Government of Alberta

2014–15 Annual Report

- Executive Summary
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- Measuring Up

Alberta

This is the report to Albertans on ***Budget 2014: The Building Alberta Plan.*** It is a permanent public record of the dollars spent and the results achieved by the Government of Alberta for the 2014–15 fiscal year.

The Government of Alberta Annual Report consists of three parts:

- ***Executive Summary.***
- ***Consolidated Financial Statements***, which provide an overall accounting of the government's revenue and spending, and assets and liabilities.
- ***Measuring Up***, which reports on the progress that has been made towards achieving the government's goals.

Annual reports for each ministry have also been published, providing additional detailed information on performance and financial results.

Government of Alberta 2014–15 Annual Report
Consolidated Financial Statements and Measuring Up

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements of the Province of Alberta

Year Ended March 31, 2015

INTRODUCTION

The financial statements of the Province of Alberta are a consolidation of ministry financial statements, which themselves are a consolidation of the financial statements of departments, regulated funds, provincial agencies, Crown-controlled corporations, SUCH sector organizations and Crown-controlled research institutions, for which separate or summary financial statements are presented in ministry annual reports. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term “Crown-controlled SUCH sector organizations” is used to describe a much broader list of organizations, including school boards, technical institutes, Alberta Health Services and other health entities. A listing of these organizations is provided in Schedule 14 of the financial statements.

The method of consolidation is described in the Accounting Policies note (Note 1) that forms part of the financial statements.

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements are prepared by the Controller under the general direction of the Deputy Minister of Treasury Board and Finance as authorized by the President of Treasury Board and Minister of Finance pursuant to the *Financial Administration Act.* The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards, and of necessity include some amounts that are based on estimates and judgements. As required by the *Fiscal Management Act*, the consolidated financial statements are included in the consolidated annual report of the Government of Alberta that forms part of the Public Accounts.

To fulfill its accounting and reporting responsibilities, management maintains systems of financial management and internal control which give consideration to costs, benefits and risks, and which are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability for public money, and
- safeguard the assets and properties of the Province of Alberta under government administration.

Under the *Financial Administration Act,* deputy heads are responsible for the collection of revenue payable to the Crown, and for making and controlling disbursements with respect to their departments. They are also responsible for prescribing the accounting systems to be used in their departments. In order to meet government accounting and reporting requirements, the Controller obtains information relating to departments, regulated funds, provincial agencies, Crown-controlled corporations, schools, universities, colleges, technical institutes, Alberta Health Services and other health entities from ministries as necessary.

The consolidated financial statements are reviewed by the Provincial Audit Committee established under the *Auditor General Act.* The Provincial Audit Committee advises the Lieutenant Governor in Council on the scope and results of the Auditor General's audit of the consolidated financial statements of the Province.

The Auditor General of Alberta provides an independent opinion on the consolidated financial statements. The duties of the Auditor General in that respect are contained in the *Auditor General Act*.

Annually, the consolidated annual report is tabled in the Legislature as a part of the Public Accounts and is referred to the Standing Committee on Public Accounts of the Legislative Assembly.

Approved by:

Ray Gilmour, MBA, CMA, BSA, ICD.D
Deputy Minister of Treasury Board and Finance

Darwin Bozek, CGA
Controller

Edmonton, Alberta
June 22, 2015

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Province of Alberta which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Province of Alberta as at March 31, 2015, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

I draw attention to Note 1(b) and Note 5 of the consolidated financial statements that describe the constructed budget included on the consolidated statement of operations and consolidated statement of change in net financial assets. My opinion is not qualified in respect of this matter.

[Original signed by Merwan N. Saher, FCA]

Auditor General
June 22, 2015
Edmonton, Alberta

Consolidated Statement of Operations

Year Ended March 31

	2015		2014
	Constructed Budget [a] (Notes 1(b) and 5)	**Actual**	**Actual**
	In millions		
Revenues (Schedule 1)			
Income taxes	$ 16,647	$ 16,838	$ 16,023
Other taxes	4,606	4,598	4,500
Non-renewable resource revenue	9,209	8,948	9,578
Transfers from Government of Canada	6,704	6,405	5,477
2013 Alberta flood assistance (Note 6)	-	(423)	1,582
Net income from government business enterprises (Schedule 6)	2,566	2,665	2,541
Net investment income	2,612	3,113	3,423
Premiums, fees and licences	3,502	3,564	3,437
Other	2,679	3,773	2,873
	48,525	49,481	49,434
Expenses by function (Schedules 2 and 3)			
Health	19,051	19,366	17,967
Education	12,994	13,103	12,782
Social services	4,654	4,548	4,668
General government	1,939	2,289	2,303
Agriculture, resource management and economic development	2,492	2,236	2,217
Regional planning and development	1,771	2,152	1,142
Protection of persons and property	1,659	1,792	1,737
Transportation, communications and utilities	1,428	1,419	1,806
Recreation and culture	343	347	324
Housing	238	269	183
Environment	370	276	352
Debt servicing costs	777	728	601
Pension (recovery) provisions (Schedule 10)	88	(404)	748
2013 Alberta flood (Note 6)	207	245	2,906
	48,011	48,366	49,736
Annual surplus (deficit)	514	1,115	(302)
Net assets at beginning of year – as previously reported	53,871	53,871	53,972
Adjustments to net assets (Note 12)	-	265	201
Net assets at end of year	$ 54,385	$ 55,251	$ 53,871

[a] Constructed Budget is the result of revising the Province's Fiscal Plan to the same basis and scope of reporting as used in the consolidated financial statements.

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

Consolidated Statement of Financial Position

As at March 31

	2015	2014
	In millions	
Financial assets		
Cash and cash equivalents (Schedule 4)	$ 8,081	$ 6,728
Accounts and accrued interest receivable	4,405	6,466
Portfolio investments (Note 11 and Schedule 5)	32,494	30,703
Equity in government business enterprises (Schedule 6)	4,003	3,415
Loans and advances (Schedule 7)	16,906	15,796
Inventories for resale	188	151
	66,077	63,259
Liabilities		
Accounts and accrued interest payable	12,057	12,631
Unmatured debt (Schedule 8)	12,353	9,514
Debt of Alberta Capital Finance Authority (Schedule 9)	14,585	13,848
Pension liabilities (Schedule 10)	11,196	11,600
Unspent deferred capital contributions (Schedule 12)	203	165
Liabilities under public private partnerships (Note 7)	2,629	2,469
	53,023	50,227
Net financial assets	13,054	13,032
Non-financial assets		
Tangible capital assets (Schedule 11)	44,287	42,839
Inventories of supplies	220	173
Prepaid expenses	246	220
	44,753	43,232
Net assets before deferred capital contributions	57,807	56,264
Spent deferred capital contributions (Schedule 12)	2,556	2,393
Net assets	$ 55,251	$ 53,871

Contractual obligations and contingent liabilities (Notes 8 and 9)

Endowment funds (Note 11)

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

Consolidated Statement of Change in Net Financial Assets

Year Ended March 31

	2015		2014
	Constructed Budget (Notes 1 and 5)	**Actual**	**Actual**
	In millions		
Annual surplus (deficit)	$ 514	$ 1,115	$ (302)
Acquisition of tangible capital assets and inventories of supplies	(5,323)	(4,344)	(3,984)
Additions to public private partnerships, capital leases and donated capital	(206)	(323)	(380)
Amortization of tangible capital assets and consumption of inventories of supplies	3,000	3,076	2,876
Net gain on disposal and write-down of tangible capital assets	-	32	72
Proceeds on sale of tangible capital assets	-	57	39
Net increase in spent deferred capital contributions	-	163	93
Increase in prepaid expenses	-	(26)	(38)
Change in accumulated unrealized gains (Schedule 6)	-	103	47
Net increase in endowments (Note 11)	-	173	137
Change in accounting policy (Note 12)	-	-	62
Other (Note 12)	-	(4)	(45)
Increase (Decrease) in net financial assets	(2,015)	22	(1,423)
Net financial assets at beginning of year	13,032	13,032	14,455
Net financial assets at end of year	$ 11,017	$ 13,054	$ 13,032

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

Consolidated Statement of Cash Flows

Year Ended March 31

	2015	2014
	In millions	
Operating transactions		
Annual surplus (deficit)	$ 1,115	$ (302)
Non-cash items		
Amortization of tangible capital assets and consumption of inventories of supplies	3,076	2,876
Deferred capital contributions recognized as revenue	(155)	(139)
Pension (recovery) provisions	(404)	748
Equity in commercial enterprise	(485)	(381)
Other	(336)	(335)
	2,811	2,467
Decrease (Increase) in accounts and accrued interest receivable and prepaid	2,035	(2,037)
(Decrease) Increase in accounts and accrued interest payable	(574)	1,892
Other	(58)	20
Cash provided by operating transactions	4,214	2,342
Capital transactions		
Acquisition of tangible capital assets and inventories of supplies	(4,344)	(3,984)
Proceeds on sale of tangible capital assets	57	39
Cash used by capital transactions	(4,287)	(3,945)
Investing transactions		
Purchases of portfolio investments	(16,081)	(15,085)
Disposals of portfolio investments	14,678	12,860
Loans and advances made	(2,650)	(2,579)
Repayment of loans and advances	1,512	955
Cash used by investing transactions	(2,541)	(3,849)
Financing transactions		
Debt retirements	(15,903)	(12,831)
Debt issues	19,453	18,261
Restricted capital contributions	298	251
Repayment of liabilities under capital leases and public private partnerships	(39)	(33)
Other	158	113
Cash provided by financing transactions	3,967	5,761
Increase in cash and cash equivalents	1,353	309
Cash and cash equivalents at beginning of year	6,728	6,419
Cash and cash equivalents at end of year	$ 8,081	$ 6,728

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

Notes to the Consolidated Financial Statements

March 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) REPORTING ENTITY

These consolidated financial statements include the accounts of all organizations that are controlled by the Province, including government sector entities included in the Fiscal Plan and entities excluded from the Fiscal Plan. Entities excluded from the Fiscal Plan include Crown-controlled research institutions and Crown-controlled SUCH sector organizations. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations including school boards, technical institutes, Alberta Health Services, and other health entities.

A listing of these organizations is provided in Schedule 14.

(b) METHOD OF CONSOLIDATION

The accounts of government sector Fiscal Plan entities and entities excluded from the Fiscal Plan, except those designated as government business enterprises, are consolidated using the line-by-line method. Under this method, accounting policies of the consolidated entities are adjusted to conform to government accounting policies and the results of each line item in their financial statements (revenue, expense, assets and liabilities) are included in the government's results. Revenue, expense, capital, investing and financing transactions, as well as related asset and liability balances between consolidated entities have been eliminated. Asset retirement obligations of the SUCH sector organizations have been included in the Province's financial statements.

Public sector accounting standards require that financial statements contain a comparison of the actual and budgeted results for the year. When a government's fiscal plan is not prepared on a basis consistent with that used to report the actual results, planned results should be reported on the same basis as that used to report the results of the current period. The budget was prepared based on the fiscal framework detailed in the *Fiscal Management Act* and differs from the scope and accounting policies used in the province's consolidated financial statements. When there is a difference in the basis of reporting for financial statement purposes and basis for the budget, the budget is revised to conform to the accounting policy used for actual results. The revised budget is called the Constructed Budget. Note 5 presents a reconciliation between the budget under the *Fiscal Management Act* and the adjustments to conform to the Constructed Budget for financial reporting purposes. The Constructed Budget is presented on the Consolidated Statement of Operations and the Consolidated Statement of Change in Net Financial Assets.

Schools, colleges, technical institutes, some government business enterprises and some provincial agencies have year ends that are other than March 31. The significant transactions of these organizations that have occurred during the period between their year ends and the Province's year end of March 31, 2015, have been recorded in these financial statements.

The accounts of provincial agencies designated as government business enterprises, such as ATB Financial (see Schedule 6), are accounted for on the modified equity basis, with the equity being computed in accordance with the International Financial Reporting Standards. Under the modified equity method, the accounting policies of government business enterprises are not adjusted to conform to those of the government sector entities. Inter-sector revenue and expense transactions and related asset and liability balances are not eliminated.

(c) CHANGE IN ACCOUNTING POLICY

In 2014-15 the Province adopted the following accounting standard of the Public Sector Accounting Board:

PS 3260 Liabilities for Contaminated Sites

In June 2010 the Public Sector Accounting Board issued the liabilities for contaminated sites accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The Province adopted this accounting standard retroactively as of April 1, 2014 but without restatement of prior period results. The Province has recorded $21 million (2014: $13 million) of liabilities for contaminated sites included in Accounts and accrued interest payable in the Consolidated Statement of Financial Position.

(d) FUTURE CHANGES IN ACCOUNTING POLICY

PS 3450 Financial Instruments

Items within the scope of the financial instruments section are assigned to one of two measurement categories: fair value, or cost or amortized cost. Fair value measurement will apply to derivatives and portfolio investments in equity instruments that are quoted in an active market. Also, when groups of financial assets and financial liabilities are managed on a fair value basis they may be reported on that basis. Other financial assets and financial liabilities will generally be measured at cost or amortized cost. Until an item is derecognized, gains and losses arising due to fair value remeasurement will be reported in the Statement of Remeasurement Gains and Losses.

The Province, including ministries and departments, has not yet adopted this standard. The effective date of this standard has not been set. Adoption of this standard requires corresponding adoption of PS 2601 Foreign Currency Translation, PS 1201 Financial Statement Presentation, and PS 3041 Portfolio Investments in the same fiscal period.

Other New Standards

PSAB issued a new standard in March 2015 on Related Party Transactions (PS 2200) and four new ones on Assets (PS 3210), Contingent Assets (PS 3320), Contractual Rights (PS 3380) and Restructuring Transactions (PS 3430) in June 2015. All these new standards have an effective date of April 1, 2017. The Province will analyze the impact of these standards on its financial statements.

(e) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue and included in Accounts and accrued interest payable.

Corporate income tax revenue is recognized when installments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments. 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 and accrued interest payable. The Province calculates an allowance for corporate income taxes based on the difference between the actual corporate income tax receivable and the estimate of the collectability. Corporate income tax receivable is presented net of this allowance. The change in allowance provision is an expense.

Personal income tax is recognized on an accrual basis based on an economic estimate of the various components of personal income tax for the fiscal year. Gross personal income tax for the taxation year is a key component of the estimate for the fiscal year.

The provincial tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Province has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various Acts it administers. These systems and controls include performing audits of taxpayer records when determined necessary. However, such procedures cannot identify all sources of unreported income or other cases of non-compliance with tax laws. The Province does not estimate the amount of unreported tax.

Non-renewable resource revenue is reported based on royalties on oil and gas produced during the year.

The provincial royalty system is predicated on self-reporting where the petroleum and natural gas industry is expected to understand the relevant energy legislation (statutes and regulations) and comply with them. This has an impact on the completeness of revenue when the petroleum and natural gas industry does not fully meet the legislative requirements, for example, by reporting inaccurate or incomplete production data. The Province has implemented systems and controls in order to detect and correct situations where the petroleum and natural gas industry has not complied with the various Acts and regulations the Province administers. These systems and controls, based on areas of highest risk, include performing audits of the petroleum and natural gas industry records when determined necessary. The Province does not estimate the effect of misreported revenue.

Transfers from the Government of Canada for capital purposes and donated assets are recorded as deferred capital contributions and recognized as revenue over the useful life of the tangible capital assets based on relevant stipulations of the transfer taken together with the actions and communications of the Province. Spent deferred capital contributions are excluded from net financial assets.

Expenses

Expenses represent the cost of resources consumed during the year on government operations. Expenses include provisions for amortization of acquired tangible capital assets and expenses incurred in accordance with the terms of approved grant programs. Grants are recognized as expenses when authorized, eligibility criteria, if any, are met and a reasonable estimate of the amounts can be made.

Pension expenses comprise the cost of pension benefits earned by employees during the year, interest on the Province's share of the unfunded pension liabilities, and the amortization over the expected average remaining service life of employees of deferred adjustments arising from experience gains and losses and changes in actuarial assumptions. Schedule 10 provides additional information on the components of pension expenses and liabilities.

In the Consolidated Statement of Operations, pension costs of government sector entities which are funded are included in expenses by function and costs which have not been funded are recorded as pension provisions.

Costs arising from obligations under guarantees and indemnities are recorded as expenses when management determines that the Province will likely be called upon to make payment. The expense represents management's best estimate of future payments less recoveries.

The estimated increase or decrease for the year in accrued employee vacation entitlements is recorded in the appropriate expense function.

Financial Assets

Financial assets are the government's financial claims on external organizations and individuals, and inventories for resale at the year end.

Cash includes deposits in banks and cash in transit. Cash equivalents include directly held interest bearing securities with terms to maturity of primarily less than three months.

Portfolio investments authorized by legislation to provide income for the long term or for other special purposes are recorded at cost. Cost includes the amortization of a discount or premium using the straight line method over the life of the investments. Realized gains and losses on disposal of these investments are included in calculating the net operating results for the year. If an investment loses value that is other than a temporary decline, its recorded value is reduced to reflect the loss. The reduced value is deemed to be the new cost.

Endowment fund assets are included in Portfolio investments and Net assets in the Consolidated Statement of Financial Position.

Loans are recorded at cost less any discounts and allowance for credit loss.

Inventories for resale representing the Province's share of royalty oil in feeder and trunk pipelines are recorded at the lower of cost or net realizable value. Other inventories for resale are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Liabilities

Liabilities represent present obligations of the government to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

The value of pension liabilities and associated changes during the year are based on an actuarial extrapolation of the most recent actuarial valuation. This valuation technique uses the projected benefit method pro-rated on service, and management's best estimate as at the extrapolation date of various economic and non-economic assumptions. Where the Province is a participating employer in the plan, experience gains and losses to the extent of the Province's employer share are amortized over the estimated average remaining service life of employees. Where the Province has a liability for pre-1992 pension obligations experience gains or losses are recognized in the year incurred.

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

Income or expense on interest rate swaps used to manage interest rate exposure is recorded as an adjustment to debt servicing costs.

Liabilities also include:

- all financial claims payable by the Province at the year end,
- contingent liabilities where future liabilities are likely,
- estimates of the Province's liabilities for contaminated sites,
- accrued employee vacation entitlements, and
- asset retirement obligations of the SUCH sector organizations.

Non-financial Assets

Non-financial assets are limited to tangible capital assets, inventories of supplies and prepaid expenses.

Tangible capital assets of government business enterprises are included in the Consolidated Statement of Financial Position within Equity in government business enterprises. Tangible capital assets acquired by right, such as Crown lands, forests, water and mineral resources, are not included on the Consolidated Statement of Financial Position. Post-secondary institutions and certain departments have collections consisting of historical artifacts and provincial, national and international works of art. The value of these collections is not recognized in these financial statements.

Tangible capital assets are valued at cost less accumulated amortization. Amortization is provided on a straight-line basis over the periods expected to benefit from their use (see Schedule 11). The annual amortization costs are allocated to the functions of the government that employ those assets and are reported on the Consolidated Statement of Operations.

Inventories of supplies are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

Derivative Contracts

Income and expense from derivative contracts are recorded as investment income or debt servicing costs. Certain derivative contracts, which are primarily interest rate swaps reported as interest rate derivatives for which there is an underlying matching asset and liability, are recorded at cost plus accrued interest. Gains and losses from these derivatives are recognized in the same period as the gains and losses of the underlying assets and liabilities.

Other derivative contracts without an underlying matching asset and liability, which are primarily bond index swaps reported as interest rate derivatives, equity index swaps and equity index futures reported as equity replication derivatives, and forward foreign exchange contracts reported as foreign currency derivatives, are recognized at fair value (see Note 4) in Portfolio investments and Net investment income.

The estimated amounts receivable and payable from derivative contracts are included in accrued interest receivable and payable respectively.

Foreign Currency

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

Foreign currency transactions are translated into Canadian dollars using the average exchange rate for the day, except for hedged foreign currency transactions which are translated at exchange rates 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 the net operating results for the year.

Public Private Partnerships

A public private partnership (P3) is defined as a cooperative venture based on contractual obligations between one or more public/private/not-for-profit partners that meet clearly defined public needs for the provision of goods or services.

The Province accounts for P3 projects in accordance with the substance of the underlying agreements. These agreements are accounted for the same way as capital leases as follows:

- The capital asset is valued at the total of progress payments made during construction and net present value of the future payments, discounted using the Government of Alberta's estimated borrowing rate for long term debt at the time of signing the P3 agreement.
- The liability is valued at the net present value of the future payments, discounted using the Government of Alberta's borrowing rate for long term debt at the time of signing the P3 agreement.
- During construction, the capital asset (classified as work-in-progress) and the corresponding liability are recorded based on the estimated percentage complete.
- Amortization on a straight-line basis over the estimated useful life commences when the asset is in service.

Measurement Uncertainty

Estimates are used in accruing revenues, expenses, assets and liabilities in circumstances where the actual results 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.

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes; royalties derived from non-renewable resources; health transfers; private investments, inflation sensitive and alternative investments; pension liabilities, and accrued liabilities and accounts receivable related to the 2013 Alberta flood.

Personal income tax revenue of $11,042 million (2014: $10,537 million), see Schedule 1, is subject to measurement uncertainty due primarily to the use of economic estimates of personal income growth. Personal income growth is inherently difficult to estimate due to subsequent revisions to personal income data. The estimate of personal income growth used in determining personal income tax for the current fiscal year is 2.6% (2014: 6.7%). Based on historical data, there is an uncertainty of plus or minus $557 million (2014: $536 million) in the personal income tax revenue estimate.

Corporate income tax revenue of $5,562 million (2014: $5,358 million), see Schedule 1, is subject to measurement uncertainty due primarily to the timing differences between tax collected and future tax assessments, along with the estimate for allowance for doubtful accounts.

Natural gas and by-products royalty of $989 million (2014: $1,103 million), crude oil royalty of $2,245 million (2014: $2,476 million) and bitumen royalty of $5,049 million (2014: $5,222 million), see Schedule 1, are subject to measurement uncertainty. Natural gas and by-products royalty is calculated based on allowable costs incurred by the royalty payers and production volumes that are reported to the Province by royalty payers. These costs and volumes could vary significantly from that initially reported. The Province estimates what the costs, volumes and royalty rates for the fiscal year should be based on statistical analysis of industry data. For projects from which bitumen royalty is paid and the project has reached payout, the royalty rate used to determine the royalties is based on the average price of West Texas Intermediate crude oil in Canadian dollars for the calendar year. Royalty rates will start at 25% of net profits when oil is priced at fifty five dollars per barrel or less, and increase to a maximum of 40% of net profits when oil is priced at one hundred and twenty dollars or more. Payout is defined at the first date at which the cumulative revenue of a project first equals the cumulative cost of the project.

Effective 2014-15, Canada Health Transfers are determined on an equal per capita cash basis whereas the previous transfers were determined on an equal per capita basis, and included both cash and tax point transfers. Measurement uncertainty for the Canada Health Transfer relates to the tax transfer component as there are a couple of open prior years which have not been assessed that contain the tax transfer component. As the value of income tax points (personal and corporate) transferred historically is finalized, it is used to adjust the entitlements of open prior years. Accordingly, these amounts are estimated and could change by a material amount.

The fair value of private equities, inflation sensitive and alternative investments of $8,093 million (2014: $7,175 million), see Schedule 5, are subject to measurement uncertainty as the fair value may differ significantly from the values that would have been used had a ready market for these investments existed.

Pension liabilities of $11,196 million (2014: $11,600 million), see Schedule 10, are subject to measurement uncertainty because a plan's actual experience may differ significantly from assumptions used in the calculation of the plan's accrued benefits.

Included in the Disaster Recovery Program amount is $817 million (2014: $2,007 million), see Note 6, of accrued liabilities for the 2013 Alberta Flood which is subject to measurement uncertainty. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as inflation rate fluctuations in construction costs, receipts of eligible claims and the extent of the damage as it is identified.

The accounts of SUCH sector organizations are consolidated based on the results of their latest financial year end. Some of these entities have year ends that are other than March 31. Estimation of transactions for the period between their year ends and March 31 is therefore subject to measurement uncertainty.

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.

Segment Disclosure

Sector information is reported in Schedules 1, 2 and 6 and is based on accountability, budgetary practices and governance relationships within the reporting entity. Additional information is provided in ministry and other entity annual reports.

NOTE 2 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.

Due to their short term nature, the fair values of cash and cash equivalents, accounts and accrued interest receivable and accounts and accrued interest payable are estimated to approximate their book values.

The methods used to determine the fair values of portfolio investments are explained in the following paragraphs:

- Public fixed-income securities and equities 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.
- Mortgages and certain non-public provincial debentures are valued at the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.
- The fair value of alternative investments including absolute return strategy investments, investments in limited partnerships, private investment funds, private equities and securities with limited marketability is estimated using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate.
- Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.
- Because quoted market prices are not readily available for private and alternative investments and private real estate, estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that may ultimately be realized. Accordingly, estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The fair value of loans and advances made under the authority of the *Alberta Capital Finance Authority Act* is based on the net present value of future cash flows discounted using the Alberta Capital Finance Authority's (the Authority) current cost of borrowing. Fair values of other loans and advances, including those made under the authority of the *Agriculture Financial Services Act*, 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. The fair value of unmatured debt and debt held by the Authority is an approximation of its fair value to the holder.

The fair value of derivative contracts relating to portfolio investments is disclosed in Note 4. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

- Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest. Forward foreign exchange contracts and equity index and interest rate futures contracts are valued based on quoted market prices. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure change in the underlying swap. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Warrants and rights 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.

At the year end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated to Canadian dollars at the year end exchange rate.

NOTE 3 FINANCIAL RISK MANAGEMENT

(a) ASSET MANAGEMENT

The investments that the Province holds are exposed to credit risk and market risk. Market risk is comprised of currency exchange risk, interest rate risk and price risk. In order to earn the best possible return at an acceptable level of risk, the Province has established policies for the asset mix of its investment portfolios.

The Province reduces its investment risk by holding many different types of assets, investing in securities from various governments and companies in different industries and countries, having quality constraints on fixed income instruments, and restricting amounts exposed to countries designated as emerging markets. The use of derivatives is controlled (see Note 4).

Some of the Province's investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund), which also includes money allocated to the Heritage Fund under the *Access to the Future Act*. The objective is to invest in a diversified portfolio to maximize long-term returns at an acceptable level of risk.

Investments in the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, the Alberta Heritage Scholarship Fund and the Alberta Cancer Prevention Legacy Fund are managed to provide an annual level of income to intermediary boards responsible for making grants to researchers in the fields of medicine, science and engineering, and to selected students.

Other 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 settlements with First Nations.

(b) LIABILITY MANAGEMENT

The objective of the Province'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 Province manages four risks: interest rate risk, currency exchange risk, credit risk and refinancing risk. The Province manages these four risks within approved policy guidelines. The debt of provincial corporations is managed separately.

The Province has decided that the most effective liability risk management strategy is to allow existing debt instruments to mature in accordance to their terms (see Schedule 8).

NOTE 4 DERIVATIVE CONTRACTS AND RELATED CREDIT RISK

A derivative is a financial contract with the following three characteristics:

- its value changes in response to the change in a specified interest rate, equity index price, foreign exchange rate, credit rating or commodity price,
- it requires no initial net investment or the initial investment is smaller than required for exposure to a similar investment market, and
- it is settled in the future.

The Province uses various types of derivative contracts held indirectly through pooled investment funds or directly held by ATB Financial and Alberta Capital Finance Authority to gain access to equity markets and enhance returns or to manage exposure to interest rate risk, currency exchange risk, credit risk and commodity price risk. The notional value of a derivative represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows with a counter-party.

Interest rate derivatives allow the Province to exchange interest rate cash flows (fixed, floating and bond index) based on a notional amount. Interest rate derivatives primarily include interest rate swaps, cross currency interest rate swaps, bond index swaps, futures contracts and options.

Equity replication derivatives allow for the Province to receive or pay cash based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount. Equity derivatives primarily include equity index swaps, futures contracts and rights, warrants and options.

Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Credit risk derivatives include credit default swaps allowing the Province to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount, in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

Commodity price risk arises when ATB Financial offers deposit or derivative products where the value of the derivative instrument or rate of return on the deposit is linked to changes in the price of the underlying commodity. ATB Financial uses commodity-linked derivatives to fully hedge their associated commodity risk exposure on these products and does not accept any net direct commodity price risk.

NOTE 4 continued

The following is a summary of the fair values of the Province's derivative contracts by type:

	2015 Fair Value (a)(b)	2014 Fair Value (a)(b)
	In millions	
Interest rate derivatives	$ (448)	$ (152)
Equity replication derivatives	10	108
Foreign currency derivatives	(117)	(90)
Credit risk derivatives	6	(4)
Commodity derivatives	20	10
Derivatives-related payables, net	(529)	(128)
Deposits in futures contracts margin accounts	63	108
Deposits as collateral for derivative contracts	93	21
Net derivative-related investments	$ (373)	$ 1

(a) Includes derivatives of ATB Financial with a net fair value of $196 million (2014: $68 million). Also includes interest rate derivatives of Alberta Capital Finance Authority with a net fair value of $(598) million (2014: $(220) million).

(b) The method of determining the fair value of derivative contracts is described in Note 2.

NOTE 5 BUDGET

The Consolidated Fiscal Plan documents, which describe the Province's budget for the 2015 fiscal year, were tabled in the Legislature on March 6, 2014. In the operational plan for budget purposes, consolidated government and ministry reporting structures exclude certain pension liabilities, the operational and financial costs of Crown-controlled SUCH sector organizations and certain Crown-controlled research institutions. However, these are included in the reporting entity for reporting actual results in the consolidated financial statements because these entities are controlled by the Province. For fiscal policy purposes, the budget also excludes the change in pension liabilities, and recognizes grants for capital purposes and donated assets as revenue as the tangible capital assets are acquired or constructed. For consolidated financial statement purposes, these grants for capital purposes and donated assets are deferred and recorded in revenue over the useful life of the tangible capital assets.

The public sector accounting standards require that financial statements contain a comparison of the actual and budgeted results for the year. When a government's fiscal plan is not prepared on a basis consistent with that used to report the actual results, planned results should be adjusted and reported on the same basis as that used to report the results of the current period. The reconciliation in the tables below bring the planned results to the same scope and basis as that used in reporting the actual results in the consolidated financial statements. The result is a Constructed Budget which appears on the Consolidated Statement of Operations and the Consolidated Statement of Change in Net Financial Assets to allow for a comparison of planned results to actual results.

The following table adjusts the Fiscal Plan Operational Plan to the same basis and scope of reporting as used in the consolidated financial statements:

	2015								
		Adjustments for Financial Reporting Purposes							
	Fiscal Plan						Excluded Entities		
	Operational Plan Budget	Capital Revenue	Capital Plan Spending	Capital Debt Servicing	Savings Revenue	Fiscal Plan Policy Adjustments	Board Approved Budgets	Other Adjustments [a]	Constructed Budget
					In millions				
Revenues									
Income taxes	$ 16,647	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,647
Other taxes	4,402	-	-	-	-	-	142	62	4,606
Non-renewable resource revenue	9,209	-	-	-	-	-	-	-	9,209
Transfers from Government of Canada	5,885	348	-	-	-	-	471	-	6,704
Net income from government business enterprises	2,528	38	-	-	-	-	-	-	2,566
Net investment income	2,174	-	-	-	297	-	201	(60)	2,612
Premiums, fees and licences	1,741	3	-	-	-	-	1,758	-	3,502
Other	911	171	-	-	-	1	1,629	(33)	2,679
Allocation for capital plan debt servicing costs	(421)	-	-	421	-	-	-	-	-
Internal government transfers	-	-	-	-	-	-	21,926	(21,926)	-
	43,076	560	-	421	297	1	26,127	(21,957)	48,525
Expenses by function									
Health	17,957	-	97	-	-	(5)	13,728	(12,726)	19,051
Education	9,290	-	59	-	-	(14)	12,162	(8,503)	12,994
Social services	4,654	-	-	-	-	-	-		4,654
Agriculture, resource management and economic development	2,297	-	172	-	-	-	249	(226)	2,492
General government	1,924	-	15	-	-	-	-	-	1,939
Regional planning and development	348	-	1,423	-	-	-	-	-	1,771
Protection of persons and property	1,656	-	3	-	-	-	-	-	1,659
Transportation, communications and utilities	1,030	-	398	-	-	-	-	-	1,428
Environment	273	-	97	-	-	-	59	(59)	370
Recreation and culture	300	-	48	-	-	-	-	(5)	343
Housing	188	-	50	-	-	-	-	-	238
Debt servicing costs	360	-	-	421	-	-	61	(65)	777
Pension provisions	-	-	-	-	-	86	2	-	88
2013 Southern Alberta Flooding	155	-	52	-	-	-	15	(15)	207
	40,432	-	2,414	421	-	67	26,276	(21,599)	48,011
Annual surplus	$ 2,644	$ 560	$ (2,414)	$ -	$ 297	$ (66)	$ (149)	$ (358)	$ 514

(a) Other adjustments include alignment of the assumptions within the board approved budgets to the Fiscal Plan and consolidation adjustments.

The following table adjusts the capital plan capital investment and amortization to include the capital investment of the entities excluded from the Fiscal Plan which includes Crown-controlled SUCH sector organizations and certain Crown-controlled research institutions:

	2015	
	Investment Capital	Amortization
	In millions	
Total capital plan spending	$ 6,599	$ -
Less: capital plan to third parties	(2,414)	-
Government of Alberta	4,185	832
Add: excluded entities amount	2,105	1,318
Less: consolidation adjustments	(1,649)	(19)
Total	$ 4,641	$ 2,131

The following table adjusts the Fiscal Plan inventory acquisition and consumption of inventory to include the inventory acquisition and consumption of inventory for the entities that are excluded from the Fiscal Plan:

	2015	
	Investment in Inventory	Consumption of Inventory
	In millions	
Fiscal plan	$ 184	$ 162
Excluded entities	704	707
Total	$ 888	$ 869

NOTE 6 2013 ALBERTA FLOOD

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, agriculture, municipalities, and government ministries for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency through the authority of the Disaster Recovery Regulation.

The Province recognizes revenues from the federal government on an accrual basis based on recoveries through the Disaster Financial Assistance Arrangement (DFAA) with the Government of Canada. The Government of Canada approved the DFAA through its Order in Council on July 3, 2013.

The Province recognizes DRP expenses on an accrual basis when the Government of Alberta issued its Order in Council on June 25, 2013. These expenses are net of recoveries from insurance and other third parties.

Also, the Province's flood recovery initiatives include non-disaster recovery programs. Costs associated with non-disaster recovery programs are recognized as they are incurred. These costs are net of recoveries from insurance and other third parties.

Amounts pertaining to the 2013 Alberta Flood recognized in these financial statements are as follows:

	2015	2014
	In millions	
Revenues		
Federal government grants [(a)]	$ (423)	$ 1,582
Prior year expenditure refunds [(b)]	756	-
Total revenues	333	1,582
Expenses		
Disaster recovery program expenses	-	2,361
Non – disaster recovery program expenses	245	352
First Nations expenses DFAA	-	164
First Nations expenses non – DFAA	-	29
Total expenses	$ 245	$ 2,906
Accounts receivable – Government of Canada	$ 659	$ 1,082
Accounts payable and accrued liabilities [(c)]	$ 817	$ 2,007

(a) In 2014, the total estimated Government of Canada revenue was $1,582 million. This amount was adjusted in 2015 by ($423) million as a result of changes in estimated DRP liabilities, consequently, the total Government of Canada revenue is now $1,159 million.

(b) Prior year expenditure refunds is the result of decreases to the total estimated DRP expenses estimated in prior years. The amount is included in Other revenues in the Consolidated Statement of Operations.

(c) These amounts are based on estimated DRP expenses less payments made.

NOTE 7 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS

The Province has entered into a 34 year contract for the design, finance, build and operation of ring road segments under the following public private partnerships: Anthony Henday – South East, North West and North East Edmonton Ring Road, and Stoney Trail – North East and South East Calgary Ring Road. The Province has also entered into a 32 year public private partnership contracts for the design, finance, build and maintenance of schools under the Alberta Schools Alternative Procurement Phase 1, Phase 2 and Phase 3 projects. These contracts include a construction period followed by a 30 year operations period for the ring roads and a 30 year maintenance period for the schools. The Province has also entered into a 12 year contract for the design, finance, build and operation of the Evan Thomas Water and Wastewater Treatment facilities which includes a construction period followed by a 10 year operations period.

The details of the contract under construction is as follows:

	Contractor	Date Contract Entered Into	Scheduled Completion Date	Date Capital Payments Begin
Anthony Henday – North East Edmonton Ring Road	Capital City Link General Partnership	May 2012	September 2016	October 2016

The details of the contracts for those projects that are already operational are as follows:

	Contractor	Date Contract Entered Into	Completion Date	Date Capital Payments Began
Anthony Henday – South East Edmonton Ring Road	Access Roads Edmonton Ltd.	January 2005	October 2007	November 2007
Stoney Trail – North East Calgary Ring Road	Stoney Trail Group	February 2007	October 2009	November 2009
Alberta Schools Alternative Procurement Phase 1	BBPP Alberta Schools Ltd.	September 2008	June 2010	July 2010
Anthony Henday – North West Edmonton Ring Road	NorthwestConnect General Partnership	July 2008	October 2011	November 2011
Alberta Schools Alternative Procurement Phase 2	B2L Partnership	April 2010	June 2012	August 2012
Stoney Trail – South East Calgary Ring Road	Chinook Roads Partnership	March 2010	November 2013	November 2013
Alberta Schools Alternative Procurement Phase 3	ABC Schools Partnership	September 2012	June 2014	July 2014
Evan Thomas Water & Wastewater Treatment	EPCOR Water Services Inc.	October 2012	August 2014	August 2014

The calculation of the liabilities under public private partnerships is as follows:

	2015	2014
	In millions	
Liabilities, beginning of year	$ 2,469	$ 2,170
Additions to liabilities during the year	199	332
Principal payments	(39)	(33)
Liabilities, end of year	$ 2,629	$ 2,469

NOTE 8 CONTRACTUAL OBLIGATIONS

Contractual obligations represents a legal obligation of the Province to others as a result of a contract.

	2015	2014 Restated
	In millions	
Obligations under operating leases, contracts and programs	$ 18,055	$ 19,777
Loans and advances approved	170	182
Obligations under capital leases and public private partnerships		
Operations and maintenance payments	3,846	3,927
Capital payments	5,175	5,301
	$ 27,246	$ 29,187

In addition, the Province also has outstanding loan commitments of $15,687 million for ATB Financial.

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

Obligations Under Operating Leases, Contracts and Programs

		In millions
2015-16	$	7,031
2016-17		3,546
2017-18		2,101
2018-19		1,416
2019-20		1,219
Thereafter		2,742
	$	18,055

Major commitments included in the above figures are commitments for capital construction contracts for health and education facilities, highways and the Municipal Sustainability Initiative, which is an agreement that began in 2007-08 between the Province and Alberta municipalities for capital and operating purposes and is subject to the annual appropriation of the Legislature.

Obligations under Capital Leases and Public Private Partnerships

Operations and Maintenance Payments

		In millions
2015-16	$	114
2016-17		79
2017-18		89
2018-19		96
2019-20		90
Thereafter		3,378
	$	3,846

Capital Payments

		In millions
2015-16	$	164
2016-17		179
2017-18		201
2018-19		200
2019-20		199
Thereafter		4,232
		5,175
Less amount representing interest		(2,099)
	$	3,076

Capital payments include payments for capital leases and for public private partnerships. The capital payments for public private partnerships are fixed, equal monthly payments for the privately financed portion of the costs of building the infrastructure. The present value of these capital payments is recorded as a liability on the Consolidated Statement of Financial Position and in Note 7.

The government has various commitments relating to the devolution of services or disposition of assets to the private sector. Those commitments include the performance of duties and obligations if the private sector organization fails to meet them.

Set out below are details of contingent liabilities resulting from guarantees, indemnities and litigation, other than those reported as liabilities. Any losses arising from the settlement of contingent liabilities are treated as current year expenses.

(a) GUARANTEES

Guarantees amounting to $68 million (2014: $58 million) are detailed in Schedule 13.

(b) CONTINGENT LIABILITIES

The Province, through the Credit Union Deposit Guarantee Corporation, which operates under the authority of the *Credit Union Act*, has a potential liability under guarantees relating to deposits of credit unions. At March 31, 2015 credit unions in Alberta held deposits totalling $20.8 billion (2014: $20.1 billion). Substantial assets are available from credit unions to safeguard the Province from the risk of loss from its potential obligation under the Act.

At March 31, 2015, ATB Financial had a contingent liability under guarantees and letters of credit amounting to $524 million (2014: $550 million).

Through the *Public Trustee Act*, the Province unconditionally guarantees the amount outstanding on a client's guaranteed account as administered by the Office of the Public Trustee. As at March 31, 2015, the potential liability of the Province based on the outstanding balance of the Client Guaranteed Accounts is $441 million (2014: $429 million).

The Province has contingent liabilities with respect to various indemnities as permitted under the *Financial Administration Act*. The indemnified amount and corresponding liability cannot be reasonably estimated.

(c) LEGAL ACTIONS

At March 31, 2015, the Province was involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2015, accruals totalling $170 million (2014: $138 million) have been recorded as a liability. The total amount claimed for all likely claims is $387 million (2014: $443 million). The resulting additional liability, if any, from likely claims in excess of the amounts accrued is not determinable.

The Province has been named in 743 (2014: 868) claims of which the outcome is not determinable. Of these claims 532 (2014: 615) have specified amounts totalling $3.1 billion (2014: $3.6 billion). The remaining 211 (2014: 253) claims have no amounts specified. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

In addition, the Province has been named in 29 (2014: 27) claims in matters such as aboriginal rights, Indian title and treaty rights. In most cases, these claims have been filed jointly and severally against the Province of Alberta and the Government of Canada and in some cases involve third parties. Of these claims, 16 (2014: 15) have specified amounts totalling $117.9 billion (2014: $115.6 billion) plus a provision for interest and other costs that are not determinable. The remaining 13 (2014: 12) claims have no amounts specified. In addition, there are 3 (2014: 5) claims for treaty land entitlement for which the Province may have an obligation under the Natural Resources Transfer Agreement.

(d) TAX ASSESSMENTS

Some of the taxes assessed by the Province are under objection and some are being appealed. The resulting loss, if any, cannot be reasonably estimated.

NOTE 10 TRUST AND OTHER FUNDS UNDER ADMINISTRATION

Trust and other funds under administration are regulated and other 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 purposes of various trusts, they are not included in the consolidated financial statements. As at March 31, 2015, trust and other funds under administration were as follows:

	2015	2014
	In millions	
Public Sector Pension Plan Funds	$ 53,337	$ 45,549
The Workers' Compensation Board Accident Fund	788	717
Public Trustee	604	587
Special Areas Trust Account	283	271
Various Court Offices and Fines Distribution Trust	138	126
Miscellaneous trust funds	1,174	1,083
	$ 56,324	$ 48,333

In addition to the above trust and other funds under administration, the Province holds cash and bank guarantees in the form of letters of credit and promissory notes in the amount of $2.1 billion (2014: $1.9 billion). The majority of these guarantees are held to assure satisfactory reclamation of coal and oil sands operations, sand and gravel pits, landfills, hazardous waste management and hazardous recyclable facilities.

NOTE 11 ENDOWMENT FUNDS

	2015	2014
	In millions	
Endowment funds of universities, colleges and hospitals	$ 1,925	$ 1,752

Endowment fund assets are included in Portfolio investments and Net assets in the Consolidated Statement of Financial Position. Donors have placed restrictions on their contribution to the endowment funds of universities, colleges and hospitals. The principal restriction is that the original contribution should not be spent. Capital preservation, investment returns and the impact of inflation may also form restrictions on these funds.

NOTE 12 ADJUSTMENTS TO NET ASSETS

The reconciliation of adjustments to Net assets is as follows:

	2015	2014
	In millions	
Adjustments to net assets		
Change in accumulated unrealized gains (Schedule 6)	$ 103	$ 47
Change in accounting policy [(a)]	-	62
Increase in endowments (Note 11) [(b)]	166	137
Other	(4)	(45)
	$ 265	$ 201

[(a)] In 2013-14, the Victims of Crime Fund changed its accounting policy to record a liability for compensation claims.

[(b)] The total increase in endowments is $173 million (Note 11). $7 million out of $173 million has been included in net assets. Therefore, adjusted increase in endowments is $166 million.

NOTE 13 COMPARATIVE FIGURES

Certain 2014 figures have been reclassified, where necessary, to conform to 2015 presentation.

Schedules to the Consolidated Financial Statements

REVENUES — SCHEDULE 1

	2015	2014
	In millions	
Income taxes		
Personal income tax	$ 11,042	$ 10,537
Corporate income tax	5,562	5,358
Interest and penalties on corporate income tax	234	128
	16,838	16,023
Other taxes		
Education property tax	2,102	2,059
Tobacco tax	896	922
Fuel tax	944	925
Insurance taxes	391	359
Freehold mineral rights tax	172	146
Alberta tourism levy	91	87
Interest and penalties on other tax	2	2
	4,598	4,500
Non-renewable resource revenue		
Bitumen royalty	5,049	5,222
Crude oil royalty	2,245	2,476
Natural gas and by-products royalty	989	1,103
Bonuses and sales of Crown leases	476	588
Rentals and fees	173	173
Coal royalty	16	16
	8,948	9,578
Transfers from Government of Canada		
Health transfers	3,610	2,651
Canada social transfers	1,452	1,410
2013 Alberta flood assistance (Note 6)	(423)	1,582
Agriculture support programs	288	295
Labour market agreements	174	186
Other	881	935
	5,982	7,059
Net income from government business enterprises		
Lottery operations	1,526	1,485
Liquor operations	767	747
Other	372	309
	2,665	2,541
Net investment income	3,113	3,423
Premiums, fees and licences		
Tuition	1,116	1,087
Health fees and charges	472	460
Motor vehicle licences	516	492
Crop and hail insurance premiums	307	379
Land titles	91	86
Other	1,062	933
	3,564	3,437
Other		
Sales, rentals and services	850	850
Fundraising, donations, gifts and contributions	667	627
Fines and penalties	146	137
Climate change and emissions management	77	106
Other	2,033	1,153
	3,773	2,873
	$ 49,481	$ 49,434

	2015	2014 [c]
	In millions	
Program expenses		
Offices of the Legislative Assembly	$ 122	$ 114
Ministries		
Health	19,626	18,584
Education	7,590	7,240
Innovation and Advanced Education	5,721	5,631
Human Services	4,127	3,940
Municipal Affairs	2,182	4,058
Treasury Board and Finance	1,771	1,847
Transportation	1,423	1,347
Justice and Solicitor General	1,331	1,310
Infrastructure	1,132	1,100
Agriculture and Rural Development	960	793
Environment and Sustainable Resource Development	881	1,001
Seniors	636	591
Energy	722	808
Service Alberta	347	359
Culture and Tourism	338	325
Aboriginal Relations	194	357
Jobs, Skills, Training and Labour	152	136
International and Intergovernmental Relations	32	32
Executive Council	24	26
	49,311	49,599
Debt servicing costs [a]	728	601
Pension (recovery) provisions [b] (Schedule 10)	(404)	748
Consolidation adjustments	(1,269)	(1,212)
	$ 48,366	$ 49,736

(a) Debt servicing costs consists of interest paid on various forms of government debt. It excludes interest on pension liabilities. Interest on pension liabilities has been included in pension provisions and other program expense.

(b) Pension provisions are related to the Ministry of Innovation and Advanced Education, the Ministry of Education, the Ministry of Energy, the Ministry of Treasury Board and Finance and the Ministry of Health.

(c) On September 15, 2014, the government announced new ministry structures. As a result of program restructuring the responsibilities of ministries changed. Comparative figures have been restated to conform to 2015 presentation.

EXPENSES BY OBJECT — SCHEDULE 3

	2015	2014
	In millions	
Salaries, wages, employment contracts and benefits	$ 19,527	$ 18,688
Grants	12,157	13,455
Services	8,654	8,811
Materials and supplies	3,406	3,142
Amortization of tangible capital assets and consumption of inventories of supplies	3,076	2,876
Interest and amortization of exchange gains and losses	700	577
Pension (recovery) provisions (Schedule 10)	(404)	748
Pension liability funding	526	522
Travel and communication	256	259
Corporate income tax allowance provision	71	172
Other	397	486
	$ 48,366	$ 49,736

The pension expense for the Province (Schedule 10) is included in salaries, wages, employment contracts and benefits, pension provisions and pension liability funding.

CASH AND CASH EQUIVALENTS — SCHEDULE 4

	2015	2014
	Book Value	Book Value
	In millions	
Cash [(a)]	$ 5,793	$ 3,800
Cash equivalents	2,288	2,928
	$ 8,081	$ 6,728

(a) Cash includes deposits in the Consolidated Cash Investments Trust Fund (CCITF). At March 31, 2015, deposits in CCITF had a time-weighted return of 1.2% (2014: 1.2%) per annum.

	2015		2014	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Interest bearing securities				
Deposits and short-term securities	$ 1,005	$ 1,007	$ 1,370	$ 1,369
Bonds and mortgages	14,159	14,450	12,712	12,844
	15,164	15,457	14,082	14,213
Equities				
Canadian public equities	2,910	3,494	2,537	2,883
Global developed public equities	7,358	8,404	7,265	8,399
Emerging markets public equities	651	850	724	851
Private equities	1,199	1,560	1,215	1,468
Pooled investment funds	161	186	338	379
	12,279	14,494	12,079	13,980
Inflation sensitive and alternative investments				
Private real estate	3,082	4,425	2,780	3,876
Private infrastructure	1,350	1,636	1,221	1,383
Timberland	320	471	317	438
Other investments	1	1	10	10
	4,753	6,533	4,328	5,707
Strategic opportunities and tactical allocation	298	343	214	244
	$ 32,494	$ 36,827	$ 30,703	$ 34,144

	2015	2014
	In millions	
Accumulated surplus and equity		
Accumulated surplus at beginning of year	$ 3,186	$ 2,832
Total revenue	5,808	5,490
Total expense [(a)]	3,143	2,949
Net income	2,665	2,541
Change in accumulated unrealized gains [(b)]	103	47
Transfers to the Province from Alberta Gaming and Liquor Commission	(2,267)	(2,234)
Accumulated surplus at end of year	3,687	3,186
Share capital	5	-
Total accumulated surplus and equity	$ 3,692	$ 3,186
Represented by		
Loans	37,928	33,892
Investments	2,436	1,178
Other	3,916	3,623
	44,280	38,693
Liabilities		
Accounts payable [(c)]	2,659	1,835
Deposits [(d)]	33,633	30,011
Unmatured debt	4,296	3,411
Capital investment deposits	-	250
	40,588	35,507
	$ 3,692	$ 3,186
Equity in government business enterprises at end of year		
As reported by the entities		
ATB Financial	$ 3,008	$ 2,588
Alberta Gaming and Liquor Commission	386	361
Alberta Petroleum Marketing Commission	14	1
Credit Union Deposit Guarantee Corporation	279	236
SUCH sector business enterprises	5	-
	3,692	3,186
Subordinated debentures in support of deposit guarantees	311	229
	$ 4,003	$ 3,415

(a) Included in the total expense is $46 million (2014: $46 million) of interest expense of ATB Financial that was paid to the Province for amounts borrowed directly by the Province on behalf of ATB Financial. Also, included in the total expense is $97 million (2014: $84 million) of payment in lieu of taxes of ATB Financial that was paid to the Province.

(b) The change in accumulated unrealized gains of $103 million (2014: $47 million) is comprised of changes in other comprehensive income in government business enterprises. At March 31, 2015, the Province has $97 million in accumulated unrealized gains (losses) (2014: ($6) million).

(c) Included in accounts payable of Alberta Petroleum Marketing Commission (APMC) are amounts borrowed by the Province on behalf of APMC totalling $227 million (2014: $nil) payable in 2015-16.

(d) The repayment of all deposits without limit, including accrued interest, is guaranteed by the Province in respect of which the Province assesses a deposit guarantee fee of $43 million (2014: $38 million) payable by ATB Financial. Included in the total deposits of ATB Financial are amounts borrowed by the Province on behalf of ATB Financial totalling $3,044 million (2014: $2,694 million) to be repaid as follows: $250 million in 2015-16, $900 million in 2016-17, $1,000 million in 2017-18, $500 million in 2018-19, $200 million in 2019-20 and the remaining $194 million in 2020-21.

At March 31, 2015, ATB Financial had a contingent liability under guarantees and letters of credit of $524 million (2014: $550 million). Included in the Province's contractual obligations are $136 million (2014: $237 million) for contracts belonging to government business enterprises. These amounts include obligations under operating leases which expire on various dates.

Alberta Petroleum Marketing Commission

North West Redwater Partnership

On November 8, 2012, the North West Redwater Partnership (Partnership) announced the sanctioning of the construction of Phase 1 of the Sturgeon Refinery, which it will build, own and operate. The Province via the Alberta Petroleum Marketing Commission (Commission), has entered into agreements whereby the Partnership will process and market Crown royalty bitumen, or equivalent volumes, collected pursuant to the Bitumen Royalty in Kind initiative in order to capture additional value within Alberta. The Partnership will market the refined products (primarily ultra low sulphur diesel and low sulphur vacuum gas oil) on behalf of the Commission. There is financial risk to the Commission under these agreements related to the difference in price between bitumen supplied as feedstock and marketed refined products, relative to the costs of the processing toll.

Under the processing agreement, the Commission is obligated to pay a monthly toll comprised of operating, debt, equity, and incentive fee components on 37,500 barrels per day of bitumen (75% of the project's feedstock) for 30 years. The toll includes both flow through costs as well as costs of facility construction, the latter of which is estimated to be $8.5 billion. The Commission has very restricted rights to terminate the agreement, and if it is terminated, the Commission remains obligated to pay its share of the debt component of the toll incurred to date. The term of the commitment begins upon the commencement of commercial operations, expected September 2017. No amounts have been paid under this agreement to date.

North West Redwater Partnership Monthly Toll Commitment

The Commission has used judgement to estimate the toll commitments. The components of the toll are: senior debt; operating costs; class A subordinated debt; equity; and incentive fees. To calculate the toll, management has used interest rates, estimates for factors including future operating costs, oil prices (West Texas Intermediate (WTI) and light/heavy differentials), refined product prices, gas prices and foreign exchange. The toll under the processing agreement, assuming a $8.5 billion facility capital cost, market interest rates and a 2% operating cost inflation rate, is estimated to be:

	In millions
2015-16	$ -
2016-17	85
2017-18	256
2018-19	709
2019-20	827
Thereafter	24,133
	$ 26,010

Term Loan Provided to North West Redwater Partnership

As part of the Subordinated Debt Agreement with the Partnership, the Commission committed to loan up to $324 million over three years beginning in 2014. These amounts plus the accrued interest will be repaid on a straight line basis over ten years by the Partnership beginning one year after commercial start-up of the Sturgeon Refinery.

While loans to the Partnership are outstanding, the Commission is entitled to a 25 percent voting interest on an Executive Leadership Committee, which is charged with overseeing and making decisions on the construction and start-up of the Sturgeon Refinery. Because of the 25 percent voting interest, the Commission has significant influence over the Partnership. However, the Commission has no equity ownership interest in the Partnership and does not account for the Sturgeon Refinery or its operations in its financial statements.

North West Redwater Partnership Processing Agreement Assessment

The Commission performs an annual assessment to determine if the North West Redwater Partnership Processing Agreement (the "Processing Agreement") gives rise to unavoidable costs of the obligations exceeding the economic benefits expected to be received. If such an assessment results in a negative net present value over the expected term of the contract, the Commission will recognize an expense on the statement of operations and a liability on the statement of financial position. The Commission uses a model to calculate the present value of future cash flows under the Processing Agreement. Variables used in the model include technical variables that arise from the design of the project such as catalyst volumes or energy consumption; pricing related variables such as crude oil prices (WTI), heavy-light differentials, ultra-low sulphur diesel-WTI premiums, exchange rates, capital costs, operating costs, interest rates, discount rates and actual operating performance compared to capacity.

Technical inputs may be estimated with reasonable certainty for the operating plan however, revenues and costs that depend upon market prices are subject to the use of professional judgement in the estimates, particularly over long future time periods such as the 30 year Processing Agreement term. In order to perform the cash flow analysis the Commission management developed estimates for the key variables based on information from various sources including forecasts of global consultancies, reserve evaluation consultants, forward markets and the Government of Alberta.

Based on the analysis, the Commission determined the present value of future cash flows under the Processing Agreement to be positive and has not recognized a liability.

Energy East Pipeline Project

The Commission has signed a Transportation Service Agreement with Energy East Pipeline Limited Partnership to purchase firm capacity for a term of 20 years to transport volumes of crude oil. The construction of the pipeline is dependent upon obtaining regulatory approval. Under the take-or-pay obligation, the Commission has a minimum obligation to pay $3.4 billion in tolls over the 20 year term. Additional tolls will be incurred depending on the volumes transported through the pipeline. The pipeline is expected to be in service as early as 2018.

	In millions
2015-16	$ -
2016-17	-
2017-18	43
2018-19	170
2019-20	170
Thereafter	3,018
	$ 3,401

LOANS AND ADVANCES — SCHEDULE 7

	2015	2014
	In millions	
Loans and advances made under the authority of		
Alberta Capital Finance Authority Act [(a)]	$ 13,465	$ 12,559
Agriculture Financial Services Act [(b)]	2,112	1,961
Student Loan Act	1,532	1,265
Alberta Heritage Savings Trust Fund Act	-	270
Alberta Housing Act	23	22
Financial Administration Act	16	4
Senior's Property Tax Deferral Act	8	4
	17,156	16,085
Less allowance for doubtful accounts	250	289
	$ 16,906	$ 15,796

(a) The fair value of the loans as at March 31, 2015 was $15,410 million (2014: $13,360 million). Municipal loans on average yield 4.0% (2014: 4.2%) per annum.

(b) The fair value of the loans receivable is not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans. Agricultural loan portfolios on average yield 4.0% (2014: 4.3%) per annum.

UNMATURED DEBT — SCHEDULE 8

	2015				2014	
	Effective Rate [(a)]	Modified Duration [(b)]	Book Value [(a)]	Fair Value [(a)]	Book Value [(a)]	Fair Value [(a)]
	%	years	*In millions*			
Direct debt						
Canadian dollar debt						
Floating rate and short-term fixed rate [(c)]	1.24	3.06	$ 638	$ 662	$ 1,723	$ 1,739
Fixed rate long-term	2.12	10.92	11,653	13,012	7,727	8,000
			12,291	13,674	9,450	9,739
Alberta Social Housing Corporation						
Canadian dollar fixed rate debt			62	92	64	91
			$ 12,353	$ 13,766	$ 9,514	$ 9,830

(a) Book value represents the amount the Province owes. Fair value approximates market value to the debt holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. Effective rate is the rate that exactly discounts estimated future cash payments through the expected term of the debt to the net carrying amount. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

(b) Modified duration is the weighted average term to maturity of a security's cash flows (i.e. interest and principal) and is a measure of price volatility. The greater a bond's modified duration, the greater the impact a change in interest rates will have on its value.

(c) Floating rate debt includes short-term debt, term debt with less than one year to maturity, and term debt with interest rate reset within a year.

In addition to the unmatured debt shown above, and in order to reduce overall borrowing costs for the Province, the Province borrows money at a more favourable rate and loans it to various provincial entities (see Schedule 7) with the exact same repayment terms and interest rates. The Province borrowed funds on behalf of ATB Financial totalling $3,044 million (2014: $2,694 million) and APMC totalling $227 million (2014: $ nil) (see Schedule 6) and Alberta Capital Finance Authority totalling $10,956 million (2014: $9,564 million) (see Schedule 9).

Debt principal repayment requirements (based on par value) in each of the next five years, including short-term maturing in 2015-16 and thereafter, are as follows:

	In millions
2015-16	$ 144
2016-17	205
2017-18	72
2018-19	690
2019-20	1,548
Thereafter	9,694
	$ 12,353

DEBT OF ALBERTA CAPITAL FINANCE AUTHORITY — SCHEDULE 9

	2015		2014	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Alberta Capital Finance Authority				
Canadian dollar and foreign currency fixed rate debt [(a)]	$ 11,819	$ 13,048	$ 10,294	$ 10,872
Canadian dollar floating rate debt	2,766	3,064	3,554	3,607
Total [(b)]	$ 14,585	$ 16,112	$ 13,848	$ 14,479
Effective rate per annum		4.0%		4.1%

(a) Includes fixed note US dollar debt of $600 million (fair value: $766 million in Canadian dollars) and floating note US dollar debt of $700 million (fair value: $888 million in Canadian dollars).

(b) Included in the Alberta Capital Finance Authority debt are amounts borrowed directly by the Province on behalf of the Alberta Capital Finance Authority totalling $10,956 million (2014: $9,564 million).

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 2015-16 and thereafter, are as follows:

	In millions
2015-16	$ 3,053
2016-17	1,500
2017-18	2,567
2018-19	1,600
2019-20	275
Thereafter	5,590
	$ 14,585

Pension Plans

The Province is the trustee for the following pension plans under the *Public Sector Pension Plans Act*:

Local Authorities Pension Plan (LAPP), Management Employees Pension Plan (MEPP), Public Service Pension Plan (PSPP), Special Forces Pension Plan (SFPP) and the Public Service Management (Closed Membership) Pension Plan (PSMC). The Province is also trustee for the Provincial Judges and Masters in Chambers Pension Plan (PJMCPP) under the *Provincial Court Act* and the Supplementary Retirement Plan for Public Service Managers (MSRP) under the Supplementary Retirement Plan – Retirement Compensation Arrangement Directive (Treasury Board Directive 01/99). All of these pension plans are open with the exception of PSMC. Financial statements for all of these pension plans as of their December 31, 2014 year end or March 31, 2015 year end are reported as supplementary information in the Ministry of Treasury Board and Finance Annual Report. All of the plans, except the Judges plan, are multi-employer plans.

Boards, on behalf of Crown-controlled SUCH sector organizations, administer the Teachers' Pension Plan (Teachers') and the Universities Academic Pension Plan (UAPP).

In addition to the aforementioned plans, there are several agencies which maintain their own plans to compensate senior staff members that do not participate in the regular government pension plans. These entities include the Alberta Energy Regulator, Alberta Utilities Commission, Alberta Securities Commission and some SUCH sector entities. Summaries of these plans are included in these financial statements as Supplementary Executive Retirement Plans (SERP). Additional information can be found in the entities' financial statements.

The following is a summary of the plans for the year ended March 31, 2015:

Defined Benefit Pension Plans	Approximate Number of Active Employees	Average Age of Active Employees	Approximate Number of Former Employees Entitled to Payments [(b)]	Approximate Number of Retirees Receiving Benefits	Employee Contributions	Employer Contributions	Benefit Payments
						In millions	
LAPP	153,972	45	29,384	56,048	$ 1,165	$ 1,249	$ 1,222
PSPP	42,229	44	15,916	24,141	341	338	466
MEPP	5,318	48	1,155	4,475	79	132	187
MSRP	1,057	52	168	824	4	4	5
PJMCPP [(a)]	130	60	2	150	1	2	8
PSMC [(a)]	-	-	95	1,868	-	-	54
SFPP [(a)]	4,278	39	182	2,442	37	41	110
Teachers' Pre-92	7,862	54	1,296	24,402	-	-	454
Teachers' Post-92	37,011	42	6,654	20,947	418	394	328
UAPP	7,674	49	1,743	4,770	112	121	228

(a) During the year these three plans also received contributions, primarily related to pre-1992 commitments, from the Province of Alberta as follows: PJMCPP $1 million, PSMC $53 million and SFPP $5 million.

(b) Includes vested former employees in the pension plan and non-vested former employees entitled to a refund of their contributions.

The plans provide a defined benefit retirement income based on a formula for each plan that considers final average years of salary, length of service and a percentage ranging from 1.4% to 3% per year of service.

The Province accounts for the liabilities for pension obligations on a defined benefit basis as a participating employer for former and current employees in Local Authorities Pension Plan, Management Employees Pension Plan, Supplementary Retirement Plan for Public Service Managers, Provincial Judges and Masters in Chambers Pension Plan, Public Service Pension Plan, Teachers' Pension Plan and Universities Academic Pension Plan for the government's consolidated reporting entity except for government business enterprises that report under International Financial Reporting Standards (IFRS) and are required to account directly for participation in the public service pension plans under IFRS.

The Province also accounts for the specific commitments made by the Government of Alberta for pre-1992 pension obligations to the Teachers' Pension Plan, Public Service Management (Closed Membership) Pension Plan, Universities Academic Pension Plan and Special Forces Pension Plan. In 1992, there was pension plan reform resulting in pre-1992 and post-1991 arrangements for several pension plans.

The Province also accounts for the obligation to the Members of the Legislative Assembly Pension Plan (MLAPP).

The following table contains summary information on these specific pension plans. Complete financial reporting is available through each pension plan. Pension liabilities are as follows:

	2015		2014
	Pension Liabilities	Pension Provisions (Recovery) (Schedule 3)	Pension Liabilities
		In millions	
Liabilities for the Province's employer share for former and current employees			
Local Authorities Pension Plan [(a)]	$ 489	$ (22)	$ 511
Management Employee Pension Plan [(b)]	26	(37)	63
Supplementary Retirement Plan for Public Service Managers [(c)]	17	5	12
Provincial Judges and Masters in Chambers Pension Plan [(d)]	15	(1)	16
Public Service Pension Plan [(e)]	249	(31)	280
Teachers' Pension Plan [(f)]	637	(6)	643
Universities Academic Pension Plan [(g)]	231	7	224
Supplementary Executive Retirement Plans [(h)]	54	(1)	55
	1,718	(86)	1,804
Liabilities for the Province's commitment towards pre-1992 obligations			
Teachers' Pension Plan [(f)]	8,432	(295)	8,727
Public Service Management (Closed Membership) Pension Plan [(i)]	595	(22)	617
Universities Academic Pension Plan [(g)]	314	3	311
Special Forces Pension Plan [(g)]	91	(4)	95
	9,432	(318)	9,750
Members of the Legislative Assembly Pension Plan [(j)]	46	-	46
	$ 11,196	$ (404)	$ 11,600

Pension provisions represent the change in pension liabilities, net of pension expense and contributions made.

The following is a description of each pension plan:

(a) The Local Authorities Pension Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, Alberta Health Services, school divisions, school districts, colleges, technical institutes, certain commissions, foundations, agencies, libraries, corporations, associations, and societies. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 7.40% of pensionable earnings shared equally between employees and employers until December 31, 2026. Current service costs are funded by employers and employees.

(b) The Management Employee Pension Plan is a contributory defined benefit pension plan for eligible management employees of the Province and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992, and have not withdrawn from the Plan since that date, continue as members of this Plan. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 12.3% of pensionable earnings shared between employees and employers until December 31, 2014, 10.2% until December 31, 2016, 5.4% until December 31, 2017 and 5.0% until December 31, 2024, and 2.9% until December 31, 2027. Current services costs are funded by employers and employees.

(c) The Supplementary Retirement Plan for Public Service Managers is a contributory defined benefit pension plan for certain public service managers of designated employers who participate in the Management Employees Pension Plan (MEPP) and whose annual salary exceeds the maximum pensionable salary limit under the *Income Tax Act*. The Plan is supplementary to the MEPP. The contribution rates in effect at December 31, 2014 were at 12.80% (2013: 11.16%) of pensionable salary in excess of the maximum pensionable salary limit for eligible employees and designated employers.

(d) The Provincial Judges and Masters in Chambers Pension Plan is a contributory defined benefit pension plan for Judges and Masters in Chambers of the Province of Alberta. Current service costs are funded by the Province and plan members at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at March 31, 2015 are 7.00% of capped salary for plan members and 13.12% of capped salary for the Province. The Unregistered Plan contribution rates in effect at March 31, 2015 are unchanged at 7.00% of pensionable salary in excess of capped salary for members and 7.00% of the excess for the Province. Benefits are payable by the Province if assets are insufficient to pay for all benefits under the Plan.

(e) The Public Service Pension Plan is a contributory defined benefit pension plan for eligible employees of the Province, approved provincial agencies and public bodies. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by an actuarial funding valuation are expected to be funded by special payments currently totaling 9.34% of pensionable earnings shared equally between employees and employers until December 31, 2026. Current service costs are funded by employers and employees.

(f) The *Teachers' Pension Plans Act* requires all teachers under contract with jurisdictions in Alberta to contribute to the Teachers' Pension Plan. The Province assumed responsibility for the entire unfunded pre-1992 pension obligation of the Teachers' Pension Plan. The costs of all benefits paid under the pre-1992 Teachers' Pension Plan are paid by the Province. In addition, the Province is responsible for 50% of the unfunded liability, any current service costs and certain cost of living benefits for service after August 1992.

(g) Under the *Public Sector Pension Plans Act*, the Province has a liability 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 Special Forces pension plans.

For the Universities Academic Pension Plan, 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 Province and contributions by employees and employers to fund the remaining amount, as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

For the Special Forces Pension Plan, 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 Province 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.

(h) Certain consolidated entities provide defined supplementary executive retirement plans for certain management staff, and other benefit plans for all or specific groups of staff, depending on the plans. The cost of these benefits are actuarially determined on an annual basis using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage.

(i) 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 Province.

(j) The Province 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 that date. The costs for all benefits under the plan are paid by the Province.

The liability for pension obligations as a participating employer is as follows:

As at March 31, 2015	LAPP	MEPP	PSPP	Teachers' Pension Plan Post-1992	UAPP	Others[d]	Total 2015	Total 2014
				(In millions)				
Liabilities for the Province's share for former and current employees								
Net assets available for benefits [a]	$ 30,790	$ 3,883	$ 9,787	$ 11,334	$ 3,827	$ 499	$ 60,120	$ 52,210
Pension obligation	33,245	3,807	10,590	10,930	4,957	587	64,116	59,945
Pension plan deficit (surplus) [a]	$ 2,455	$ (76)	$ 803	$ (404)	$ 1,130	$ 88	$ 3,996	$ 7,735
Province of Alberta share of the deficit (surplus)	$ 824	$ (46)	$ 357	$ (208)	$ 408	$ 88	$ 1,423	$ 2,878
Unamortized gains (losses) [b]	(287)	84	(87)	845	(177)	(2)	376	(1,017)
Timing differences between the pension plan fiscal year ends and March 31 [c]	(48)	(12)	(21)	-	-	-	(81)	(57)
Future Benefit Liability	$ 489	$ 26	$ 249	$ 637	$ 231	$ 86	1,718	1,804
Liabilities for the Province's commitment towards pre-1992 obligations							9,432	9,750
Members of the Legislative Assembly Pension Plan							46	46
							$ 11,196	$ 11,600

(a) These numbers are as reported in the pension plan 2014 financial statements, except for the Teachers' Post-92 Pension Plan and the UAPP which use numbers as reported in actuarial reports.

(b) Under Public Sector Accounting Standards, gains and losses are amortized over the employee expected average remaining service life of the employees of each plan, which ranges from eight to eleven years.

(c) Accounting timing differences from January 1, 2015 to March 31, 2015 for payments and interest expense.

(d) Others includes the Supplementary Retirement Plan for Public Service Managers, Provincial Judges and Masters in Chambers Pension Plan and Supplementary Executive Retirement Plans.

The pension expense for the Province is as follows:

	LAPP	MEPP	PSPP	Teachers' Pension Plan Pre-92	Teachers' Pension Plan Post-92	UAPP	Others[c]	Total 2015	Total 2014
	(In millions)								
Pension Expense									
Current period benefit cost [a]	$ 1,610	$ 113	$ 430	$ -	$ 481	$ 82	$ 31	$ 2,747	$ 2,627
Amortization of actuarial gains and losses[b]	447	13	127	(181)	48	21	17	492	1,763
Total	$ 2,057	$ 126	$ 557	$ (181)	$ 529	$ 103	$ 48	$ 3,239	$ 4,390
Province of Alberta share of pension expense	$ 691	$ 77	$ 248	$ (181)	$ 264	$ 103	$ 48	$ 1,250	$ 2,339
Interest Expense									
Interest on pension liability [a]	78	(3)	31	340	13	26	38	523	626
Total Province of Alberta pension related expenses	$ 769	$ 74	$ 279	$ 159	$ 277	$ 129	$ 86	$ 1,773	$ 2,965

(a) As reported in pension plan financial statements or actuarial reports. Numbers in UAPP are net of employees' share.

(b) Except for Special Forces Pension Plan, numbers are adjusted to March 31, 2015.

(c) Others includes the Supplementary Retirement Plan for Public Service Managers, Provincial Judges and Masters in Chambers Pension Plan, Special Forces Pension Plan and Supplementary Executive Retirement Plans.

Pension liabilities are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services and actuarial extrapolations performed at December 31, 2014 or March 31, 2015. The assumptions used in the valuations and extrapolations 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. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include salary escalation rate, discount rate and inflation rate. 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 related employee groups.

The date of actuarial extrapolation and primary economic assumptions used for accounting purposes were:

Plan	Latest Valuation Date	Latest Extrapolation Date	Salary Escalation Rate %	Inflation Rate %	Discount Rate [(a)] %
Teachers' Pre-1992 Pension Plan	August 31, 2014	March 31, 2015	3.50	2.25	3.90
Teachers' Post-1992 Pension Plan	August 31, 2014	March 31, 2015	3.50	2.25	7.00
Public Service Management (Closed Membership) Pension Plan	December 31, 2011	December 31, 2014	-	2.25	3.90
Universities Academic Pension Plan	December 31, 2012	March 31, 2015	3.50	2.25	6.10
Local Authorities Pension Plan	December 31, 2013	December 31, 2014	3.50	2.25	5.80
Public Service Pension Plan	December 31, 2013	December 31, 2014	3.50	2.25	6.20
Members of the Legislative Assembly Pension Plan	March 31, 2012	March 31, 2014	-	2.25	3.90
Management Employees Pension Plan	December 31, 2012	December 31, 2014	3.50	2.25	6.40
Provincial Judges and Masters in Chambers Pension Plan, Unregistered	December 31, 2011	March 31, 2014	3.50	2.25	6.00
Provincial Judges and Masters in Chambers Pension Plan, Registered	December 31, 2011	March 31, 2014	3.50	2.25	5.50
Supplementary Retirement Plan for Public Service Managers	December 31, 2012	December 31, 2014	3.50	2.25	6.20
Special Forces Pension Plan	December 31, 2013	December 31, 2014	3.50	2.25	6.30

(a) The discount rate is the expected rate of return for plans with assets and is also the discount rate used to measure the actuarial liability.

The actual return on major funded plans' assets during the period ranges from 11.3% to 19.2% (2013-14: 11.3% to 14.9%). This range includes returns for LAPP, Teachers' Post-1992 Plan, PSPP, MEPP, SFPP and UAPP.

A separate pension plan fund is maintained for each pension plan except for the Teachers' Pre-1992 Pension Plan and the Members of the Legislative Assembly Pension Plan. Each pension plan fund reports annually through financial statements.

Government business enterprises have recorded pension liabilities accounted for under International Financial Reporting Standards of $155 million (2014: $122 million) comprised of $147 million (2014: $122 million) for employees in the Public Service Pension Plan, Management Employees Pension Plan and the Supplementary Retirement Plan for Public Service Managers and $8 million (2014: $nil) in other pension plans.

Long Term Disability Income Continuance Plans

The government administers two long-term disability income continuance plans. As at March 31, 2015, the Bargaining Unit Plan reported an actuarial surplus of $87 million (2014: surplus of $75 million) and the Management, Opted Out, and Excluded Plan reported an actuarial surplus of $32 million (2014: surplus of $24 million). At March 31, 2015, the government's share of the estimated accrued benefit liability for these plans has been recognized in these financial statements.

	General Capital Assets						Infrastructure Assets					2015 Total	2014 Total
	Land (a)	Buildings (b)	Computer hardware and software	Equip-ment (c)	Other (d)	Sub Total	Land improve-ments (e)	Provincial highways, roads and airstrips (f)	Bridges	Dams and water management structures (g)	Sub Total		
Estimated Useful Life	Indefinite	10-50 yrs	3-10 yrs	3-40 yrs	3-50 yrs		10-40 yrs	20-50 yrs	50 yrs	25-80 yrs			
							In millions						
Historical Cost													
Beginning of year	$ 2,437	$ 31,609	$ 4,156	$ 5,633	$ 1,584	$ 45,419	$ 419	$ 18,695	$ 2,052	$ 1,395	$ 22,561	$ 67,980	$ 64,821
Additions	74	1,529	251	339	201	2,394	23	1,270	41	24	1,358	3,752	3,558
Transfers and adjustments [h]	1	5	-	(24)	11	(7)	2	-	-	(1)	1	(6)	13
Disposals including write-downs	(15)	(47)	(104)	(126)	(29)	(321)	(1)	(9)	-	-	(10)	(331)	(412)
	2,497	33,096	4,303	5,822	1,767	47,485	443	19,956	2,093	1,418	23,910	71,395	67,980
Accumulated Amortization													
Beginning of year	-	11,618	2,946	3,726	920	19,210	235	4,785	510	401	5,931	25,141	23,352
Amortization expense	-	857	362	437	75	1,731	11	407	44	18	480	2,211	2,082
Transfers and adjustments	-	1	(3)	(3)	2	(3)	-	(1)	-	1	-	(3)	7
Effect of disposals including write-downs	-	(30)	(85)	(102)	(21)	(238)	-	(3)	-	-	(3)	(241)	(300)
	-	12,446	3,220	4,058	976	20,700	246	5,188	554	420	6,408	27,108	25,141
Net Book Value at March 31, 2015	$ 2,497	$ 20,650	$ 1,083	$ 1,764	$ 791	$ 26,785	$ 197	$ 14,768	$ 1,539	$ 998	$ 17,502	$ 44,287	
Net Book Value at March 31, 2014	$ 2,437	$ 19,991	$ 1,210	$ 1,907	$ 664	$ 26,209	$ 184	$ 13,910	$ 1,542	$ 994	$ 16,630		$ 42,839

(a) Land includes land acquired for parks and recreation, building sites, infrastructure and other program use. It does not include land held for resale or Crown lands acquired by right.

(b) Historical costs include $4,313 million (2014: $3,862 million) in construction in progress which will not be amortized until the tangible capital assets are completed and in use. The cost of buildings under capital lease is $171 million (2014: Restated $174 million).

(c) Equipment includes SuperNet, vehicles, heavy equipment, fire protection equipment, office equipment and furniture, and other equipment.

(d) Other tangible capital assets include leasehold improvements (amortized over the life of the lease), rail cars and trailers.

(e) Land improvements include parks development and grazing reserves.

(f) Provincial highways and roads consist of original pavement, roadbed, drainage works and traffic control devices, and include secondary highways and bridges and some key arterial roadways within cities. Included in these numbers are $2,072 million in historical cost (2014: $1,885 million) and $130 million in accumulated amortization (2014: $99 million) for alternatively financed capital assets. The additions to work in progress related to new highway construction under Public Private Partnerships is $416 million (2014: $406 million).

(g) Dams and water management structures include dams, reservoirs, weirs, canals, dikes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

(h) Transfers and adjustments relate to post secondary institutions for accounting policy alignments and reclassifications between capital asset categories.

DEFERRED CAPITAL CONTRIBUTIONS — SCHEDULE 12

	2015	2014
	In millions	
Unspent Deferred Capital Contributions		
Opening unspent deferred capital contributions	$ 165	$ 112
Adjustments from prior period	-	62
Cash contributions restricted for capital	298	251
Transfers to spent deferred capital contributions	(248)	(257)
Transfers to accounts and accrued interest payable	(12)	(3)
Closing unspent deferred capital contributions	$ 203	$ 165

	2015	2014
	In millions	
Spent Deferred Capital Contributions		
Opening spent deferred capital contributions	$ 2,393	$ 2,300
Adjustments from prior period	-	(74)
Transfers from unspent deferred capital contributions	248	257
Transfers from accounts and accrued interest payable	70	49
Deferred capital contributions recognized as revenue	(155)	(139)
Closing spent deferred capital contributions	$ 2,556	$ 2,393

GUARANTEES — SCHEDULE 13

	2015	2014	Expiry Date
	In millions		
Feeder Associations Guarantee Act	$ 55	$ 48	Ongoing
Agriculture Financial Services Act	13	10	Variable
	68	58	
Less estimated liability			
Guarantees	-	-	
	$ 68	$ 58	

Authorized loan guarantee limits are shown below where applicable. Where authorized loan guarantee limits are not noted, the authorized limits decline as guaranteed or indemnified loans are repaid.

Guarantee programs under the following Acts are ongoing:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million),
- *Agriculture Financial Services Act.*

The lender takes appropriate security prior to issuing to the borrower a loan, 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.

Included in the guarantees issued under the *Agriculture Financial Services Act* is $8.75 million guaranteed under the Alberta Flood Recovery Loan Guarantee Program (AFRLGP), which was established to assist Alberta businesses directly impacted by the June 2013 flood in Southern Alberta. Under the AFRLGP, the Province has entered into agreements with financial institutions guaranteeing repayment of up to 75% of loans issued under this program.

The financial statements of the following entities are fully consolidated in these financial statements:

GOVERNMENT SECTOR ENTITIES

Offices of the Legislative Assembly

Support to the Legislative Assembly
Office of the Auditor General
Office of the Ombudsman
Office of the Chief Electoral Officer
Office of the Ethics Commissioner
Office of the Information and Privacy Commissioner
Office of the Child and Youth Advocate
Office of the Public Interest Commissioner

Departments

Aboriginal Relations
Agriculture and Rural Development
Culture and Tourism
Education
Energy
Environment and Sustainable Resource Development
Executive Council
Health
Human Services
Infrastructure
Innovation and Advanced Education
International and Intergovernmental Relations
Jobs, Skills, Training and Labour
Justice and Solicitor General
Municipal Affairs
Seniors
Service Alberta
Transportation
Treasury Board and Finance

Regulated Funds

Access to the Future Fund
Alberta Cancer Prevention Legacy Fund
Alberta Heritage Foundation for Medical Research Endowment Fund
Alberta Heritage Savings Trust Fund
Alberta Heritage Scholarship Fund
Alberta Heritage Science and Engineering Research Endowment Fund

Regulated Funds (continued)

Alberta Lottery Fund
Alberta Risk Management Fund
Alberta School Foundation Fund
Climate Change and Emissions Management Fund
Environmental Protection and Enhancement Fund
Historic Resources Fund
Land Stewardship Fund
Post-closure Stewardship Fund
Provincial Judges and Masters in Chambers Reserve Fund
Supplementary Retirement Plan Reserve Fund
Victims of Crime Fund

Provincial Agencies

Agriculture Financial Services Corporation
Alberta Capital Finance Authority
Alberta Energy Regulator
Alberta Enterprise Corporation
Alberta Environmental Monitoring, Evaluation and Reporting Agency [a]
Alberta Foundation for the Arts
Alberta Historical Resources Foundation
Alberta Innovates - Bio Solutions
Alberta Innovates - Energy and Environment Solutions
Alberta Innovates - Health Solutions
Alberta Innovates - Technology Futures
Alberta Investment Management Corporation
Alberta Livestock and Meat Agency
Alberta Local Authorities Pension Plan Corp.
Alberta Pensions Services Corporation
Alberta Securities Commission
Alberta Social Housing Corporation
Alberta Sports Connection
Alberta Transportation Safety Board
Alberta Utilities Commission
Human Rights Education and Multiculturalism Fund
Natural Resources Conservation Board
The Government House Foundation
The Wild Rose Foundation
Travel Alberta

Government Organizations

Alberta Insurance Council
Gainers Inc.
N.A. Properties (1994) Ltd.
Safety Codes Council

CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS

School Jurisdictions and Charter Schools

Almadina School Society
Aspen View Public School Division No. 78
Aurora School Ltd.
Battle River Regional Division No. 31
Black Gold Regional Division No. 18
Boyle Street Education Centre
Buffalo Trail Public Schools Regional Division No. 28
Calgary Arts Academy Society
Calgary Girls' School Society
Calgary Roman Catholic Separate School District No. 1
Calgary School District No. 19
Canadian Rockies Regional Division No. 12
CAPE-Centre for Academic and Personal Excellence Institute
Chinook's Edge School Division No. 73
Christ the Redeemer Catholic Separate Regional Division No. 3
Clearview School Division No. 71
Connect Charter School Society
East Central Alberta Catholic Separate Schools Regional Division No. 16
East Central Francophone Education Region No. 3
Edmonton Catholic Separate School District No. 7
Edmonton School District No. 7
Elk Island Catholic Separate Regional Division No. 41
Elk Island Public Schools Regional Division No. 14
Evergreen Catholic Separate Regional Division No. 2
Foothills School Division No. 38
Fort McMurray Public School District No. 2833
Fort McMurray Roman Catholic Separate School District No. 32
Fort Vermilion School Division No. 52
Foundations for the Future Charter Academy Charter School Society
Golden Hills School Division No. 75
Grande Prairie Roman Catholic Separate School District No. 28
Grande Prairie School District No. 2357
Grande Yellowhead Public School Division No. 77
Grasslands Regional Division No. 6

School Jurisdictions and Charter Schools (continued)

Greater North Central Francophone Education Region No. 2
Greater St. Albert Roman Catholic Separate School District No. 734
High Prairie School Division No. 48
Holy Family Catholic Regional Division No. 37
Holy Spirit Roman Catholic Separate Regional Division No. 4
Horizon School Division No. 67
Lakeland Roman Catholic Separate School District No. 150
Lethbridge School District No. 51
Living Waters Catholic Regional Division No. 42
Livingstone Range School Division No. 68
Medicine Hat Catholic Separate Regional Division No. 20
Medicine Hat School District No. 76
Mother Earth's Children's Charter School Society
New Horizons Charter School Society
Northern Gateway Regional Division No. 10
Northern Lights School Division No. 69
Northland School Division No. 61
Northwest Francophone Education Region No. 1
Palliser Regional Division No. 26
Parkland School Division No. 70
Peace River School Division No. 10
Peace Wapiti School Division No. 76
Pembina Hills Regional Division No. 7 (including Alberta Distance Learning Centre)
Prairie Land Regional Division No. 25
Prairie Rose School Division No. 8
Red Deer Catholic Regional Division No. 39
Red Deer Public School District No. 104
Rocky View School Division No. 41
St. Albert Public School District No. 5565
St. Paul Education Regional Division No. 1
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38
Sturgeon School Division No. 24
Southern Francophone Education No. 4
Suzuki Charter School Society
Valhalla School Foundation
Westmount Charter School Society
Westwind School Division No. 74
Wetaskiwin Regional Division No. 11
Wild Rose School Division No. 66
Wolf Creek School Division No. 72

Post-secondary Institutions

Alberta College of Art and Design
Athabasca University
Banff Centre
Bow Valley College
Grande Prairie Regional College
Keyano College
Lakeland College
Lethbridge College
MacEwan University
Medicine Hat College
Mount Royal University
NorQuest College
Northern Alberta Institute of Technology
Northern Lakes College
Olds College
Portage College
Red Deer College
Southern Alberta Institute of Technology
University of Alberta
University of Calgary
University of Lethbridge

Alberta Health Services and Other Health Entities

Alberta Health Services
Health Quality Council of Alberta

The following organizations are accounted for on the modified equity basis in these financial statements:

Government Business Enterprises

Alberta Gaming and Liquor Commission
ATB Financial
Credit Union Deposit Guarantee Corporation
Alberta Petroleum Marketing Commission

(a) The Alberta Environment Monitoring, Evaluation and Reporting Agency was created on April 28th, 2014 and operates under the authority of the *Protecting Alberta's Environment Act.*

GLOSSARY

Absolute return strategies: Absolute return strategies (hedge funds) encompass a wide variety of investments with the objective of realizing positive returns regardless of the overall market direction. A common feature of many of these strategies is buying undervalued securities and selling short overvalued securities. Some of the major types of strategies include long/short equity, merger arbitrage, fixed income arbitrage, macroeconomic strategies, convertible arbitrage, distressed securities and short selling.

Accrued interest: Interest income that has been earned but not paid in cash at the financial statement date.

Alternative investments: Investments considered outside of the traditional asset class of stocks, bonds and cash. Examples include hedge funds, private equities, private income, timberland and asset-backed commercial paper.

Amortized cost: Amortized cost is the amount at which a financial asset or a financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Ask price: The price a seller is willing to accept for a security, also known as the offer price.

Asset mix: The percentage of an investment fund's assets allocated to major asset classes (for example 50% equities, 30% interest-bearing securities and 20% inflation sensitive and alternative investments).

Bid price: The price a buyer is willing to pay for a security.

Cash equivalents: Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short tem cash commitments rather than for investing or other purposes.

Constructed budget: The result of revising the Province's Fiscal Plan to the same basis and scope of reporting as that used in the consolidated financial statements.

Credit risk: The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Debenture: A financial instrument showing a debt where the issuer promises to pay interest and repay the principal by the maturity date. It is usually unsecured, meaning there are no liens or pledges on specific assets.

Debt servicing cost: Debt servicing costs consists of interest paid on various forms of government debt.

Deferred capital contribution: The unamortized portion of tangible capital assets or liabilities to construct or acquire tangible capital assets from specific purpose funding received from the Government of Canada or by donation. Deferred capital contributions are recorded in revenue over the estimated useful life of the underlying tangible capital assets once constructed or acquired by the Province.

Defined benefit pension plan: A pension plan that specifies either the benefits to be received by an employee, or the method of determining those benefits, such as a pension benefit equal to two percent of the average of the five highest consecutive years' salary times the total years of service.

Derecognition: The removal of previously recognized financial assets or financial liabilities from a government's statement of financial position.

Derivative contract: Financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or currency rates. They usually give rise to a financial asset of one party and a financial liability or equity instrument of another party, require no initial net investment, and are settled at a future date.

Discount: The difference between the price paid for a security and the security's par or face value. Because price fluctuates with interest rates, price will differ from the face value. For example, if interest rates are higher than the coupon rate, then the security is sold at a discount.

Emerging market: An economy in the early stages of development, with markets of sufficient size and liquidity, and receptive to foreign investment.

Endowment funds: Endowment funds generally are established by donor gifts and bequests to provide a permanent endowment, which is to provide a permanent source of income, or a term endowment, which is to provide income for a specified period. The endowments may or may not be restricted in how they are used.

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

Financial asset: An asset that could provide resources to pay liabilities or finance future operations. A financial asset could be cash, a right to receive cash or another financial asset from another party, a right to exchange financial instruments with another party under conditions that are potentially favourable, or equity of another entity.

First-in, first-out: A method of valuing inventory where the cost of the first goods purchased or acquired is the cost assigned to the first goods sold. Therefore, the cost allocated to the inventory items on hand at the end of the period is the cost of those items most recently acquired.

Fixed income instrument: Interest bearing instrument that provides a return in the form of fixed periodic payments and eventual return of principal at maturity, or money market instrument such as treasury bills and discount notes.

Floating rate: An interest rate that is reset periodically, usually every couple of months or sometimes daily.

Hedging: An activity designed to manage exposure to one or more risks. When management designates a hedging relationship, it must identify the specific items included in the hedging relationship, the risk that is being hedged, and the period over which the hedging relationship is intended to be effective. The designation of the hedging relationship is documented formally in the entity's records when designation occurs.

Interest rate risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market interest rates.

Liquidity: The ease with which an asset can be turned into cash and the certainty of the value it will obtain.

Market risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market prices.

Net realizable value: The selling price less the estimated costs of completion and costs necessary to make the sale.

Par value: A value set as the face or principal amount of a security, typically expressed as multiples of $100 or $1,000. Bondholders receive par value for their bonds at maturity.

Prepaid expenses: An expenditure that is paid for in one accounting period, but which will not be entirely consumed until a future period. Consequently, it is carried on the Consolidated Statement of Financial Position as an asset until it is consumed.

Present value: Today's value of one or more future cash payments, determined by discounting the future cash payments using interest rates.

Price risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Prior year expenditure refunds: When recoveries of overpayments or payments made in error occur in the current year and the recovery is related to an expenditure of prior years, the recovery is accounted for as revenue of the current year.

Private equity: An ownership interest in a privately held company.

Public private partnership (P3): A legally-binding contract between the Province and one or more public or private partners for the provision of assets and the delivery of services that allocates responsibilities and business risks among the various partners.

Glossary (continued)

Realized gains and losses: Gains or losses are realized when investments are sold at a price over or below its book value and selling costs.

Refinancing risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate due to refinancing.

Segment: A distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Temporary loss: Determining when a loss is other than temporary is a matter of judgment, but it is generally presumed if a condition indicating a loss in value has persisted for a period of three or four years.

Unmatured debt: Unredeemed Government securities that have not matured and that are issued in respect of money raised under section 56(1) of the *Financial Administration Act*, and the total outstanding borrowings of Alberta Social Housing Corporation.

Yield curve: A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates.