alberta's municipalities, other provincial government departments, federal partners, local authorities, various organizations focused on local issues, and the private sector to ensure Albertans live in safe and sustainable communities and are served by open, effective, accountable and well-managed local governments.

This is done by:

- Delivering programs to assist lower-income Albertans in meeting their housing needs.
- Promoting strong and vibrant communities.
- Developing affordable housing units.
- Implementing a 10-year plan to address homelessness.
- Helping Albertans stay in their homes.
- Making additional public land available for affordable housing purposes.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The PSAB financial statements presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the ministries.

(a) Reporting Entity

The reporting entity is the Ministry of Housing and Urban Affairs, for which the Minister of Housing and Urban Affairs is accountable. Other entities reporting to the Minister are the Department of Housing and Urban Affairs and the Alberta Social Housing Corporation (the Corporation). The activities of these organizations are included in these consolidated financial statements.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(a) Reporting Entity (Cont'd)

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net financing from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Consolidation

The accounts of the Department of Housing and Urban Affairs and the Corporation have been consolidated. Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between the consolidated organizations were eliminated upon consolidation.

(c) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Rural and Native mortgage interest is not accrued when payments are greater than sixty days in arrears.

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. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue 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. Overpayments and transfers received before revenue recognition criteria have been met are included in accounts payable and accrued liabilities or unearned revenue.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(c) Basis of Financial Reporting (Cont'd)

Expenses

Directly Incurred

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

In addition to program operating expenses such as salaries and supplies etc., directly incurred expenses also include:

- Amortization of tangible capital assets.
- Debt servicing costs.
- Pension costs, which are the cost of employer contributions during the year.
- Valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grant Expense

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

Grants are provided under requests for proposals for Affordable Housing and Housing for the Homeless programs.

Grants under Rent Supplement programs are provided to selected housing providers to administer the programs.

Emergency/Transitional Support grants are provided to community-based organizations for projects relating to emergency shelter or transitional/supported housing projects.

The Outreach Support Services grants are provided to community-based organizations for initiatives towards the 10-year plan to end homelessness.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(c) Basis of Financial Reporting (Cont'd)

Expenses (Cont'd)

Grants (Cont'd)

Grants under Support to Housing Providers are provided to housing providers to administer housing programs.

Incurred by Others

Services contributed by other government entities in support of the Ministry operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Ministry are limited to cash and financial claims, such as advances to and receivables from other organizations and individuals.

Loans and advances include mortgages that are reported at cost less provisions for losses, and agreements receivable. Cost of mortgages includes amounts advanced, accrued interest, and other charges, less repayments and subsidies.

Deferred financing charges on debt financing are amortized over the life of the debt on a straight-line basis.

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. All land, excluding land acquired by right, is capitalized. The threshold for all other tangible capital assets is \$5,000.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(c) Basis of Financial Reporting (Cont'd)

Assets (Cont'd)

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. Eligible costs for capitalization include:

- external direct costs of materials and services such as consultant fees (except those relating to business process reengineering),
- costs to acquire software and any custom development,
- salary and related benefits of employees assigned full-time to the project that are directly associated with the application development stage, and
- costs of upgrades that improve the functionality of the system.

Capitalization begins when the preliminary project stage is completed and management authorizes and commits to the project.

The threshold for all other tangible capital assets is \$5,000. All land, excluding land acquired by right is capitalized.

Donated tangible capital assets are recorded at their fair value at the time of contribution.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values of these physical assets less any nominal proceeds or expenses incurred in the sale or disposal process are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in a sacrifice of economic benefits in the future.

Net Assets

Net assets represent the difference between the carrying values of assets held by the Ministry and its liabilities.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(c) Basis of Financial Reporting (Cont'd)

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.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities, and accrued interest payable are estimated to approximate their carrying values because of the short term nature of these instruments. 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 timelines or cost to estimate the fair value with sufficient reliability.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

Estimates relating to the determination of the Government of Canada accounts receivable of \$60,702 (2009 - \$9,009) as disclosed in these consolidated financial statements are subject to measurement uncertainty.

Estimates relating to the determination of the housing providers accounts receivable of \$27,066 (2009 - \$25,573) as disclosed in these statements are subject to measurement uncertainty.

Insurance recoveries receivable from third party insurers and accounts payable for the repairs of insured property are subject to measurement uncertainty of \$2,140 (2009 - \$2,000). The uncertainty results from negotiation variations between third party insurers and the Alberta Risk Management Fund regarding claims for the Corporation's property.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(d) Change in Accounting Policy

(in thousands)

Change in Treatment of Housing Providers' Surpluses and Deficits

In prior years, the net operating results of all housing providers were reported as a single sum by program, combining surpluses with deficits.

To improve financial statement transparency, the accounting policy has been changed to reflect that a housing provider's surplus is not related to another housing provider's deficit falling under the same program. Housing provider's deficits are reported as Support to Housing Providers grant expense. Housing provider's surpluses are reported as Other Revenue.

The effect of this change results in an increase of \$5,705 to Other Revenue and an increase of \$5,705 to Support to Housing Providers to reflect the separation of housing provider surpluses and deficits in 2008-09. The 2008-09 financial statements have been restated to reflect this change in treatment. There is no impact to the 2008-09 statement of financial position.

Change in Insurance Estimates

The property of the Corporation is insured by Alberta Finance and Enterprise's Risk Management Insurance (RMI).

In prior years, estimated insurance recoveries from third party insurers were recorded as reductions to the insurance recoveries receivable.

Due to the uncertainty of the estimated amount of recoveries from third party insurers, insurance claims are recorded at full recovery receivables due RMI until, if applicable, recoveries from third party insurers can be reasonably confirmed. At time of confirmation, this portion of the recovery is reclassified as receivables due from third party insurers.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(d) Change in Accounting Policy (Cont'd)

Change in Insurance Estimates (Cont'd)

(in thousands)

The effects of this change in accounting policy results in an increase of \$2,000 to accounts receivable and an increase of \$2,000 to accounts payable to reflect the full recovery amounts of insurance claims in 2008-09. The 2008-09 financial statements have been restated to reflect this change in insurance estimates. There is no impact to the 2008-09 statement of operations.

Note 3 Cash

Cash and cash equivalents consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2010, securities held in the CCITF have an average time-weighted market yield of 1.0% per annum (2009 – 3.0% per annum).

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 4 Accounts Receivable

(in thousands)

	2010			2009
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Government of Canada ^(a)	\$ 60,702	\$ -	\$ 60,702	\$ 9,009
Housing Providers ^(b)	27,066	-	27,066	25,573
Other ^(c)	13,215	1,410	11,805	10,879
	<u>\$ 100,983</u>	<u>\$ 1,410</u>	<u>\$ 99,573</u>	<u>\$ 45,461</u>

(a) Government of Canada and Corporation accounts receivable are unsecured and non-interest bearing.

(b) Management Agencies and Bodies surplus.

Restricted Operating Reserves of \$16,355 have been outstanding since 2005-06. Cash balances of each housing provider are monitored annually. See note 15.

(c) Other accounts receivable includes interest due from social housing providers as per a writ of enforcement for recovery of grants advanced in prior years.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 5 Loans and Advances

(in thousands)

	2010				2009
	Accrual	Non-Accrual ^(c)	Allowance for Losses	Net Realizable Value	Net Realizable Value
Rural and Native ^(a)	\$ 3,049	\$ 89	\$ 1	\$ 3,137	\$ 4,161
Agreements receivable ^(b)	-	-	-	-	790
Other loans and receivables	24	-	-	24	47
	<u>\$ 3,073</u>	<u>\$ 89</u>	<u>\$ 1</u>	<u>\$ 3,161</u>	<u>\$ 4,998</u>

- a) These mortgages are provided under the Rural and Native Housing program, with payments based on an amortization period of 25 years and five-year interest renewal terms.
- b) Agreements receivable represent amounts receivable for land sales.
- c) Rural and Native mortgage interest is not accrued when payments are greater than sixty days in arrears

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 6 Tangible Capital Assets

(in thousands)

	2010					2009
	Land	Buildings	Equipment	Computer hardware and software	Total	Total
Estimated useful life	Indefinite	10-50 years ^(a)	10 years	3 years		
Historical Cost						
Beginning of year	\$ 116,267	\$ 1,087,034	\$ 4	\$ 728	\$ 1,204,033	\$ 1,211,222
Additions ^{(b)(c)}	3,847	9,443	10	-	13,300	6,004
Disposals, including write-downs	(175)	(5,428)	-	(27)	(5,630)	(13,193)
	<u>\$ 119,939</u>	<u>\$ 1,091,049</u>	<u>\$ 14</u>	<u>\$ 701</u>	<u>\$ 1,211,703</u>	<u>\$ 1,204,033</u>
Accumulated Amortization						
Beginning of year	\$ -	\$ 564,787	\$ -	\$ 450	\$ 565,237	\$ 546,512
Amortization expense	-	22,922	1	78	23,001	22,867
Effect of disposals	-	(3,129)	-	(27)	(3,156)	(4,142)
	<u>\$ -</u>	<u>\$ 584,580</u>	<u>\$ 1</u>	<u>\$ 501</u>	<u>\$ 585,082</u>	<u>\$ 565,237</u>
Net book value at March 31, 2010	<u>\$ 119,939</u>	<u>\$ 506,469</u>	<u>\$ 13</u>	<u>\$ 200</u>	<u>\$ 626,621</u>	
Net book value at March 31, 2009	<u>\$ 116,267</u>	<u>\$ 522,247</u>	<u>\$ 4</u>	<u>\$ 278</u>		<u>\$ 638,796</u>

- a) Seniors and special needs buildings are amortized over 50 years, community housing buildings over 40 to 50 years, and all other buildings over 10 to 25 years.
- b) Additions include \$9,457 in donated land and buildings.
- c) Parsons Creek land development costs have been capitalized. Corporation capital expenditures have been incurred in preparation and development of Parsons Creek as part of a multi-year plan for future residential development for the initial phase. Later phases may also include industrial and commercial land development costs.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 6 Tangible Capital Assets (Cont'd)

(in thousands)

	<u>2010</u>	<u>2009</u>
Land Development Costs	\$ 3,833	\$ 1,224
Donations	14	124
	<u>\$ 3,847</u>	<u>\$ 1,348</u>

Land development costs of \$3,833 were incurred on 989 Hectares of crown land. Crown land is valued at \$0.

Note 7 Guarantees and Indemnities

(in thousands)

The Ministry has outstanding guarantees that were issued by the Corporation on the sale of certain of its mortgages whereby the Corporation will reimburse mortgagees for any losses that may occur on default by mortgagors. Any claims for losses by the mortgagees will be reduced by the amounts realized from the sale of the underlying properties.

Guaranteed amounts, the last of which was guaranteed on March 30, 1994, are as follows:

	<u>2010</u>	<u>2009</u>
Mortgages, on multi-unit rental properties and land, guaranteed to 2011	<u>\$ 10,454</u>	<u>\$ 12,434</u>

Under the former mobile home loan insurance program, the Ministry through the Alberta Social Housing Corporation has agreed to indemnify losses on mobile home loans issued by financial institutions. The outstanding loans as at March 31, 2010 amount to \$148 (2009 - \$250). This program was terminated effective October 1, 1993. However, the Ministry through the Alberta Social Housing Corporation has an ongoing commitment on the insurance policies remaining in force.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 7 Guarantees and Indemnities (Cont'd)

(in thousands)

An allowance for losses has been made on these guarantees and indemnities in the amount of \$18 (2009 - \$12).

Note 8 Long Term Debt

(in thousands)

The Ministry's long-term debt and exposure to interest rate risk is summarized as follows:

	<u>2010</u>	<u>2009</u>
Canada Mortgage and Housing Corporation ^(a)	\$ 72,763	\$ 74,400
Alberta Finance and Enterprise ^(b)	181,149	203,403
	<u>\$ 253,912</u>	<u>\$ 277,803</u>

a) Debentures maturing January 2023 to January 2030, with a weighted average effective rate of 9.645%.

b) Notes payable maturing September 16, 2016, with an effective rate of 5.93%.

The Province of Alberta guarantees the repayment of principal and interest on all borrowings. The debentures, including interest thereon, are repayable in equal annual or semi-annual installments and the note payable is repayable in equal semi-annual installments.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 8 Long Term Debt (Cont'd)

(in thousands)

Approximate aggregate repayments of principal in each of the next five years are:

2011	\$	25,384
2012		26,973
2013		28,664
2014		30,463
2015		32,377
Thereafter		110,051
	\$	<u>253,912</u>

Long-term debt has a fair value of \$101,148 (2009 - \$106,278) for Canada Mortgage and Housing Corporation debentures and \$198,380 (2009 - \$226,228) for the note payable to Alberta Finance and Enterprise. Fair values for debt are based on the Province of Alberta's current borrowing rates, which are available to the Corporation for debt with similar terms and maturities.

Note 9 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met. Grants for housing providers approved for future years have been included as an obligation.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 9 Contractual Obligations (Cont'd)

(in thousands)

	<u>2010</u>	<u>2009</u>
Obligations under contracts and programs		
Service contracts	\$ 2,778	\$ 49
Long-term leases	38,644	39,988
Obligations under agreements	336,114	398,465
	<u>\$ 377,536</u>	<u>\$ 438,502</u>

The Ministry leases land under various leases for the purpose of providing social housing.

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

Obligations Under Contracts and Programs

	Service contracts	Long-term leases	Agreements	Total
2010-11	\$ 2,147	\$ 1,347	\$ 102,722	\$ 106,216
2011-12	631	1,347	17,710	19,688
2012-13	-	1,347	17,647	18,994
2013-14	-	1,348	17,647	18,995
2014-15	-	1,349	17,647	18,996
Thereafter	-	31,906	162,741	194,647
	<u>\$ 2,778</u>	<u>\$ 38,644</u>	<u>\$ 336,114</u>	<u>\$ 377,536</u>

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 10 Contingent Liabilities

(in thousands)

At March 31, 2010, the Ministry is a defendant in six legal claims (2009 - seven claims). These claims have specified amounts totaling \$9,179 (2009 - \$12,921). The Ministry has been jointly named with other entities in 5 legal claims amounting to \$8,754 (2009 - six claims amounting to \$12,496). The Alberta Risk Management Fund covers three claims amounting to \$1,091 (2009 - three claims amounting to \$1,091).

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

Note 11 Trust Funds Under Administration

(in thousands)

As at March 31, 2010, the following trust funds under administration had balances as follows:

	<u>2010</u>	<u>2009</u>
Provincial Territorial Secretariat Trust	\$ 58	\$ -
Gunn Centre Resident Trust Fund	7	7
	<u>\$ 65</u>	<u>\$ 7</u>

The Department of Housing and Urban Affairs served as Chair of the Provincial Territorial Secretariat in 2009-10. The Department was responsible for managing collection of funds from other provinces as dues, and disbursements relating to the Department's position as Chair. These funds are held in a separate Trust Account and are not an asset of the Government of Alberta.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 12 Program Recoveries

Cost-sharing agreements provide for a contribution by Canada Mortgage and Housing Corporation (CMHC) towards subsidies of rental properties and mortgages receivable and for certain capital costs, administration expenses and net operating results, of approved community housing projects that are recorded by the Corporation. Contributions are also provided by CMHC to the Corporation for net operating results of approved seniors housing projects that are recorded by the Corporation. The Department receives recoveries from CMHC for eligible expenditures under the Federal Economic Stimulus Plan for retrofit and regeneration of social housing.

Note 13 Housing Providers

(in thousands)

The Ministry supports the provision of seniors and community housing through housing providers. Grants are provided to cover operating deficits of specific programs. Housing providers that incur expenses in excess of revenues are provided grants. Recoveries are received from housing providers that generate revenues in excess of expenses. Costs for property insurance, amortization and interest on long-term debt are incurred and recorded by the Ministry; housing providers do not incur or record these expenses.

Information on the operating and maintenance grants to housing providers is as follows:

	2010	2009 <small>(Restated - Note 2d)</small>
Operating Grants to Housing Providers	\$ 45,565	\$ 44,887
Maintenance Grants to Housing Providers	2,500	10,262
Provincial/Federal Retrofit and/or Regeneration of Social Housing	45,328	-
	<u>\$ 93,393</u>	<u>\$ 55,149</u>

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 14 Benefit Plans

(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan, and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense of these pension plans is equivalent to the annual contributions of \$1,329 for the year ended March 31, 2010 (2009 - \$951).

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

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

Note 15 Subsequent Events

(in thousands)

On May 12, 2010, a decision was made to collect the majority of the housing providers Restricted Operating Reserves, estimated at \$10,000 of \$16,355. The remaining funds will be provided as accountable advances to housing providers.

Note 16 Comparative Figures

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

MINISTRY OF HOUSING AND URBAN AFFAIRS

Notes to the Consolidated Financial Statements

Year Ended March 31

Note 17 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister of the Ministry of Housing and Urban Affairs.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Schedule 1 - Revenues

Year ended March 31

(in thousands)

	2010		2009
	Budget (Schedule 3)	Actual	Actual (Restated - Note 2d)
Transfers from the Government of Canada			
Recoveries from Canada Mortgage and Housing Corporation	\$ 80,000	\$ 97,639	\$ 81,002
Affordable Housing	-	40,571	10,176
Off-Reserve Aboriginal Housing	-	-	16,142
Recoveries from Indian and Northern Affairs Canada	100	439	102
	<u>80,100</u>	<u>138,649</u>	<u>107,422</u>
Investment Income			
Bank and other	6,000	2,254	5,928
Mortgages	35	27	14
	<u>6,035</u>	<u>2,281</u>	<u>5,942</u>
Other Revenue			
Miscellaneous	100	104	73
Contributions in Kind	-	9,457	4,499
Recoveries from Management Organizations	-	6,586	7,064
Rental Revenue	125	145	227
Refunds of Expenditure	-	1,032	87
	<u>225</u>	<u>17,324</u>	<u>11,950</u>
Total Revenues	<u>\$ 86,360</u>	<u>\$ 158,254</u>	<u>\$ 125,314</u>

MINISTRY OF HOUSING AND URBAN AFFAIRS

Schedule 2 - Expenses - Directly Incurred Detailed by Object

Year ended March 31

(in thousands)

	2010		2009
	Budget (Schedule 3)	Actual	Actual (Restated - Note 2d)
Voted			
Salaries and Wages	\$ 16,910	\$ 14,431	\$ 12,024
Supplies and Services	3,971	3,043	2,474
Grants	445,610	456,871	515,421
Financial Transactions and Other	108	109	114
Amortization of Tangible Capital Assets	-	79	-
	<u>\$ 466,599</u>	<u>\$ 474,533</u>	<u>\$ 530,033</u>
Statutory			
Supplies and Services	\$ 2,401	\$ 3,436	\$ 2,370
Grants	61,101	100,039	74,614
Debt Servicing Costs	18,970	18,968	20,394
Amortization of Tangible Capital Assets	23,818	22,922	22,867
	<u>106,290</u>	<u>145,365</u>	<u>120,245</u>
Valuation Adjustments			
Provision for Doubtful Accounts	-	-	1,385
Provision for Loss on Guarantees, Indemnities and Mortgages	85	4	6
Provision for Vacation Pay	-	131	366
	<u>\$ 106,375</u>	<u>\$ 145,500</u>	<u>\$ 122,002</u>
Total Expenses	<u>\$ 572,974</u>	<u>\$ 620,033</u>	<u>\$ 652,035</u>

MINISTRY OF HOUSING AND URBAN AFFAIRS

Schedule 3 - Budget

Year ended March 31

(in thousands)

	2009-10 Estimates	Adjust- ments (a)	2009-10 Budget	Authorized Supplemen- tary ^(b)	2009-10 Authorized Budget
Revenues					
Transfers from Government of Canada	\$ 80,100	\$ -	\$ 80,100	\$ 58,090	\$ 138,190
Premiums, Fees and Licenses	-	-	-	-	-
Investment Income	6,035	-	6,035	-	6,035
Other Revenue	225	6,000	6,225	-	6,225
	<u>86,360</u>	<u>6,000</u>	<u>92,360</u>	<u>58,090</u>	<u>150,450</u>
Expenses - Directly Incurred					
Voted Expenses					
Ministry Support Services	6,375	-	6,375	(400)	5,975
Housing Development & Operations	278,421	353	278,774	10,162	288,936
Homeless Support & Land Development	179,522	-	179,522	(490)	179,032
Policy and Urban Affairs	2,281	-	2,281	(50)	2,231
	<u>466,599</u>	<u>353</u>	<u>466,952</u>	<u>9,222</u>	<u>476,174</u>
Statutory Expenses					
Alberta Social Housing Corporation	87,320	6,000	93,320	45,380	138,700
Debt Servicing Costs	18,970	-	18,970	-	18,970
Valuation Adjustments					
Provision for Losses on Guarantees, Indemnities and Mortgages	85	-	85	-	85
	<u>106,375</u>	<u>6,000</u>	<u>112,375</u>	<u>45,380</u>	<u>157,755</u>
	<u>572,974</u>	<u>6,353</u>	<u>579,327</u>	<u>54,602</u>	<u>633,929</u>
Gain on Disposal of Tangible Capital Assets	14,410	-	14,410	-	14,410
Net Operating Results	<u>\$ (472,204)</u>	<u>\$ (353)</u>	<u>\$ (472,557)</u>	<u>\$ 3,488</u>	<u>\$ (469,069)</u>
Capital Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,030</u>	<u>\$ 19,030</u>

(a) Adjustments include in-year transfers between other ministries.

Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act* (for net budgeted initiatives).

(b) Supplementary Estimates for expenses were approved March 1, 2010.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Schedule 4 - Related Party Transactions

Year ended March 31

(in thousands)

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 Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, 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.

The Ministry had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2010	2009 (Restated Note 2d)
Expenses - Directly Incurred		
Business and Technology Services	\$ 99	\$ 10
Debt Servicing Costs	11,835	13,116
Insurance	1,449	1,119
	<u>\$ 13,383</u>	<u>\$ 14,245</u>
Deferred Financing Charges		
Alberta Finance and Enterprise	<u>\$ 515</u>	<u>\$ 668</u>
Receivables from:		
Department of Transportation	\$ 1,206	\$ -
Risk Management and Insurance	9,439	7,948
	<u>\$ 10,645</u>	<u>\$ 7,948</u>
Payables to:		
Alberta Finance and Enterprise ⁽¹⁾	<u>\$ 181,590</u>	<u>\$ 203,898</u>

⁽¹⁾ Debt and accrued interest on debt.

The above transactions do not include support service arrangement transactions disclosed in Schedule 2.

MINISTRY OF HOUSING AND URBAN AFFAIRS

Schedule 4 - Related Party Transactions

Year ended March 31

(in thousands)

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 5.

	Other Entities	
	2010	2009
Expenses - Incurred by Others (Schedule 5)		
Accommodation	\$ 4,079	\$ 1,522
Air Transportation/Executive Vehicle	24	20
Internal Audit	373	209
Business Services	10	1,055
Legal	219	155
	<u>\$ 4,705</u>	<u>\$ 2,961</u>

MINISTRY OF HOUSING AND URBAN AFFAIRS

Schedule 5 - Allocated Costs

Year ended March 31

(in thousands)

	2010						2009 (restated - Note 15)	
	Expenses - Incurred by Others ⁽²⁾				Valuation Adjustments			
Expenses ⁽¹⁾	Accommo- dation ⁽³⁾	Business Services ⁽⁴⁾	Legal/ Internal Audit ⁽⁵⁾	Vacation Pay ⁽⁶⁾	Losses/ Recoveries	Total	Total	
Ministry Support Services	\$ 5,464	\$ 648	\$ 9	\$ 6	\$ (7)	\$ -	\$ 6,120	\$ 5,525
Housing Development and Operations	286,730	745	9	334	76	-	287,894	470,459
Homeless Support and Land Development	180,225	1,151	12	150	48	-	181,586	56,662
Policy and Urban Affairs	2,114	311	4	1	14	-	2,444	1,765
Alberta Social Housing Corporation	145,365	1,224	-	101	-	4	146,694	114,880
	<u>\$ 619,898</u>	<u>\$ 4,079</u>	<u>\$ 34</u>	<u>\$ 592</u>	<u>\$ 131</u>	<u>\$ 4</u>	<u>\$ 624,738</u>	<u>\$ 649,291</u>

(1) Expenses - Directly Incurred as per Statements of Operations, excluding valuation adjustments.

(2) Costs shown for Expenses - Incurred by Others are as disclosed in Schedule 4.

(3) Costs shown for Accommodation allocated by square footage.

(4) Business Services includes financial and administrative services, air transportation, and executive vehicle services, allocated by estimated costs incurred in each program.

(5) Costs for Legal and Internal Audit services on Schedule 4 are allocated by estimated costs incurred by each program.

(6) Valuation Adjustments as per Statements of Operations. Employee Benefits provision included in Valuation Adjustments were allocated as follows:

- Vacation pay - allocated to the program by employee.