



Freedom To Create. Spirit To Achieve.

Consolidated Financial Statements

of the Government of Alberta

(Accountability Statement, Preface and Executive Summary)

Annual Report
2010–2011

Government of Alberta ■

This is the report to Albertans on ***Budget 2010: Striking the Right Balance***. It is a permanent public record of the dollars spent and the results achieved by the Government of Alberta for the 2010–11 fiscal year.

The Government of Alberta Annual Report consists of two parts:

- ***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. *Measuring Up* is published in a separate document.

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



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Consolidated Financial Statements

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ACCOUNTABILITY STATEMENT

The government's Annual Report for the year ended March 31, 2011 was prepared under my direction on behalf of the government in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 22, 2011 with material economic or fiscal implications have been considered in the preparation of the Annual Report.

Original signed by

Lloyd Snelgrove

Minister of Finance and Enterprise
and President of Treasury Board

A MESSAGE FROM THE MINISTER OF FINANCE AND ENTERPRISE

Global economic recovery was fully underway in 2010-11, though strength seen in developing world economies was somewhat offset by subdued growth in Europe and the United States. Increased demand from developing nations strengthened oil prices, which had a positive effect on Alberta's economy and government's bottom line.

Mindful of the risks facing financial markets, commodity prices, and the world economy, the Alberta government charted a prudent course in *Budget 2010*. The budget preserved priority programs, carefully managed spending, invested in infrastructure and enhanced the province's competitiveness.

This positioned Alberta for accelerating economic growth, and as the year progressed, Alberta's economy and fiscal situation continued to improve. In fact, overall fiscal results for 2010-11 were better than what was forecast in *Budget 2010*.

Expense for 2010-11 was down to \$38.3 billion, with decreases in both operating expense and capital grants. These were partly offset by an in-year increase of \$438 million for forest fire-fighting costs, as well as agriculture and flood assistance.

Revenue also improved, reaching \$34.9 billion, with higher bitumen royalties and investment income driven by global economic strength, and very strong land lease sales. This indicated growing confidence in Alberta's economy and fiscal regime. The 2010-11 deficit was \$3.4 billion, \$1.3 billion lower than the budget forecast.

Economic growth is expected to continue, and Alberta is on track for a return to a surplus position in the years ahead. The Alberta government will continue to strike the right balance as we move forward and build a better Alberta.

Original signed by

Lloyd Snelgrove

Minister of Finance and Enterprise
and President of Treasury Board

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PREFACE

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the Annual Report of the Government of Alberta and the annual reports of each of the 24 ministries.

This Annual Report of the Government of Alberta contains the Minister's Accountability Statement, an Executive Summary, the audited Consolidated Financial Statements of the Province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's business plan. The *Measuring Up* report is published in a separate document.

The annual reports of ministries are being released concurrently with the Annual Report of the Government of Alberta this year, rather than being released in the fall. The ministry annual reports contain Ministers' accountability statements, the audited consolidated financial statements of the ministries and a comparison of actual performance results to desired results set out in the ministries' business plans. Each ministry annual report also includes:

- Financial statements of entities making up the ministry including departments (all departments combined form the General Revenue Fund), regulated funds, provincial agencies and Crown-controlled corporations,
- Other financial information as required by the *Financial Administration Act* and the *Government Accountability Act*, either as separate reports or as a part of financial statements, to the extent that the ministry has anything to report, and
- Financial information relating to accountable organizations and trust funds.

■ EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

BUDGET 2010: STRIKING THE RIGHT BALANCE

As the province recovered from the global recession, *Budget 2010* positioned Alberta for the future by pursuing the government's vision:

- Strongest financial position of all provinces going into economic recovery;
- Most innovative and competitive economy in Canada;
- Best publicly-funded health care system in the country;
- Most advanced infrastructure in North America.

Alberta's enviable financial position, with no accumulated debt and the \$15 billion Sustainability Fund, enabled funding to be maintained for priority programs without raising taxes or borrowing for operating expense, as well as continued strong support for building Alberta's infrastructure.

2010-11 results are better than what was forecast in *Budget 2010*. Revenue was \$886 million higher due mainly to Crown lease sales, bitumen royalties and investment income. Expense was \$452 million lower, even after \$438 million was added in-year for forest fire-fighting and agriculture and flood assistance.

However, natural gas markets remain weak and commodity prices and financial markets have been volatile. The government will continue its prudent fiscal management in the face of this uncertainty.

Program Initiatives

Total expense increased by \$1.6 billion, or 4.3%, from 2009-10 to \$38.3 billion.

Health. Base operating funding for Alberta Health Services was increased to eliminate their 2009-10 deficit, reflect current service levels and provide a 6% increase as part of the first year of a five-year funding commitment. Released the *5-Year Health Action Plan*, which sets targets and priorities for improving Alberta's health system.

Advanced and basic education. Increased operating funding for school boards to support growth in enrollment, teachers' salaries and demand for specialized programs. Funded more post-secondary spaces and more loans and bursaries to students.

Supports for those in need. Increased funding for seniors benefits, Assured Income for the Severely Handicapped, income supports and programs for children. Added affordable housing units and provided assistance to low-income and homeless Albertans to secure accommodations.

Other. Safe Communities initiatives included hiring 100 new police officers and pilot projects for at-risk groups. Promoted tourism and provided support for the agricultural and forestry sectors. Funded research and technology commercialization through the Alberta Innovates corporations.

Capital Plan

Significant infrastructure support of \$5.9 billion in 2010-11 included funding for municipal and housing projects, health and education facilities, and expansions and improvements to the provincial highway network. Total support was \$639 million lower than in 2009-10 due primarily to re-profiling projects to future years to reflect funding needs.

Revenue

Albertans and Alberta businesses continued to pay the lowest overall taxes compared to other provinces. The personal income tax system was indexed and property tax rates reduced. Changes to the conventional oil and natural gas royalty framework were implemented.

Note on Scope of Reporting

The Annual Report Consolidated Financial Statements report on a larger scope than the Fiscal Plan (budget and quarterly) documents, as the Consolidated Financial Statements basis includes:

- Revenue, expense, assets and liabilities of Crown-controlled SUCH sector entities (schools, universities, colleges and health entities) and Alberta Innovates corporations, on a "line-by-line" basis. This adds revenue of \$3.9 billion, expense of \$2.4 billion and net assets of \$22.1 billion.
- Pension liabilities. Adds \$0.4 billion to expense and \$9.9 billion to liabilities.

The 2010-11 deficit was \$3.4 billion on the Fiscal Plan basis and \$2.3 billion on the Consolidated Financial Statements basis. More details on the differences between the Consolidated Financial Statements basis and Fiscal Plan basis are provided on pages 17-19.

FISCAL HIGHLIGHTS

Overview. On the **Fiscal Plan basis** (excludes pension provisions, SUCH sector and Alberta Innovates corporations), the deficit was \$3.4 billion, \$2.4 billion higher than 2009-10 but \$1.3 billion lower than estimated in *Budget 2010*.

Revenue was \$34.9 billion, \$0.8 billion lower than 2009-10 but \$0.9 billion higher than the budget.

- **Change from 2009-10.** Increases of \$1.7 billion in resource revenue and \$0.4 billion in net other revenue were more than offset by decreases of \$1.8 billion in income tax revenue and \$1.1 billion in investment income.
- **Change from Budget.** Increases of \$1.1 billion in resource revenue, \$0.4 billion in investment income and \$0.7 billion in net other revenue were partly offset by decreases of \$1.3 billion in personal income and other tax revenue.

Expense was \$38.3 billion, \$1.6 billion higher than 2009-10 but \$0.5 billion lower than the budget.

- **Change from 2009-10.** Increase of \$2.1 billion mainly in operating expense was partly offset by a decrease of \$0.5 billion in capital grants.
- **Change from Budget.** Decreases of \$0.7 billion in capital grants and \$0.4 billion in operating expense were partly offset by an increase of \$0.4 billion in disaster and emergency assistance and integrating the budgeted \$240 million in-year savings into actual operating and capital grant reductions.

Fourth Quarter Results. The deficit was \$1.4 billion lower than forecast at third quarter due to \$0.9 billion higher revenue and \$0.5 billion lower expense.

The **Consolidated Financial Statements basis** deficit was \$2.3 billion, \$1.8 billion higher than 2009-10.

Net Assets. At March 31, 2011, on the **Fiscal Plan basis**, net assets were \$47.1 billion, including capital assets of \$19 billion. On the **Consolidated Financial Statements basis**, net assets were \$59.3 billion, including capital assets of \$37.6 billion. More details on assets and liabilities are provided on pages 16–17.

Fiscal Summary^a

(millions of dollars)

FISCAL PLAN BASIS	2010-11			2009-10
	Budget	3rd Quarter Forecast	Actual	Actual
1 Revenue	33,968	33,982	34,854	35,652
Expense				
2 Operating expense	33,455	33,386	33,101	31,143
3 Capital grants	4,406	3,863	3,697	4,204
4 Disaster/emergency assistance	-	502	438	447
5 Capital amortization and nominal sum disposals	759	749	733	676
6 In-year savings	(240)	-	-	-
7 Debt servicing costs	336	303	295	214
8 Total Expense	38,716	38,803	38,264	36,684
9 Surplus/(Deficit)	(4,748)	(4,821)	(3,410)	(1,032)

RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS BASIS

Revenue Adjustment			
10 SUCH sector/Alberta Innovates corporations		3,948	3,860
11 Total Revenue (Consolidated Financial Statements basis - lines 1 + 10)		38,802	39,512
Expense Adjustments			
12 Adjustment for capital spending		516	(15)
13 SUCH sector/Alberta Innovates corporations net adjustment		1,845	2,891
14 Pension provisions		439	428
15 Total expense adjustments		2,800	3,304
16 Total Expense (Consolidated Financial Statements basis - lines 8 + 15)		41,064	39,988
17 Surplus/(Deficit) – Consolidated Financial Statements basis		(2,262)	(476)

^a Budget revenue and expense on Fiscal Plan basis have been increased by a net \$4 million due to in-year accounting policy changes; 2009-10 revenue and expense adjustments to Consolidated Financial Statement basis have been increased by \$102 million due to an accounting policy change.

ALBERTA SUSTAINABILITY FUND AND CASH ADJUSTMENTS

The *Fiscal Responsibility Act* (FRA) sets out Alberta's fiscal framework for managing revenue volatility. The FRA establishes the Sustainability Fund as a risk management mechanism, to offset deficits. The Fund will be replenished when the fiscal situation improves.

ALBERTA SUSTAINABILITY FUND

The Fund receives cash from year-end results, or provides cash to fund a reported deficit, after adjusting for differences between accrued revenue and cash receipts, non-cash expense and transfers not reported on the income statement.

- The Fund began the year with \$15 billion in assets and on March 31, 2011 had \$11.2 billion. This was \$3 billion higher than estimated, due mainly to the lower deficit, cash from 2009-10 fourth quarter results deposited in 2010-11 and a large positive swing in energy royalties cash adjustments.
- \$2.2 billion from 2009-10 fourth quarter results was transferred after March 31, 2010. A similar transfer of \$0.6 billion from 2010-11 fourth quarter results will take place in 2011-12.
- \$3.4 billion was transferred to offset the 2010-11 reported deficit, as permitted by the FRA.

CASH ADJUSTMENTS

- **Capital cash requirements.** Investment in government-owned capital required \$2.2 billion in cash not included in expense in 2009-10.
- **Capital cash sources.** \$1 billion, including \$0.7 billion in non-cash amortization of government-owned assets included in expense and \$0.3 billion in P3 funding. The planned direct borrowing of \$1.1 billion was not issued.
- **Retained income of funds and agencies.** A net \$489 million in financial surpluses of entities, like Alberta Treasury Branches or the endowment funds, are included in the 2010-11 year-end results, but are kept by the entities.
- **Energy royalties.** Differences between reported revenue and when cash is actually received amount to a net \$246 million more cash than reported 2010-11 resource revenue.
- **Other cash adjustments.** \$118 million in cash was needed for student loans, net of loan repayments and non-cash expense for loan remissions, and another \$105 million in net negative cash adjustments primarily related to higher reported personal income tax revenue than cash received.

Sustainability Fund (at March 31, 2011)

(millions of dollars)

	2010-11			
	Budget	Actual	Change from	
			Budget	Forecast
Assets at Start of Year	14,983	14,983	-	-
Cash transferred from 2009-10 fourth quarter results	-	2,230	2,230	-
Cash from 2010-11 fourth quarter results to be transferred next year	-	(619)	(619)	(619)
Transfer to offset deficit	(4,748)	(3,410)	1,338	1,411
Heritage Fund inflation-proofing	(291)	(360)	(69)	(56)
Capital cash adjustments				
Requirements:				
Capital investment and principal repayments	(2,815)	(2,203)	612	206
Sources:				
Capital amortization and net book value of disposals	761	715	(46)	(15)
Alternative financing (P3s)	435	322	(113)	(4)
Direct borrowing	1,100	-	(1,100)	(1,100)
Other cash adjustments				
Retained income of funds and agencies	(341)	(489)	(148)	(132)
Energy royalties	(746)	246	992	189
Other (student loans and other)	(122)	(223)	(101)	120
Assets at End of Year	8,216	11,192	2,976	-

ECONOMIC AND TAX HIGHLIGHTS

ECONOMIC HIGHLIGHTS

(Calendar year basis)

2010 Economic Growth. Alberta's economy grew by an estimated 3.8% in 2010, following the severe contraction of 4.5% in 2009 caused by the global recession.

Employment. Alberta's employment fell by 8,600, or 0.4%, and the unemployment rate averaged 6.5% in 2010. Employment numbers began recovering during the year, and the unemployment rate dropped to 5.5% by December 2010.

Population Growth. Annual population growth in census year 2010 (ended June 30) was 1.4%, slightly higher than the national rate of 1.2%. Population growth was driven mainly by international migration.

Labour Income. Growth in total Alberta wages and salaries was 5.2% in 2010. This followed the 3.5% contraction in 2009, which was significantly worse than the 0.5% increase originally estimated by Statistics Canada. Average weekly earnings, a slightly different measure from total labour income, increased by 4.5% to \$993.13.

Consumer Sector. Improved consumer confidence led retail sales to rebound from an 8.4% decline in 2009 to growth of 6.0% in 2010, exceeding the national average of 5.5%. Consumer bankruptcies decreased 18.4% to 8,150.

Housing. Alberta housing starts totalled 27,088 units, a 33.5% increase from 2009. The new house price index rose by 0.5%, following the 8.9% drop in 2009. The Canadian average increase in new house prices in 2010 was 2.2%.

Inflation. Consumer prices rose by 1.0% in Alberta compared to the national average of 1.8%. The non-residential building construction cost index (Edmonton and Calgary) continued to decline in 2010, but only by 0.1%, following the steep 9.8% drop in 2009.

Energy Sector. Strong oil prices contributed to a robust recovery in the oil and gas industry in 2010. The average number of rigs drilling in Alberta was 207, an increase of 61.3% from 2009. Total oil sands investment in Alberta was \$11.2 billion, 6.4% higher than 2009. Conventional production continued to decline, though oil production was down only 0.4% from 2009, while natural gas production was down 5.3%. Bitumen production rose 8.0% in 2010.

Manufacturing Sector. The value of Alberta manufacturing shipments increased by 11.3% in 2010, a sharp turnaround from the 23.1% decline in 2009.

Agriculture Sector. Farm cash receipts were down for the second year in a row in 2010. They fell 3.9%, after declining by 8.0% in 2009. International exports decreased by 22.4% to \$3 billion in 2009.

TAX HIGHLIGHTS

Lowest Overall Taxes. Albertans and Alberta businesses continue to pay the lowest overall taxes in Canada.

Small Business Competitiveness. Alberta small business owners pay lower taxes than they would in any other province, when all taxes are considered.

Indexation. While Alberta continued to index the provincial personal income tax system, the low inflation environment meant that only a small amount of indexing was needed in 2011. Indexation saved Albertans about \$40 million.

Education Property Tax. Education property tax mill rates fell by 13.5% in 2010, the 17th consecutive year the provincial government has either reduced or frozen rates.

Fuel Tax. Tax Exempt Fuel Use rebates for licensed vehicles, including under the Prescribed Rebate Off-road Percentages program, were eliminated effective February 25, 2011. Tax exemptions are now limited to unlicensed vehicles and machinery and equipment, better aligning the program with Alberta's low-rate, broad-base tax policy.

OVERVIEW OF PROGRAM AND CAPITAL SPENDING

EXPENSE

On the **Fiscal Plan basis**, 2010-11 total expense was \$38.3 billion. Health and education accounted for 63.5% of total expense.

Year-over-Year Comparison. Total expense was \$1.6 billion higher than 2009-10. This included:

- **Operating expense.** \$2 billion or 6.3% increase, primarily to raise the Alberta Health Services (AHS) 2010-11 base operating grant by 6% and eliminate the AHS 2009-10 deficit.
- **Capital grants.** \$507 million or 12% decrease, primarily related to completion of projects and re-profiling projects to future years, partially offset by higher grants to municipalities.
- **Other expense.** A net increase of \$129 million, with higher expense for amortization, nominal sum disposals and debt servicing costs partly offset by slightly lower disaster/emergency assistance.

Budget-to-actual changes. Total expense was \$452 million lower than budgeted. Increases for disaster and emergency assistance were more than offset by lower operating expense and capital grants.

- **Operating expense.** \$354 million or 1.1% decrease, mainly related to lower-than-expected 2009-10 AHS deficit and AgriStability participation, partly offset by increases for income supports and programs for children and seniors.
- **Capital grants.** \$709 million or 16.1% decrease, primarily from re-profiling health, school and carbon capture and storage grants to future years to reflect funding requirements.
- **In-year savings.** The \$240 million is included in operating expense and capital grant reductions.
- **Disaster/emergency assistance.** \$438 million increase for agriculture support, floods and wildfires, forest fire-fighting costs and mountain pine beetle infestations.
- **Other expense.** \$67 million or 6.1% decrease in debt servicing costs and amortization expense.

Forecast-to-actual changes. Total expense decreased \$539 million from the third quarter forecast, mainly due to lower operating expense and capital grants.

On the **Consolidated Financial Statements basis**, total expense was \$41.1 billion, \$1.1 billion higher than 2009-10.

Expense

(millions of dollars)

FISCAL PLAN BASIS	2010-11		2009-10	Change from	
	Budget	Actual	Actual	Budget	2009-10 Actual
Operating expense	33,455	33,101	31,143	(354)	1,958
Capital grants	4,406	3,697	4,204	(709)	(507)
Disaster/emergency assistance	-	438	447	438	(9)
Capital amortization and nominal sum disposals	759	733	676	(26)	57
In-year savings	(240)	-	-	240	-
Debt servicing costs	336	295	214	(41)	81
Total Expense	38,716	38,264	36,684	(452)	1,580
RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS BASIS					
Adjustment for capital spending	n.a.	516	(15)	n.a.	531
SUCH sector net expense adjustment	n.a.	1,565	2,868	n.a.	(1,303)
Alberta Innovates corporations	n.a.	280	23	n.a.	257
Pension provisions	n.a.	439	428	n.a.	11
Total Expense (Consolidated Financial Statements basis)	n.a.	41,064	39,988	n.a.	1,076
Capital investment (Fiscal Plan)	2,802	2,192	2,324	(610)	(132)
Capital investment (SUCH/Alberta Innovates corporations)	n.a.	3,631	3,909	n.a.	(278)

Note on Capital Investment

In 2010-11, capital investment in government-owned facilities and equipment was \$2.2 billion, a decrease of \$132 million from 2009-10. Capital investment is not recorded as an expense; only the amortization cost of government-owned capital is reflected in expense. Capital support to external authorities (including the SUCH sector) is treated as an expense and is not amortized in provincial government Fiscal Plan documents. Capital investment plus capital grants to external authorities and support for other infrastructure equal the total Capital Plan support provided by the provincial government. The Capital Plan does not include amortization costs.

Expense by Function

(millions of dollars)

FISCAL PLAN BASIS	2010-11		2009-10 Actual	Change from	
	Budget	Actual		2009-10	
				Budget	Actual
Health	15,813	15,034	13,180	(779)	1,854
Education	9,325	9,276	9,539	(49)	(263)
Social Services	3,902	4,014	3,806	112	208
Agriculture, Resource Management and Economic Development	2,159	1,941	2,357	(218)	(416)
Transportation, Communications and Utilities	1,919	1,870	2,305	(49)	(435)
Protection of Persons and Property	1,337	1,592	1,458	255	134
Regional Planning and Development	1,275	1,316	800	41	516
Housing	339	419	560	80	(141)
Recreation and Culture	368	376	398	8	(22)
Environment	371	347	368	(24)	(21)
General Government	1,812	1,784	1,699	(28)	85
In-year savings	(240)	-	-	240	-
Debt Servicing Costs	336	295	214	(41)	81
Total Expense	38,716	38,264	36,684	(452)	1,580
RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS BASIS					
Adjustment for capital spending	n.a.	516	(15)	n.a.	531
SUCH sector net expense adjustment	n.a.	1,565	2,868	n.a.	(1,303)
Alberta Innovates corporations	n.a.	280	23	n.a.	257
Pension provisions	n.a.	439	428	n.a.	11
Total Expense (Consolidated Financial Statements basis)	n.a.	41,064	39,988	n.a.	1,076

CAPITAL PLAN

- The Capital Plan supported \$5.9 billion in projects in 2010-11, a decrease of \$639 million or 9.8% from 2009-10, and \$1.3 billion or 18.3% lower than budgeted.
- The decrease from 2009-10 was due mainly to re-profiling projects to future years to reflect funding requirements.
- The decrease from budget relates mainly to savings on the SE Stoney Trail Calgary ring road P3 project, the re-profiling of health grants to future years to permit Alberta Health Services to use cash provided in prior years first, and the re-profiling of projects to future years to reflect funding requirements.

Capital Plan

(Fiscal Plan basis, millions of dollars)

	2010-11		2009-10 Actual	Change from	
	Budget	Actual		2009-10	
				Budget	Actual
Municipal infrastructure support	1,776	1,768	1,651	(8)	117
Provincial highway network	1,866	1,538	1,681	(328)	(143)
Health facilities and equipment	802	281	298	(521)	(17)
Schools	516	388	729	(128)	(341)
Post-secondary facilities	578	609	707	31	(98)
Community facilities	118	111	88	(7)	23
Water and wastewater management	167	183	344	16	(161)
Housing	352	370	400	18	(30)
Government facilities, equipment and other capital	1,033	641	630	(392)	11
Total Capital Plan	7,208	5,889	6,528	(1,319)	(639)

SPENDING HIGHLIGHTS (By functional area)

HEALTH

Health expense was \$15 billion, \$1.9 billion or 14% higher than in 2009-10, but \$779 million lower than estimated in *Budget 2010*.

- The **increase from 2009-10** includes:
 - » \$1,509 million increase in the operating grant to Alberta Health Services (AHS) to offset the AHS 2009-10 deficit, re-set the base to reflect current service levels, and then provide a 6% increase;
 - » \$248 million for physician services, mainly for increased fees-for-services and office automation;
 - » \$12 million reduction in health capital grants;
 - » a net \$109 million increase for service delivery enhancements, health workforce spaces and development, caseload growth in Alberta Aids to Daily Living, and *Continuing Care Strategy* implementation, partly offset by reporting Alberta Innovates medical research funding under the “Economic Development” function.
- The **decrease from budget** includes:
 - » \$232 million reduction due to the lower-than-forecast actual AHS 2009-10 deficit;
 - » \$508 million decrease in health capital grants;
 - » a net \$39 million decrease in other programs.

Major initiatives

- *Budget 2010* introduced a 5-year funding commitment to AHS, which provides increases to the base operating grant of 6% in each of the first 3 years, and 4.5% in each of the final 2 years.
- Released *Becoming the Best: Alberta's 5-year Health Action Plan* outlining priorities and establishing targets for key aspects of the health system, including wait times for surgeries, access to cancer treatment and continuing care options.
- Passed the *Alberta Health Act* containing guiding principles, a commitment to public input and requiring a health charter and a health advocate.
- Invested over \$19 million in school-based programs to promote mental health and prevent mental illness among children and families.
- \$34 million in *Health Workforce Action Plan* initiatives to meet immediate and future needs.

Capital Plan

- Completed projects include Calgary's McCaig Tower at the Foothills Medical Centre, Rockyview General Hospital South Addition and the East Calgary Community Centre, Lethbridge's Jack Ady Cancer Centre at the Chinook Regional Hospital, the Cochrane Community Health Centre, Edmonton's Lois Hole Hospital in the Robbins Pavilion at the Royal Alexandra Hospital, the orthopedic surgical facility at the Royal Alexandra Hospital, and renovations at St. Albert's Sturgeon Community Hospital.
- Construction continued on several major projects including the Edmonton Clinic South, Red Deer's Central Alberta Cancer Centre, Calgary's South Health Campus, and hospitals in Sherwood Park and Fort Saskatchewan. Planning and programming work continued on Grande Prairie Regional Healthcare Centre, residential additions and treatment facilities in Medicine Hat and Fort McMurray, and health centre replacements in Edson and High Prairie.
- Continued the renovation and expansion of the Chinook Regional Hospital, the Medicine Hat Regional Hospital, the Bow Island Health Centre and the Emergency Department at the Foothills Medical Centre in Calgary.
- Completed the Michener Hills Village Community of Care facility in Red Deer and the Villa Caritas mental health facility in Edmonton. Construction continued on other long-term care projects, including replacement of the Good Samaritan Care Centre in Stony Plain and the Dr. Cooke Extended Care Centre in Lloydminster.

EDUCATION

Education expense was \$9.3 billion in 2010-11, a decrease of \$263 million or 2.8% from 2009-10, and \$49 million lower than the budget estimate.

The **decrease from 2009-10** was due mainly to lower capital grants and demand for job training programs due to an improving economy, partially offset by increases for teachers' salaries, enrollment growth, higher demand for English as a Second Language and other specialized programs, and student loans.

The **decrease from budget** was due to re-profiling of school capital grants to future years, partly offset by increases for teachers' salaries, student loans and post-secondary facility capital grants.

Major Initiatives

Kindergarten to Grade 12 Education

- Provided \$5.5 billion in operating and property tax support to public and separate school boards.
- School board and ministry spending (excluding pension provisions) increased by \$257 million or 4%. The instruction program (teacher salaries and benefits, services and supplies) increased 3.2%, operations and maintenance increased 6.8% and student transportation increased 1.2%.
- A program for certified specialists to gain teaching qualifications was introduced under the Workforce Planning Initiative.
- The *Early Learning Strategy* continued to support Alberta school districts and communities with information about their pre-school populations.
- Saved \$12 million through changes to student information systems and curriculum development, technology upgrades and managing discretionary spending.

Advanced Education

- Provided \$2 billion in operating funding to post-secondary institutions, and funded more than 3,500 new certificate, diploma and degree spaces.
- Awarded \$70 million in scholarships to more than 36,000 students. Provided \$250 million in student loans and \$33 million in grants and bursaries to approximately 52,800 full-time students.
- Provided \$43 million through the Access to the Future Fund to match donations and fund innovative advanced learning system projects.
- Funded \$260 million in job training and other supports to more than 21,000 Albertans.
- Partnered with Indian and Northern Affairs Canada, Western Economic Diversification, Chipewyan Prairie First Nation, Cenovus and Classroom Connections to provide skills training for Aboriginal youth.
- Provided \$23 million for community-based education including literacy, adult learning and English language learning opportunities.

- Implemented *Campus Alberta Administration* to promote collaborative initiatives and identify cost efficiencies across the advanced learning system.

Capital Plan

- Opened eighteen new schools in Edmonton and Calgary in August 2010 through Phase I of the Alberta Schools Alternative Procurement project. Fourteen Phase II schools are under construction and expected to be completed in 2012.
- Completed 35 modernization, replacement and new school projects, with 28 in rural Alberta.
- Provided \$462 million for expansion and \$141 million for capital maintenance and renewal of post-secondary facilities.
- New post-secondary projects included Keyano College campus in Fort Chipewyan, Northern Lakes College campus in Gift Lake, and renovation and expansion of the Heavy Oil Technician/Power Engineering labs at Lakeland College.

SOCIAL SERVICES

Social services expense was \$4 billion in 2010-11, an increase of \$208 million or 5.5% from 2009-10 and \$112 million from the budget estimate.

The **increase from 2009-10** was due mainly to increased caseloads and costs in Assured Income for the Severely Handicapped (AISH), programs for children and seniors, for income supports, health benefits and child care. In addition, all homeless support expense is now being reported in the "Social Services" function, rather than a portion being reported in the "Housing" function.

The **increase from budget** was due mainly to increased caseloads and costs in AISH, programs for children and seniors, for income supports, health benefits and child care. These were partly offset by a re-allocation of funds from homeless prevention to affordable housing (reported in "Housing" function).

Major Initiatives

- Funding for children and youth programs was just under \$1.2 billion in 2010-11, a \$37 million or 3.2% increase from 2009-10.
- Income supports and health benefits expense was \$734 million in 2010-11, \$43 million or 6% higher than 2009-10. On average over 39,000 Albertan households were supported monthly.

- AISH expense was \$758 million, \$41 million or 5.7% higher than 2009-10, providing financial assistance to approximately 43,000 clients and personal benefits to approximately 9,000 clients.
- Persons with Developmental Disabilities expense was \$592 million in 2010-11, essentially unchanged from 2009-10 and the budget estimate.
- Provided \$422 million in benefits to seniors through the Alberta Seniors Benefit (ASB), Special Needs Assistance, dental, optical and property tax assistance programs. ASB benefits were raised to offset the 3% increase to long-term care accommodation rates, and income thresholds were increased effective July 1, 2010, to recognise increases to Canada Pension Plan benefits.
- \$75 million in rent supplements assisted low-income households with rental accommodation.
- Launched the Alberta Supports Contact Centre and the albertasupports.ca website, which provide co-ordinated information and simplified access to over 30 social programs encompassing more than 120 benefits and services.
- Increased access to quality and affordable child care. Over the last three years 19,000 new spaces have been created, surpassing the target of 14,000.
- Passed the *Protection Against Family Violence Amendment Act*, introducing strong penalties for protection order breaches, and expanded Victim's Supports Outreach sites to provide services to Aboriginal and immigrant families.
- The new *Protection for Persons in Care Act* became effective July 1, 2010, improving safety and well-being of adults who access care or support services.
- Began implementing 10 recommendations of the Child Intervention System Review Panel.
- Hosted *Gathering Today for Our Aboriginal Children's Future* meetings.
- Supported vulnerable and at-risk children, youth and families by strengthening and integrating early childhood development and screening services, and through mentoring programs and financial support for post-secondary education.
- Released the *Aging Population Policy Framework*, which outlines key policy directions relating to population aging, and *Addressing Elder Abuse in Alberta: A Strategy for Collective Action*, to guide efforts by government and partners to prevent and address elder abuse.

AGRICULTURE, RESOURCE MANAGEMENT AND ECONOMIC DEVELOPMENT

Expense was \$1.9 billion in 2010-11, a decrease of \$416 million or 17.6% from 2009-10 and \$218 million from budget.

The **decrease from 2009-10** was primarily from lower-than-recorded 2009-10 AgriStability claims requiring a negative adjustment in 2010-11.

The **decrease from budget** was due mainly to lower AgriStability program expense and re-profiling of carbon capture and storage grants to future years, partially offset by emergency/disaster increases for agriculture assistance and to address mountain pine beetle infestations.

Major Initiatives

- Severe weather conditions resulted in \$382 million in insurance indemnity payments, including \$159 million in disaster assistance.
- The Alberta Livestock and Meat Agency gave out \$34 million in grants to help agri-food businesses develop new markets, products and technologies.
- Distributed \$10 million from the Community Development Trust Fund for rural development and broadband infrastructure projects. Provided \$10 million to build and operate broadband infrastructure in five rural and remote areas.
- The Alberta Multimedia Development Fund received \$15 million, and implemented new programs for sound recording, and magazine and book publishing.
- \$65 million was devoted to tourism promotion.
- \$39 million allocated to control mountain pine beetle infestations, assist affected communities, and strengthen other forestry communities.
- \$13 million for the Land-use Secretariat to continue implementation of the *Land-use Framework*, including development of regional plans, supporting regional advisory councils and consultations, and acquiring data.
- Provided \$62 million to workforce and aboriginal development, the Alberta Immigrant Nominee Program and training services for immigrants.
- Alberta Innovates corporations received \$203 million to support research, innovation and technology commercialization.

- The New West Partnership agreement between Alberta, British Columbia and Saskatchewan will create barrier-free inter-provincial trade and investment, and joint international representation.

TRANSPORTATION, COMMUNICATIONS AND UTILITIES

Expense was \$1.9 billion in 2010-11. This comprised \$1.1 billion in capital grants to municipalities, amortization expense of \$0.4 billion and \$0.4 billion in highway maintenance and other program expense.

2010-11 expense was \$435 million or 18.9% lower than 2009-10 and \$49 million lower than budget.

The **decrease from 2009-10** primarily reflected near completion of the Alberta Municipal Infrastructure Program in 2009-10. A substantial increase through the Municipal Sustainability Initiative in 2010-11 is reported in the “Regional Planning” function.

The **decrease from budget** was due to lower-than-planned highway maintenance from poor weather.

Capital Plan

- Municipal support of \$1.1 billion included \$866 million to address local transportation infrastructure priorities, \$136 million for water and wastewater infrastructure and \$70 million for the Green Transit Incentives Program.
- Capital investment (not included in expense) on the provincial highway network was \$1.5 billion in 2010-11, \$147 million lower than in 2009-10. Projects included:
 - » Construction of ring roads and associated interchanges in Calgary and Edmonton;
 - » Continued construction within Fort McMurray, including the bridge over the Athabasca River and two interchanges;
 - » Continued twinning of Highway 63, began twinning 17 kilometres of Highway 43 west of Valleyview, and widened 12 kilometres of Highway 40 near Grande Cache;
 - » Repaved 1,370 kilometres of highways throughout the province.

PROTECTION OF PERSONS AND PROPERTY

Expense was \$1.6 billion in 2010-11, an increase of \$134 million or 9.2% from 2009-10 and \$255 million from the *Budget 2010* estimate.

The **increase from 2009-10** mainly reflects higher funding for municipal flood recovery and wildfire assistance and Safe Communities initiatives, partially offset by lower forest fire-fighting costs.

The **increase from budget** was primarily due to funding for municipal flood recovery and wildfire assistance and forest fire-fighting costs.

Major Initiatives

- Safe Communities initiatives included 28 pilot projects to reduce and prevent crime, and hiring 100 frontline police officers, fulfilling the commitment to add 300 officers over three years.
- \$203 million, including \$107 million of in-year disaster assistance, was spent fighting over 1,800 wildfires, which consumed almost 84,000 hectares.
- Provided \$144 million in flood recovery and wildfire assistance.
- Passed the *Police Amendment Act*, which modernizes and streamlines the current police complaint and discipline process.
- Began implementation of a 10-point plan to improve workplace health and safety.
- Continued *Alberta Traffic Safety Plan* initiatives, including increasing Checkstop campaigns, and developing regulations and a public education campaign for distracted driving legislation.
- Strengthened the process for resolving and settling discrimination complaints to the Alberta Human Rights Commission.
- The *Law Enforcement Framework* and *Alberta Gang Reduction Strategy* were released in December 2010, setting out a foundation for co-ordinated, integrated and intelligence-led law enforcement and a blueprint for reducing gang crime.

REGIONAL PLANNING AND DEVELOPMENT

Expense was \$1.3 billion in 2010-11, an increase of \$516 million or 64.5% from 2009-10 and \$41 million from budget.

The **change from 2009-10** mainly reflected increased Municipal Sustainability Initiative grants and the Bigstone Cree First Nation land claim settlement.

The **increase from budget** was due primarily to the Bigstone Cree First Nation land claim settlement.

Major Initiatives

- Provided \$876 million to municipalities under the Municipal Sustainability Initiative, an increase of \$476 million from 2009-10.
- The Canada-Alberta Agreement regarding the Bigstone Cree treaty land claim was approved in July 2010.
- Provided \$103 million in revenue from First Nation casinos to First Nations through the First Nations Development Fund.
- Allocated \$12 million from the federal Community Development Trust Fund to forestry, Aboriginal and not-for-profit initiatives.

OTHER PROGRAM EXPENSE

Other program expense was \$2.9 billion in 2010-11, a decrease of \$99 million or 3.3% from 2009-10 and an increase of \$36 million from budget.

The **decrease from 2009-10** primarily reflects reporting all homeless support expense in the “Social Services” function and the completion of Municipal Block funding in 2009-10.

The **increase from budget** was mainly due to an increase for affordable housing, offset by lower homeless support expense in “Social Services.”

Major Initiatives

Housing

- Provided \$188 million to develop 1,936 housing units for lower income and homeless families, seniors and persons with special needs. This brings the total affordable housing units supported since 2007 to 10,790, approaching the commitment of 11,000 new units by 2012.
- Developed 882 new supportive living spaces and 30 long-term care beds with \$89 million in funding through the Affordable Supportive Living Initiative.
- 135 acres of serviced residential land in the Parsons Creek area of Fort McMurray were put up for sale to developers.

Recreation and Culture

- Provided \$45 million to support Alberta historic sites, museums and heritage preservation and conservation programs.

- Donated \$5 million to Japanese relief efforts through the Canadian Red Cross.
- Community-based initiative support included:
 - » \$41 million through the Community Facility Enhancement Program, to build, purchase, repair and improve community-use facilities;
 - » \$24 million through the Community Initiatives Program;
 - » \$15 million through the Community Spirit Program, for 1,792 non-profit and charitable organizations.
- \$31 million in capital projects, cost-shared with the federal government, included the Canada Sports Hall of Fame, Citadel Theatre, GO Community Centre and Mount Royal Conservatory of Music.
- Public libraries received \$30 million.
- \$68 million for provincial park operations and management. Capital investment of \$16 million for continued development of the online reservation system and park infrastructure maintenance and renewal.

Environment

- Appointed a Provincial Environmental Monitoring Panel, consisting of 12 independent experts, to create an environmental monitoring system spanning air, land, water and bio-diversity. The Panel’s initial efforts will focus on the oil sands area, with a report expected in June 2011.
- Implemented a cumulative effects management framework in the Industrial Heartland to enforce environmental thresholds and build collaboration.
- Continued development of three regional plans under the *Land-use Framework*.
- Disbursed over \$13 million in rebates for household and business environmental upgrades, encouraging conservation and energy efficiency.
- Recorded \$76 million in emissions management charges from industry in 2010-11. These funds are granted to the Climate Change and Emissions Management Corporation, which invests in technologies to reduce greenhouse gas emissions and improve our ability to adapt to climate change.
- Continued work on the *Water for Life* strategy with \$13 million in operating expense.

- Provided \$4 million to the Alberta Biodiversity Monitoring Institute for consistent reporting of province-wide species, habitat and human activity.

General Government

- Challenged the constitutionality of the federal government draft securities legislation, which would create a single, national securities regulator.
- Developed a Regulatory Cost Model to estimate compliance costs in evaluating the impact of regulations.
- Completed the construction of the parkade portion of the Calgary Courts Centre Phase II.
- Construction of the Edmonton Remand Centre continued in 2010-11, with opening scheduled for January 2013. It will be the largest facility of its kind in Canada, with 1,952 beds.
- Continued renovation of the Edmonton Federal Building and the development of the surrounding Centennial Plaza.

DEBT SERVICING COSTS

- Debt servicing costs primarily represent the interest paid on: unmatured accumulated debt; borrowing for capital purposes and to repay the Teachers' Pension Plan (TPP) debt; interest costs related to Agriculture Financial Services Corporation (AFSC) lending operations.
- 2010-11 debt servicing costs were \$295 million, an increase of \$81 million from 2009-10 but \$41 million lower than the budget estimate.
- The increase from 2009-10 is primarily from paying full-year interest on the \$1.2 billion borrowed to repay TPP debt and the \$1.5 billion borrowed for capital purposes, since both were issued in mid-2009-10, and also from increasing P3 debt costs as projects are completed.
- The decrease from budget is mainly due to not borrowing the \$1.1 billion for capital purposes in 2010-11 as planned in *Budget 2010*, and to lower 2009-10 borrowing by AFSC.
- As of April 1, 2011, the Government of Alberta began borrowing directly from financial markets and then on-lending the proceeds to Alberta Treasury Branches (ATB) and the Alberta Capital Finance Authority (ACFA), as has been the practice with AFSC debt issuance. This reduces

borrowing costs and improves overall management of debt issuance. As a result, ACFA debt servicing costs will be reported as government debt servicing costs, rather than operating expense. There will be no change for ATB, or for how ACFA assets and liabilities are reported.

- Sufficient funds are set aside in the Debt Retirement Account to repay the outstanding \$828 million in accumulated debt as it matures. Only \$240 million will remain at March 31, 2013.

Accumulated Debt (at March 31)

(millions of dollars)

	2011	2010
Accumulated debt at start of year	1,092	1,160
Repayment of debt maturities	(264)	(68)
Accumulated debt at end of year	828	1,092
Less Debt Retirement Account	843	1,107
Accumulated Debt less Debt Retirement Account	(15)	(15)

PENSION PROVISIONS

Public sector pension plan liabilities increased by \$439 million, to \$9.9 billion at March 31, 2011. 76% of the liabilities relate to the unfunded liability of the Pre-1992 Teachers' Pension Plans.

For the purposes of the *Fiscal Responsibility Act*, the annual, non-cash change in pension liabilities is excluded from expense and fiscal framework rules.

Pension Liabilities (at March 31)

Government obligations for pension plan liabilities

(millions of dollars)

	2011	2010
Teachers' Pension Plans		
– Pre-1992 unfunded liability	7,540	7,387
– Post-1992 unfunded liability	418	327
Public Service Management (Closed)	621	650
Universities Academic	316	293
Local Authorities	410	314
Public Service Management (Supplementary)	40	40
Special Forces	121	120
Members of the Legislative Assembly	44	45
Public Service	67	-
Management Employees	137	92
Provincial Judges and Masters in Chambers	2	11
Pension Liabilities (without SUCH)	9,716	9,279
SUCH - Universities Acad./Supp. retirement	206	204
Total Pension Liabilities	9,922	9,483

2010–11 Ministry Expense by Function

(Fiscal Plan basis, millions of dollars)

	Health	Education	Social Services	Agriculture, Resource Management and Economic Development	Transportation, Communications and Utilities	Protection of Persons and Property	Regional Planning and Development	Housing	Recreation and Culture	Environment	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	-	-	-	-	-	-	-	-	-	-	90	-	90
Aboriginal Relations	-	-	-	-	-	179	-	-	-	-	-	-	179
Advanced Education and Technology	-	3,024	-	265	-	-	-	-	-	-	-	-	3,289
Agriculture and Rural Development	-	-	-	951	-	-	-	-	-	-	-	54	1,005
Children and Youth Services	-	-	1,174	-	-	-	-	-	-	-	-	-	1,174
Culture and Community Spirit	-	-	-	38	-	9	-	-	240	-	-	-	287
Education	-	5,984	-	-	-	-	-	-	-	-	-	17	6,001
Employment and Immigration	34	260	734	62	-	51	11	-	-	-	-	-	1,152
Energy	-	-	-	252	32	-	-	-	-	13	56	-	353
Environment	-	-	-	-	-	-	-	-	-	286	-	-	286
Executive Council	-	-	-	-	-	-	-	-	-	-	29	-	29
Finance and Enterprise	-	2	-	24	-	37	188	-	-	-	844	182	1,277
Health and Wellness	14,736	-	-	-	-	-	-	-	-	-	-	-	14,736
Housing and Urban Affairs	-	-	154	-	-	-	8	329	-	-	-	17	508
Infrastructure	146	6	-	-	3	16	-	-	31	477	-	-	679
International and Intergovernmental Relations	-	-	-	14	-	-	-	-	-	-	8	-	22
Justice	-	-	80	-	-	399	-	-	-	-	-	-	479
Municipal Affairs	-	-	-	-	-	165	927	-	33	-	45	-	1,170
Seniors and Community Supports	118	-	1,845	-	-	-	-	90	-	-	-	-	2,053
Service Alberta	-	-	-	-	-	79	-	-	-	-	199	-	278
Solicitor General and Public Security	-	-	27	23	-	588	-	-	1	-	-	-	639
Sustainable Resource Development	-	-	-	231	-	204	-	-	-	16	-	-	451
Tourism, Parks and Recreation	-	-	-	65	-	-	-	-	102	-	-	-	167
Transportation	-	-	-	16	1,835	44	-	-	-	1	-	25	1,921
Treasury Board	-	-	-	-	-	-	3	-	-	-	36	-	39
Total Expense	15,034	9,276	4,014	1,941	1,870	1,592	1,316	419	376	347	1,784	295	38,264

REVENUE HIGHLIGHTS

TOTAL REVENUE

- Total revenue on the **Fiscal Plan basis** was \$34.9 billion in 2010-11, \$798 million lower than 2009-10, but \$886 million or 2.6% higher than estimated in *Budget 2010*.
- The **decrease from 2009-10** was due to lower income tax revenue, investment income, natural gas royalties and higher drilling stimulus initiative claims, partially offset by higher conventional oil and bitumen royalties and Crown lease sales.
- The **increase from budget** was primarily due to higher Crown lease sales, bitumen royalties and investment income, partly offset by lower personal income tax revenue, natural gas royalties and higher drilling stimulus initiative claims.
- The \$872 million **increase from the third quarter forecast** was mainly from higher resource revenue and investment income.
- On the **Consolidated Financial Statements basis**, total revenue was \$38.8 billion, \$710 million lower than in 2009-10.

Revenue

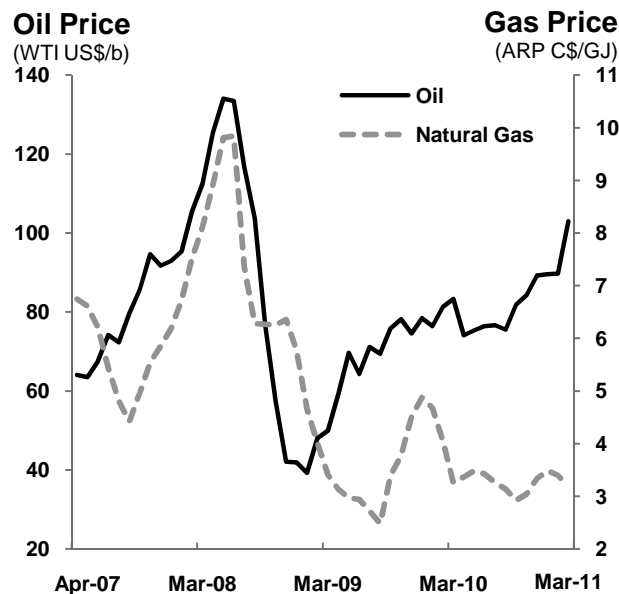
(millions of dollars)

FISCAL PLAN BASIS	2010-11		2009-10 Actual	Change from	
	Budget	Actual		Budget	2009-10 Actual
Personal income tax	8,648	7,516	7,877	(1,132)	(361)
Corporate income tax	3,113	3,275	4,754	162	(1,479)
Other taxes	3,792	3,629	3,561	(163)	68
Non-renewable resource revenue	7,315	8,428	6,768	1,113	1,660
Transfers from Government of Canada	5,090	5,025	4,941	(65)	84
Investment income	1,947	2,360	3,413	413	(1,053)
Net income from commercial operations	2,097	2,338	2,258	241	80
Premiums, fees and licences	1,258	1,284	1,144	26	140
Other	708	999	936	291	63
Total Revenue	33,968	34,854	35,652	886	(798)
RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS BASIS					
SUCH sector	n.a.	3,888	3,829	n.a.	59
Alberta Innovates corporations	n.a.	60	31	n.a.	29
Total Revenue (Consolidated Financial Statements basis)	n.a.	38,802	39,512	n.a.	(710)

NON-RENEWABLE RESOURCE REVENUE

- Non-renewable resource revenue was \$8.4 billion. This was \$1.7 billion higher than in 2009-10 and \$1.1 billion higher than budgeted.
- Global economic recovery and strengthening oil demand boosted oil prices, which averaged US\$83.27 per barrel (WTI), \$12.56 higher than in 2009-10 and \$4.52 higher than the budget estimate. Bitumen prices also exceeded budget.
- Conventional oil drilling and production was also higher than expected, while weak natural gas prices lowered oil sands operating costs. The positive impact of higher oil prices, increased conventional production and lower operating costs was somewhat offset by the higher US-Canadian dollar exchange rate and pipeline disruptions. As a result, total conventional oil and bitumen royalties were \$573 million higher than the budget estimate.
- Natural gas prices continued to be weak. North American storage levels remained high despite a colder-than-average winter, as US shale gas production growth outstripped demand growth. The higher-than-expected exchange rate also reduced the Alberta Reference Price (used to calculate royalties), which averaged Cdn\$3.28 per gigajoule, a decrease of \$0.30 from 2009-10 and \$0.97 from budget. Due to lower prices, natural gas and by-product royalties were \$445 million lower than the budget estimate.
- Revenue from bonuses and sales of Crown leases was \$2.6 billion, the second highest amount ever, and an increase of \$1.5 billion from 2009-10 and \$2 billion from budget. Significantly more conventional oil and gas hectares were sold at higher prices per hectare.

2007–11 Oil and Natural Gas Prices



- Drilling stimulus initiatives reduced revenue by \$1.8 billion, \$1 billion higher than the budget estimate, due to higher production from new wells, and higher drilling credit claims from increased royalties and more claims from smaller companies that are eligible for higher credit rates.
- After reviewing the competitiveness of Alberta's conventional oil and natural gas royalty regime, changes were made in May 2010 to encourage investment. These included lower royalty rates, incentives to encourage development of unconventional and deep resource pools, and making permanent the 5% royalty rate for the first year of production of new wells, previously part of the drilling stimulus initiatives.

TAX REVENUE

- Total 2010-11 tax revenue was \$14.4 billion, a decrease of \$1.8 billion from 2009-10 and \$1.1 billion from the *Budget 2010* estimate.
- Personal income tax revenue was \$7.5 billion, a decrease of \$361 million from 2009-10 and \$1.1 billion from budget. As the 2009 recession was worse than thought, revenue reported for

2008-09 and 2009-10, and the base used to forecast 2010-11 revenue, were overestimated. This required a negative prior years' adjustment of \$618 million in 2010-11, and primarily caused a further \$514 million reduction to the forecast.

- Corporate income tax revenue was \$3.3 billion, \$1.5 billion lower than 2009-10 but \$162 million higher than budget. The decline from 2009-10 was due to stronger-than-expected cash installment payments during 2009-10 and a lag in the 2009 recession's impact.
- Other tax revenue was \$3.6 billion, \$163 million lower than the budget estimate, due primarily to reporting expected remaining costs of the discontinued fuel tax rebate programs in 2010-11, and to lower natural gas prices.

TRANSFERS FROM GOVERNMENT OF CANADA

- Federal transfers were \$5 billion, \$84 million higher than 2009-10 but \$65 million lower than estimated in the budget. The increase from 2009-10 was mainly due to higher federal stimulus transfers, while the decrease from budget primarily reflected delays in transportation projects supported by stimulus program transfers.

INVESTMENT INCOME

- Investment income was \$2.4 billion, \$1.1 billion lower than the record level achieved in 2009-10 when markets rebounded from their 2008 decline, but \$413 million higher than the *Budget 2010* estimate, due to a higher-than-expected balance in the Sustainability Fund, and to strong equity market returns later in the fiscal year which more than offset earlier weak market returns.

OTHER REVENUE

- Revenue from all other sources was \$4.6 billion, \$283 million higher than 2009-10 and \$558 million higher than estimated in the budget, primarily due to higher gaming revenue, Alberta Treasury Branches net income and refunds of prior-year expense.

Energy Prices and Exchange Rates

Fiscal year averages, 1998–99 to 2010–11

	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Oil Price (WTI US\$/bbl)	13.70	23.18	30.20	24.13	29.04	31.38	45.03	59.94	64.89	82.25	85.94	70.71	83.27
WCS @ Hardisty (Cdn\$/bbl)	-	-	-	-	-	-	-	44.35	52.84	59.30	74.36	66.08	66.70
Natural Gas Price (Cdn\$/GJ)	1.89	2.52	5.76	3.57	4.72	5.45	6.05	8.29	5.94	5.92	6.97	3.58	3.28
Exchange Rate (US\$/Cdn\$)	66.6	68.0	66.5	63.9	64.6	74.0	78.4	83.9	87.9	97.1	89.59	91.95	98.40

NET FINANCIAL AND CAPITAL ASSETS

At March 31, 2011, on the **Fiscal Plan basis**, Government of Alberta financial and capital assets exceeded liabilities by \$47.1 billion.

This was \$3.5 billion lower than on March 31, 2010, due to a \$3.1 billion reduction in financial assets, mainly from the 2010-11 deficit and capital cash requirements, a \$1.8 billion increase in liabilities, mainly from Alberta Capital Finance Authority activity, and a \$1.4 billion increase in capital assets.

FINANCIAL ASSETS

\$51.7 billion at March 31, 2011.

- **Heritage Fund.** \$14.2 billion book value, an increase of \$360 million from March 31, 2010, due to inflation-proofing.
- **Sustainability Fund.** \$11.2 billion, a decrease of \$3.8 billion from March 31, 2010. Additional cash of \$619 million from the improved 2010-11 fourth quarter results, reported in “other financial assets” at March 31, 2011, will also be deposited in the Fund in 2011-12.
- **Endowment and other funds.** \$3.3 billion, a \$63 million increase from March 31, 2010, mainly from strong income later in the fiscal year. Includes the three endowment funds, Cancer Prevention Legacy Fund and Alberta Enterprise Corporation.
- **Self-supporting lending organizations.** \$12.6 billion in financial assets of Alberta Capital Finance Authority and Agriculture Financial Services Corporation. These assets more than offset the liabilities of these organizations.
- **Equity in commercial enterprises.** \$2.6 billion, primarily equity in Alberta Treasury Branches.
- **Debt Retirement Account.** \$843 million, for repayment of accumulated debt as it matures.
- **Other financial assets.** \$7 billion. This includes \$619 million that will be deposited in the Sustainability Fund after March 31, 2011, as it is cash from improved 2010-11 fourth quarter results. The remaining \$6.4 billion represents accounts and interest receivable, natural gas royalty deposits, student loans and cash associated with future liabilities such as federal transfers and corporate income tax refunds.

LIABILITIES

\$23.6 billion at March 31, 2011.

- **Accumulated debt.** \$828 million, offset by the Debt Retirement Account. Only \$240 million of accumulated debt will remain by March 31, 2013.
- **Self-supporting lending organizations.** \$11.6 billion in liabilities of Alberta Capital Finance Authority and Agriculture Financial Services Corporation are more than offset by their \$12.6 billion in financial assets.
- **Liabilities for capital projects.** \$3.2 billion, a \$311 million increase from March 31, 2010, due to the addition of \$322 million in P3 project liabilities, less \$11 million in repayment of principal. No direct borrowing for capital purposes took place in 2010-11.
- **Accounts and interest payable and other liabilities.** \$8 billion. Includes natural gas royalty and security deposits, unearned revenue and trade payable and liabilities. There is an offsetting relationship between some of these liabilities and “other financial assets.”

CONSOLIDATED FINANCIAL STATEMENTS BASIS

At March 31, 2011, on the **Consolidated Financial Statements basis**, net assets were \$59.3 billion. The broader basis includes the addition of:

- \$7.7 billion in **financial assets**, and \$18.6 billion in **capital assets**, of SUCH sector entities and Alberta Innovates corporations;
- \$4.2 billion in **liabilities** of SUCH sector entities and Alberta Innovates corporations;
- \$9.9 billion in **pension liabilities**.

Balance Sheet

(millions of dollars)

	at March 31		
	2011 Actual	2010 Actual	Change from 2010
Financial Assets			
Heritage Fund Equity	14,198	13,838	360
Alberta Sustainability Fund	11,192	14,983	(3,791)
Endowment and other funds	3,302	3,239	63
Self-supporting lending organizations:			
Alberta Capital Finance Authority	9,889	8,305	1,584
Agriculture Financial Services Corporation	2,717	2,366	351
Equity in commercial enterprises	2,615	2,478	137
Debt Retirement Account	843	1,107	(264)
Other financial assets	6,964	8,489	(1,525)
Total Financial Assets	51,720	54,805	(3,085)
Liabilities			
Accumulated debt	828	1,092	(264)
Self-supporting lending organizations:			
Alberta Capital Finance Authority	9,889	8,305	1,584
Agriculture Financial Services Corporation	1,738	1,730	8
Liabilities for capital projects	3,199	2,888	311
Accounts and interest payable and other liabilities	7,952	7,773	179
Total Liabilities	23,606	21,788	1,818
Net Financial Assets	28,114	33,017	(4,903)
Capital assets	18,975	17,532	1,443
Net Assets on Fiscal Plan basis	47,089	50,549	(3,460)
RECONCILIATION TO CONSOLIDATED FINANCIAL STATEMENTS BASIS			
SUCH sector/Alberta Innovates corporations financial assets	7,691	7,593	98
SUCH sector/Alberta Innovates corporations capital assets	18,632	16,685	1,947
SUCH sector/Alberta Innovates corporations liabilities	4,230	3,810	420
Pension liabilities	9,922	9,483	439
	12,171	10,985	1,186
Net Assets on Consolidated Financial Statements basis	59,260	61,534	(2,274)

FISCAL PLAN TO CONSOLIDATED FINANCIAL STATEMENTS REPORTING RECONCILIATION

Both the audited **Consolidated Financial Statements** in the Annual Report and the **Fiscal Plan** documents (the budget and quarterly fiscal updates) adhere to Canadian public sector accounting standards, except that the Fiscal Plan covers a narrower scope of reporting by not reporting the change in pension liabilities, and by not consolidating the SUCH sector entities and Alberta Innovates corporations.

Since the early 1990s, the **change in pension liabilities** has been excluded from expense for the Fiscal Plan basis. It is typically a significant non-cash expense, is based on actuarial evaluations, assumptions and investment returns, and is largely not subject to policy decision-making.

Only the grants provided to **Crown-controlled SUCH sector entities** (school boards, universities and colleges, and health entities) are included in expense for the Fiscal Plan basis. This is currently considered most appropriate for budgeting as it is more relevant to decision-makers, who determine the amount of grants and are evaluated for balancing the budget on this basis. The SUCH sector entities have varying degrees of autonomy to manage their budgets, once they receive the grants, to manage their assets and liabilities, and to raise some revenue themselves.

For the Consolidated Financial Statements basis, the SUCH sector has been included in government reporting since 2005-06, on a “modified equity basis”:

- The annual results of operations (revenue less expense) were included as a single line on the government income statement.
- Their net value (assets less liabilities) was reported as a single line on the government balance sheet.

The broader reporting scope is relevant for the Consolidated Financial Statements since these entities are determined to be “controlled,” and how they spend the grants provided, their results of operations and their overall net value are important for transparency and accountability purposes.

Beginning in 2009-10, the method of reporting the SUCH sector in the Consolidated Financial Statements was changed and an additional scope of reporting difference added:

- The **SUCH sector** is reported on the “**line-by-line**” basis, as opposed to the “modified equity” method in the Consolidated Financial Statements. This means:
 - » First, SUCH sector numbers are converted to government’s accounting methodology.
 - » Second, grants provided for capital purposes, included in expense on the Fiscal Plan basis, are removed from expense, as they are treated as capital investment in “government-owned assets,” and are expensed over time as the assets depreciate (amortization expense).
 - » The SUCH sector amortization of capital assets expense is added to expense.
 - » Finally, revenue and expense are directly included in government revenue and expense, and assets and liabilities are directly added to government assets and liabilities.
- Legislation creating the four new **Alberta Innovates corporations** also excluded them from the government reporting entity for Fiscal Plan purposes, to improve flexibility for multi-year research-grant recipients. The financial results will still be included on the line-by-line basis in the Consolidated Financial Statements.

Following is a guide to provide a bridge between the numbers reported on the Fiscal Plan basis and the Consolidated Financial Statements basis.

INCOME STATEMENT

Revenue

- On the Fiscal Plan basis, total 2010-11 revenue was \$34.9 billion. The SUCH sector and Alberta Innovates corporations had additional “own-source” revenue of \$3.9 billion, including:
 - » \$0.9 billion in post-secondary tuition fees;
 - » \$0.9 billion in sales, rentals and fees, consisting of revenue from parking operations, book stores, food services, facility rentals, equipment sales, professional services and various other sources;
 - » \$0.7 billion in donations, gifts and fundraising;
 - » \$0.6 billion in various health fees and charges, such as from WCB, non-Alberta patients or Emergency Medical Services;
 - » \$0.4 billion in direct federal government transfers for advanced education and First Nation education programs;
 - » \$0.2 billion of opted-out school board property tax revenue;
 - » \$0.1 billion of Alberta Innovates revenue;
 - » \$0.1 billion of investment income.
- Adding this revenue, the Consolidated Financial Statements reports total revenue of \$38.8 billion.

Expense

- On the Fiscal Plan basis, total 2010-11 expense was \$38.3 billion.
- This includes grants provided to the SUCH sector for capital purposes, which ultimately become capital investment. As noted, this expense must be removed and instead the amortization expense of SUCH capital assets must be added. In 2010-11, total SUCH amortization expense exceeded capital grants to the SUCH sector by \$0.5 billion.
- In 2010-11 the SUCH sector and Alberta Innovates corporations had additional net expense of \$1.9 billion. This reflects the spending of their own-source revenue, for example, on education services, the costs of goods sold or services provided for fees.
- Pension provisions of \$0.4 billion are added.
- Adding these expenses increase total expense on the Consolidated Financial Statements basis to \$41.1 billion.

Surplus/(Deficit)

- On the Fiscal Plan basis, the 2010-11 deficit was \$3.4 billion. After adding the additional revenue and net expense, the Consolidated Financial Statements basis deficit is \$2.3 billion.

- Adding the financial and capital assets of SUCH and Alberta Innovates corporations, on the Consolidated Financial Statements basis, at March 31, 2011, the Government of Alberta had total financial assets of \$59.4 billion and capital assets of \$37.6 billion.

BALANCE SHEET

Assets

- On the Fiscal Plan basis, at March 31, 2011, the Government of Alberta had total financial assets of \$51.7 billion and capital assets of \$19 billion.
- SUCH sector and Alberta Innovates corporations had additional financial assets of \$7.7 billion, including \$1.5 billion in endowments and \$6.2 billion in cash, temporary investments and accounts receivable.
- The SUCH sector and Alberta Innovates corporations had additional capital assets of \$18.6 billion, consisting mainly of buildings.

Liabilities

- On the Fiscal Plan basis, at March 31, 2011, the Government of Alberta had total liabilities of \$23.6 billion.
- SUCH sector and Alberta Innovates corporations had additional liabilities of \$4.2 billion, mainly accounts payable.
- Pension liabilities amounted to \$9.9 billion at March 31, 2011.
- Adding the liabilities of SUCH and Alberta Innovates corporations, and pension liabilities, on the Consolidated Financial Statements basis, at March 31, 2011, the Government of Alberta had total liabilities of \$37.7 billion.

Reconciliation Summary

INCOME STATEMENT

(billions of dollars)

	2010-11	2009-10
Revenue – Fiscal Plan basis	34.9	35.7
Add: SUCH/Alberta Innovates own-source revenue	3.9	3.8
Revenue – Consolidated Financial Statements basis	38.8	39.5
Expense – Fiscal Plan basis	38.3	36.7
Adjustment for capital spending	0.5	-
Add: SUCH/Alberta Innovates corporations net expense	1.9	2.9
Add: pension provisions	0.4	0.4
Expense – Consolidated Financial Statements basis	41.1	40.0
Surplus/(Deficit) – Consolidated Financial Statements basis	(2.3)	(0.5)

BALANCE SHEET

(billions of dollars)

	at March 31	
	2011	2010
Financial Assets – Fiscal Plan basis	51.7	54.8
Add: SUCH/Alberta Innovates corporations financial assets	7.7	7.6
Financial Assets – Consolidated Financial Statements basis	59.4	62.4
Capital Assets – Fiscal Plan basis	19.0	17.5
Add: SUCH/Alberta Innovates corporations capital assets	18.6	16.7
Capital Assets – Consolidated Financial Statements basis	37.6	34.2
Liabilities – Fiscal Plan basis	(23.6)	(21.8)
Add: SUCH/Alberta Innovates corporations liabilities	(4.2)	(3.8)
Add: pension liabilities	(9.9)	(9.5)
Liabilities – Consolidated Financial Statements basis	(37.7)	(35.1)
Net Assets – Consolidated Financial Statements basis	59.3	61.5

Historical Fiscal Summary, 1991–92 to 2010–11 ^a

(Fiscal Plan basis, ^b millions of dollars)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
	1991–92	1992–93	1993–94	1994–95	1995–96	1996–97	1997–98	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
Income Statement																				
Revenue																				
1 Personal income tax ^c	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	4,677	7,622	8,271	8,708	7,877	7,516
2 Corporate income tax	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,364	2,917	3,606	4,695	4,252	4,754	3,275
3 Education property tax	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,247	1,283	1,330	1,393	1,466	1,532	1,589
4 Other tax revenue	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,918	1,990	2,138	2,180	2,175	2,029	2,040
5 Resource revenue	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,744	14,347	12,260	11,024	11,915	6,768	8,428
6 Investment income	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,812	2,348	3,013	2,414	(1,919)	3,413	2,360
7 Other own-source revenue	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,375	4,588	4,971	5,144	5,023	4,338	4,621
8 Total own-source revenue	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	26,109	32,150	34,940	35,121	31,620	30,711	29,829
9 Federal transfers	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,392	3,077	3,048	4,185	4,941	5,025
10 Total Revenue	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,662	25,887	29,328	35,542	38,017	38,169	35,805	35,652	34,854
Expense by Function																				
11 Health	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,059	9,709	10,878	12,286	13,107	13,180	15,034
12 Basic / advanced education	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,370	6,852	7,976	8,886	9,411	9,539	9,276
13 Social services	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,438	2,710	2,931	3,117	3,418	3,806	4,014
14 Other program expense	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	5,984	7,472	7,507	9,085	10,513	9,945	9,645
15 Total program expense	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,743	29,292	33,374	36,449	36,470	37,969
16 Debt servicing costs	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	302	248	215	214	208	214	295
17 Total Expense	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	21,751	24,153	26,991	29,507	33,588	36,657	36,684	38,264
18 Surplus (Deficit)	(2,629)	(3,324)	(1,371)	938	1,151	2,489	2,659	1,094	2,791	6,571	1,081	2,133	4,136	5,175	8,551	8,510	4,581	(852)	(1,032)	(3,410)
19 Capital Plan ^d	N/A	N/A	1,138	891	939	821	1,310	1,256	1,878	2,091	2,860	997	1,659	2,842	3,743	4,769	6,971	7,594	6,528	5,889
Balance Sheet (at March 31)																				
20 Net Financial Assets (Debt) ^e	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,395	28,318	36,047	39,410	36,954	33,017	28,114
21 Capital Assets ^f	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,921	11,552	12,429	14,140	15,848	17,532	18,975
22 Net Assets (Debt) ^g	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,316	39,870	48,476	53,550	52,802	50,549	47,089
23 Accumulated Debt ^g	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730	—	—	—	—	—	—	—
24 Sustainability Fund assets ^h	—	—	—	—	—	—	—	—	—	—	—	—	2,500	3,498	4,083	7,653	7,653	9,848	14,983	11,192
25 Capital Account assets ^h	—	—	—	—	—	—	—	—	—	—	—	910	1,180	674	4,243	6,091	7,472	6,974	—	—
26 Pension liabilities	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,235	5,435	5,593	7,883	10,081	9,279	9,716

^a Numbers have been restated on 2010-11 basis where possible. Numbers from 1992-93 and on are essentially comparable except for the treatment of disposal of capital assets and other smaller capital spending accounting changes. Prior to 1992-93, spending included actual capital spending rather than amortization costs. Beginning in 2007-08, external investment management fees are no longer being netted against revenue, increasing both revenue and expense by \$156 million in 2007-08, by \$172 million in 2008-09 and by \$151 million in 2009-10.

^b The Fiscal Plan basis excludes revenue, expense, assets and liabilities of Crown-controlled SUCH sector entities and Alberta Innovates corporations, pension liabilities, and the expense related to the annual change in pension liabilities.

^c The costs of the Alberta energy tax refund (\$345 million in 2000-01; \$320 million in 2001-02) and the 2005 Resource Rebate (\$1.3 billion in 2005-06) were netted against personal income tax.

^d Reflects capital grants to local authorities and other capital support included in expense, and capital investment in government-owned assets not included in expense. Capital investment adds to capital assets, which are depreciated over time through amortization expense.

^e Net debt was increased by \$1,474 million in 1992-93 primarily for a school construction debt provision.

^f Capital assets information not available prior to 1993-94. In 1994-95 includes the disposal of \$449 million in capital assets (primarily the transfer of secondary highways to municipalities). 2000-01 and 2001-02 include transfers of \$587 million and \$1.8 billion of secondary highways from municipalities to the Province.

^g Net of cash set aside for debt repayment. In 2001-02, the amount of \$5,261 million includes commitment of \$414 million to debt retirement from higher-than-expected year-end surplus, which was transferred in 2002-03 from other assets.

^h The Capital Account was consolidated with the Sustainability Fund in 2009-10.