

Ministry of Community Development

Consolidated Financial Statements

March 31, 2003

**Ministry of Community Development
Consolidated Financial Statements
March 31, 2003**

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AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Community Development as at March 31, 2003 and the consolidated statements of operations and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Ministry. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

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

Described in the following paragraphs are exceptions from Canadian generally accepted accounting principles. In aggregate, these matters result in an overstatement of liabilities of \$306,000, and an understatement of revenues, expenses, assets, and net assets of \$4,348,000, \$2,375,000, \$2,767,000 and \$11,323,000 respectively in the accompanying financial statements.

The Ministry is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policies that are exceptions from Canadian generally accepted accounting principles:

Excluded operations

As disclosed in Note 17, the Ministry operates some of its cultural facilities with the assistance of volunteer societies. These volunteer societies collect government revenues, incur expenses and retain the surpluses for operating and improving the facilities. These Ministry revenues, expenses and surpluses have not been reported in these financial statements. We estimate that the omission of the amounts has resulted in revenues, expenses and net assets at March 31, 2003 being understated by approximately \$4,348,000, \$3,580,000 and \$8,963,000 respectively.

For the year ended March 31, 2003, the Ministry operated all of its historical facilities with the assistance of volunteer societies. In prior years, when the Ministry operated some of its historical facilities with the assistance of volunteer societies, the revenues, expenses, and surpluses that related exclusively to the operation of those facilities operated by volunteer societies were excluded from the Ministry's financial statements. As of March 31, 2003, accumulated surpluses of \$306,000 have been returned to the Ministry and recorded as deferred contributions rather than net assets. In addition, the Ministry has not recorded the remaining surpluses not returned to the Ministry, which are estimated to be in excess of \$129,000.

The effect of this departure from Canadian generally accepted accounting principles is to overstate liabilities by \$306,000, understate assets by approximately \$129,000 and understate net assets by approximately \$435,000 at March 31, 2003.

Capital assets

The Ministry employs a policy of expensing capital asset purchases under \$15,000 in the year of acquisition. Consequently a significant amount of resources available to the Ministry for future use has been recorded as if it had been consumed. At March 31, 2003, assets in the Ministry have been understated by approximately \$2,638,000, net assets have been understated by approximately \$1,925,000 and expenses for the year have been overstated by approximately \$1,205,000.

Related party disclosure

As the Ministry's reporting practices stipulate that related parties include only those organizations that are part of the government reporting entity, transactions with the regional health authorities are not disclosed in these financial statements as transactions with related parties. Under Canadian generally accepted accounting principles, the regional health authorities are related parties of the Ministry and a description of the nature of the relationship with these regional health authorities should be included in Schedule 5, Related Party Transactions. Also Schedule 5 should disclose the expense for the contract services provided by Chinook Regional Health Authority and Palliser Health Authority amounting to \$2.1 million and \$2.5 million respectively.

In my opinion, except for the effect of the matters discussed in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2003 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.



I also report that, as described in Note 16, consolidated expenses include payments made by Persons with Developmental Disabilities Boards for the provision of services to individuals whose disability did not meet the definition of a developmental disability as defined in the *Persons with Developmental Disabilities Community Governance Act*.

Original Signed by Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
May 23, 2003



**Ministry of Community Development
Consolidated Statement of Operations
For the year ended March 31, 2003
(thousands of dollars)**

	2003		2002
	Budget (Schedule 4)	Actual	Actual (Restated – Note 2 (d))
Revenues (Schedules 1 and 2)			
Internal Government Transfers	\$ 58,256	\$ 56,298	\$ 100,714
Transfers from the Government of Canada	19,326	15,470	16,296
Investment Income	1,365	1,225	1,572
Premiums, Fees and Licences	9,911	8,271	7,684
Other Revenue	8,661	9,381	11,193
	<u>97,519</u>	<u>90,645</u>	<u>137,459</u>
Expenses – Directly Incurred (Note 2c and Schedules 2, 3 and 6)			
Promoting Community Development	78,868	74,775	80,830
Protecting Human Rights and Promoting Fairness and Access	4,376	4,488	5,740
Supporting the Inclusion and Participation for Albertans with Disabilities and Protecting Persons in Care	412,819	408,447	380,056
Preserving, Protecting and Presenting Alberta's History and Culture	35,151	38,169	44,743
Preserving, Protecting and Presenting Alberta's Provincial Parks and Protected Areas	41,959	37,474	39,802
Ministry Support Services	9,976	8,888	5,811
	<u>583,149</u>	<u>572,241</u>	<u>556,982</u>
Valuation Adjustments			
Provision for Vacation Pay	217	741	135
Provision for Doubtful Accounts	-	30	(5)
	<u>217</u>	<u>771</u>	<u>130</u>
Total Expenses	<u>583,366</u>	<u>573,012</u>	<u>557,112</u>
(Gain) Loss on Disposal of Capital Assets	<u>(2,320)</u>	<u>9,165</u>	<u>137</u>
Net Operating Results	<u>\$ (483,527)</u>	<u>\$ (491,532)</u>	<u>\$ (419,790)</u>

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

Ministry of Community Development
Consolidated Statement of Financial Position
As at March 31, 2003
(thousands of dollars)

	2003	2002
Assets		(Restated – Note 2 (d))
Cash (Note 4)	\$ 39,695	\$ 38,337
Accounts Receivable, Prepaid Expenses and Inventories (Note 5)	2,488	3,499
Long Term Investments (Note 6)	11,346	11,170
Capital Assets (Note 7)	188,499	208,569
	\$ 242,028	\$ 261,575
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 45,795	\$ 44,694
Unearned Revenue	1,238	2,534
	47,033	47,228
Net Assets		
Net Assets, Beginning of Year	214,347	213,164
Net Operating Results	(491,532)	(419,790)
Net Transfer from General Revenues	472,180	420,973
Net Assets, End of Year (Note 9)	194,995	214,347
	\$ 242,028	\$ 261,575

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

Ministry of Community Development
Consolidated Statement of Changes in Financial Position
For the year ended March 31, 2003
(thousands of dollars)

	2003	2002
		(Restated – Note 2 (d))
Operating Transactions		
Net Operating Results	\$ (491,532)	\$ (419,790)
Non-cash Items		
Amortization	9,890	10,182
Grants in Kind	3,691	-
Valuation Adjustments	771	130
(Gain) Loss on Disposal of Capital Assets	9,165	137
Contribution in Kind	-	(71)
	(468,015)	(409,412)
(Increase) Decrease in Accounts Receivable, Prepaid Expenses and Inventories before Valuation Adjustments	981	(761)
(Decrease) Increase in Accounts Payable and Accrued Liabilities before Valuation Adjustments	360	(3,097)
(Decrease) Increase in Unearned Revenue	(1,296)	1,725
Cash Used by Operating Transactions	(467,970)	(411,545)
Investing Transactions		
(Increase) Decrease in Long-Term Investment	-	(4)
Proceeds from Disposal of Capital Assets	18	23
Capital Asset Transfers	(552)	9
Purchase of Investments	(176)	(141)
Purchase of Capital Assets	(2,142)	(4,290)
Cash Used by Investing Transactions	(2,852)	(4,403)
Financing Transactions		
Net Transfer from General Revenues	472,180	420,973
Cash Provided by Financing Transactions	472,180	420,973
Net Cash Provided	1,358	5,025
Cash and Short Term Investments, Beginning of Year	38,337	33,312
Cash and Short Term Investments, End of Year	\$ 39,695	\$ 38,337

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

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 1 Authority and Purpose

The Minister of Community Development (Minister) has, by the Government Organization Act and its regulations, been designated responsible for various Acts. To fulfill these responsibilities, the Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also listed in Note 2(a). Together these organizations form the Ministry of Community Development (Ministry).

The purpose of the Ministry is to enhance and preserve the quality of life for Albertans. This is done by:

- Promoting community development by designing and delivering programs and services that nurture and support, in collaboration with geographic communities and communities of interest, a high quality of life in Alberta;
- Protecting human rights and promoting fairness and access by designing and delivering programs and services that increase understanding and awareness of diversity, fostering equality and reducing discrimination so all Albertans have the opportunity to participate in the social, economic and cultural life of the Province;
- Supporting the inclusion and participation for Albertans with disabilities and protecting persons in care by designing and delivering individual-based programs that ensure that Albertans who live with a disability have opportunity to participate in the social, economic and cultural life of the Province and ensure that adult Albertans in care are protected from abuse;
- Preserving, protecting and presenting Alberta's history and culture by designing and delivering programs and services that preserve, protect, research, present and promote appreciation for Alberta's historical resources and culture, and provide significant educational, scientific and economic benefits; and
- Preserving, protecting and presenting Alberta's provincial parks and protected areas by managing and maintaining Alberta's provincial parks and protected areas to preserve the Province's natural heritage and provide opportunities for heritage appreciation, outdoor recreation and heritage tourism.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all ministries.

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

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

(a) Reporting Entity

The reporting entity is the Ministry of Community Development. The Government Accountability Act defines a Ministry as including the Department and any Provincial agency and Crown-controlled organization for which the Minister is responsible.

These consolidated financial statements include the accounts of the following organizations:

<u>Organization</u>	<u>Authority</u>
Department of Community Development	<i>Government Organization Act</i>
Alberta Foundation for the Arts	<i>Alberta Foundation for the Arts Act</i>
The Alberta Historical Resources Foundation	<i>Historical Resources Act</i>
Alberta Sport, Recreation, Parks and Wildlife Foundation	<i>Alberta Sport, Recreation, Parks and Wildlife Foundation Act</i>
The Government House Foundation	<i>Government House Act</i>
The Historic Resources Fund	<i>Historical Resources Act</i>
Human Rights, Citizenship and Multiculturalism Education Fund	<i>Human Rights, Citizenship and Multiculturalism Act</i>
The Wild Rose Foundation	<i>Wild Rose Foundation Act</i>
Persons with Developmental Disabilities Provincial Board and Community Boards	<i>Persons with Developmental Disabilities Community Governance Act</i>

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

(b) Basis of Consolidation

The accounts of the organizations listed in Note 2(a) above have been consolidated. Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between the consolidated organizations were eliminated upon consolidation.

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

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

(c) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Donations of materials and services that would otherwise have been purchased are recorded at fair value at the date of donation when fair value can reasonably be determined.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue

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

Expenses

Directly Incurred

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

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

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

- Amortization of capital assets;
- Pension costs which comprise the cost of employer contributions for current service of employees during the year; and

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

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

(c) Basis of Financial Reporting (continued)

Expenses (continued)

Directly Incurred (continued)

- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Ministry's operations are disclosed in Schedule 6.

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Investments are recorded at cost. Where there has been a loss in the value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

Inventories are valued at the lower of cost and net realizable value.

Assets acquired by right are not included. Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for all other capital assets is between \$5,000 and \$15,000 in accordance with each organization's capitalization policy. All land is capitalized.

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

When physical assets (capital assets and inventories) are gifted or sold for a nominal sum to parties external to the government reporting entity, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Collections of historic and scientific artifacts, archival holdings, and works of art held by the Ministry are not recorded as assets. Purchases of collection items are expensed in the period in which the items are acquired. Donations of artworks and collection items are reported as revenue and expenses at their fair value when fair value can be determined. When fair value cannot be reasonably determined, these donations are recorded at nominal value.

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

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

(c) Basis of Financial Reporting (continued)

Liabilities

Liabilities represent all financial claims payable by the Ministry at fiscal year end.

Net Assets

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

Restricted funds, endowment funds, and general reserves (Note 9) are considered appropriations from net assets and are reported as net assets.

An externally restricted fund accounts for non-government contributions, which can only be used for the purpose specified by the donor.

An internally restricted fund accounts for funds restricted by the Ministry Foundations for either matching non-government contributions, which can only be used for an identified purpose, or for retaining an ongoing funding capability.

An endowment fund accounts for contributions received under various agreements with sponsors and matching funds may be provided by Ministry Foundations. In addition, the endowment fund can include internally restricted funds to be used for identified purposes, or for retaining an ongoing funding capability.

Valuation of Financial Assets and Liabilities

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

The fair values of accounts receivable, prepaid expenses, inventories, long-term investments, accounts payable and accrued liabilities, and unearned revenue are estimated to approximate their carrying values.

(d) Change in Accounting Policy (thousands of dollars)

Effective April 1, 2002, the Historic Resources Fund records capital assets. Previously, capital assets were expensed and not capitalized. With this accounting policy change, the Historic Resources Fund will capitalize assets valued over \$5. This change in accounting policy has been applied retroactively with the restatement of comparative figures. As a result of this change, the capital assets and fund balance increased by \$79 (April 1, 2001) and \$135 (April 1, 2002), and the expenses for the year ended March 31, 2002 decreased by \$56 (2001 – \$66).

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 3 Government Restructuring

In June 2001, the Alberta Government approved the strategic response to *Building Better Bridges* – Final Report on Programs and Services in Support of Persons with Developmental Disabilities. This strategic response included a commitment to transfer responsibility for the governance of Michener Centre and Youngstown Home to the Persons with Developmental Disabilities Central Alberta Community Board from the Michener Centre Facility Board.

On July 23, 2002, the Alberta Government approved the Michener Centre and Youngstown Home transfer of governance from the Michener Centre Facility Board to the Central Alberta Community Board and the wind-up of the Michener Centre Facility Board. The Order in Council 363/2002 transferred all assets and liabilities previously governed by the Michener Centre Facility Board to the Central Alberta Community Board.

Note 4 Cash (thousands of dollars)

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is being managed by Alberta Finance with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the Ministry's daily cash balance at the average rate of CCITF's earnings, which varies depending on prevailing market interest rates.

	2003	2002
Cash	\$ 47,862	\$ 46,504
Less Appropriated for Non-current Use (Note 6)	(8,167)	(8,167)
	\$ 39,695	\$ 38,337

Due to the short-term nature of these deposits, the carrying value approximates fair value.

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 5 Accounts Receivable, Prepaid Expenses and Inventories (thousands of dollars)

	2003		2002	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 1,369	\$ (28)	\$ 1,341	\$ 2,244
Refunds from Suppliers	307	-	307	342
Advances	55	-	55	563
Others Including Prepaids and Inventories	785	-	785	350
	\$ 2,516	\$ (28)	\$ 2,488	\$ 3,499

Accounts receivable are unsecured and non-interest bearing.

Note 6 Long Term Investments (thousands of dollars)

	Effective Interest Rate	2003		2002	
		Cost	Market	Cost	Market
Deposit with Life Insurance Companies Maturing in five years ^(a)	5.125%	\$ 300	\$ 300	\$ 300	\$ 300
Mutual Funds-Bond Fund		2,879	2,992	2,703	2,738
Cash and Short Term Investments Appropriated for Non-Current Use ^(b)		8,167	8,167	8,167	8,167
		\$ 11,346	\$ 11,459	\$ 11,170	\$ 11,205

^(a) The deposits with life insurance companies can be realized prior to maturity dates only with the payment of penalties.

^(b) Cash and short-term investments have been appropriated for non-current use by several entities in the Ministry to segregate the amounts that are needed to meet their long-term needs for endowments, reserves and other restricted uses.

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 7 Capital Assets (thousands of dollars)

	Estimated Useful Life	2003			2002
		Cost	Accumulated Amortization	Net Book Value	Net Book Value (Restated – Note 2 (d))
General Capital Assets					
Land	N/A	\$ 39,740	\$ -	\$ 39,740	\$ 39,354
Buildings	20-40 years	107,026	(57,997)	49,029	63,304
Computer Hardware and Software	3-8 years	1,491	(1,039)	452	500
Equipment	3-15 years	21,608	(17,921)	3,687	3,412
Other	7-20 years	16,959	(13,767)	3,192	3,984
		<u>186,824</u>	<u>(90,724)</u>	<u>96,100</u>	<u>110,554</u>
Infrastructure Assets					
Land Improvements	40 years	138,550	(66,900)	71,650	75,825
Highways and Roads	40 years	47,427	(28,905)	18,522	19,913
Bridges	60 years	2,894	(667)	2,227	2,277
		<u>188,871</u>	<u>(96,472)</u>	<u>92,399</u>	<u>98,015</u>
		<u>\$ 375,695</u>	<u>\$ (187,196)</u>	<u>\$ 188,499</u>	<u>\$ 208,569</u>

Note 8 Collections

Collections consist of historical and scientific artifacts, archival holdings, and works of art of provincial, national and international significance located in the archives, museums and historical sites of the Province of Alberta. The Ministry has not recorded the value of these collections in the consolidated financial statements due to the practical difficulties of reflecting them at a meaningful value. The collections are insured for \$356 million. A description of the major collections is as follows:

- (a) The Province, through the Historic Sites and Cultural Facilities Branch, preserves and presents 9 historic sites that contain 48 restored historic buildings/structures and 3 stabilized ruins. The Branch also operates 3 interpretive centers, 2 museums and 2 cultural facilities. As well, it administers an additional 3 historic sites which contain 58 undeveloped historic buildings/structures. In addition, the Branch owns 1 developed historic resource (leased to a society), 13 cairns, 4 archaeological sites and 1 palaeontological site. In total, the Ministry owns 1,904 hectares of land deemed to be of historic significance.

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 8 Collections (continued)

- (b) The Provincial Museum of Alberta maintains 13 programs, with a total collection of approximately 10 million objects representing a highly diverse complement of cultural and natural heritage. These include mammals, birds, fish, insects, minerals, gems, First Nations ethnographical material, military and cultural history artifacts, coins, images, audio and books as well as all the permitted archaeological material recovered in Alberta.
- (c) The Royal Tyrrell Museum of Paleontology collection has over 109,000 catalogued items including original and replica fossils. Annually, approximately 2,000 specimens are accessioned into the collection.
- (d) Reynolds-Alberta Museum exhibits approximately 150 major agricultural, industrial and transportation artifacts, and provides conservation, maintenance and restoration services for an additional collection of approximately 3,000 major and 2,700 smaller artifacts. Included in these numbers are 79 vintage aircraft, 8 of which are on permanent loan to the museum. The museum also houses a collection of documents, numbering 47,480 pieces, related to the museum's mechanization themes.
- (e) The Remington Carriage Museum houses one of the largest collections of horse drawn vehicles in North America, with 265 carriages, buggies, wagons and sleighs, and approximately 690 associated small artifacts.
- (f) The Ukrainian Cultural Heritage Village is responsible for the management of Historic Sites and Cultural Facilities' collection of 46,300 artifacts. Approximately 5,000 of these objects are used to furnish various smaller sites throughout the province, and 8,000 objects furnish the historic buildings at the Ukrainian Cultural Heritage Village. The remaining artifacts are preserved in storage.
- (g) The Provincial Archives of Alberta holds approximately 35,800 linear metres of government textual records; 4,530 linear metres of private textual records; 61,800 maps; 27,600 architectural drawings; 2,086,000 photographic images; 46,600 hours of recorded audio tapes; 65,900 hours of film and video materials; and 10,100 volumes of items in the reference library.
- (h) The Collection Management Unit of the Arts Branch, manages fourteen collections containing approximately 1,500 donated, purchased and/or commissioned artworks.
- (i) The Glenbow-Alberta Institute manages under contract, the care of, and access to, a government collection of approximately 223,900 artifacts in cultural history, military history, ethnology, art and mineralogy; 5 shelf kilometres of textual archival records; over 2 million historical photographs; 800,000 feet of film footage; and over 5,000 sound recordings. The collection is continually enhanced each year.

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 8 Collections (continued)

- (j) The Government House Foundation actively collects various significant items pertaining to the history of Government House. The collection is accessible to the public and consists of paintings, drawings, prints, sculptures, furnishings, books and silverware. The majority of the collection is used or displayed in Government House, while some items are on loan to other provincial institutions.

At March 31, 2003, the collection consisted of approximately 379 (2002 – 379) pieces of artworks and other items, with an approximate value \$948,342 (2002 – \$948,192). During the year, the Government House Foundation purchased artworks at a total cost of \$Nil (2002 – \$24,000). There were no contributions to the collections during the year, (2002 – \$94,795), and there were no disposals during the year. The approximate value of the collection increased by \$150 to reflect the valuation of one item that previously was unassessed.

- (k) The Alberta Foundation for the Arts actively collects visual artworks, which document the Province's significant visual artistic achievement. The collection is accessible to the public and consists of paintings, sculptures, drawings, photographs, ceramics, glass, fibre and prints. At year end, the collection consisted of approximately 6,939 (2002 – 6,781) artworks with an approximate value of \$7,439,000 (2002 – \$7,072,250). During the year, the Alberta Foundation for the Arts purchased 110 (2002 – 215) artworks by Alberta artists at a total cost of \$249,955 (2002 – \$216,594). Contributions to the collection included 47 (2002 – 43) artworks with an appraised value of \$112,975 (2002 – \$387,675). There were 4 artwork disposals during the year for \$1,307 (2002 – \$95).
- (l) The Alberta Historical Resources Foundation has a collection of historical assets which is comprised of paintings, sketches, photographs and antique furnishings. At year end, the collection consisted of 410 (2002 – 416) artworks with an estimated value of \$17,290 (2002 – \$17,470), and 30 (2002 – 30) antique furnishings estimated at \$12,700 (2002 – \$12,700). During the year, the Alberta Historical Resources Foundation did not acquire any historical assets and there were 6 dispositions.
- (m) The Alberta Sport, Recreation, Parks and Wildlife Foundation has a collection of artworks consisting of 23 (2002 – 25) prints of the Waterfowl of North America Collection # 1250 with an approximate value of \$6,558 (2002 – \$7,297). During the year, there were 2 (2002 – 2) dispositions. The proceeds received of \$275 (2002 – \$275) were donated to the Lesser Slave Lake Bird Observatory for charitable purposes.

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 9 Net Assets (thousands of dollars)

	2003	2002 (Restated Note 2 (d))
Unrestricted Funds	\$ 179,885	\$ 199,306
Endowment Funds	9,415	9,413
Externally Restricted Funds	3,591	3,540
General Reserves	1,967	1,967
Internally Restricted Funds	137	121
	\$ 194,995	\$ 214,347

Note 10 Commitments (thousands of dollars)

As at March 31, 2003, the Ministry had commitments for leases, contracts and grants approved but not expended, pending fulfillment of eligibility conditions as follows:

	2003	2002
Service Contract and Grant Commitments	\$ 50,492	\$ 35,496
Lease Commitments ^(a)	2,039	2,556
	\$ 52,531	\$ 38,052

^(a) The Ministry leases certain equipment under operating leases that expire on various dates. The aggregate amounts payable for the unexpired terms of these leases are as follows:

	2003	2002
2002-2003	\$ -	\$ 994
2003-2004	840	636
2004-2005	609	450
2005-2006	319	209
2006-2007	109	124
2007-2008	61	143
Thereafter	101	-
	\$ 2,039	\$ 2,556

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 11 Contingencies

The Ministry has a contingent liability in respect of 14 claims (2002 – 18 claims) aggregating \$2.7 million (2002 – \$15.1 million) relating to the decisions made by the Eugenics Board of Alberta pursuant to the Sexual Sterilization Act of 1928, which was repealed in 1972. The ultimate outcome of these claims cannot be determined.

At March 31, 2003, the Ministry is a defendant in nine other legal claims (2002 – seven legal claims). Eight of these claims have a specified amount totaling \$1,406,000 and the remaining one has no specified amount (2002 – five claims with a specified amount of \$1,190,000 and two with no specified amount). Four claims (2002 – three claims) amounting to \$926,000 (2002 – \$910,000) are covered by the Alberta Risk Management Fund.

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

Note 12 Trust Funds Under Administration (thousands of dollars)

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purposes of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 2003, trust funds under administration were as follows:

	2003	2002
Parks General Trust and Performance Deposits ^(a)	\$ 308	\$ 275
Gakken Dinosaur Exhibit Trust Fund	154	150
Persons with Developmental Disabilities Community Board's Client Trust Funds	377	440
Fort Dunvegan Historical Society Trust Fund	6	6
	\$ 845	\$ 871

^(a) In the prior year, these trusts were reported in the financial statements of the Ministry of Sustainable Resource Development.

In addition to the above trust funds under administration, the Ministry holds a bank guarantee in the form of a letter of credit in the amount of \$2,209 (2002 – \$222).

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 13 Payments Under Agreement (thousands of dollars)

The Government of Alberta entered into an agreement to deliver services that were fully funded by the Government of Canada. Costs incurred under the agreement were made by the Ministry under authority of the *Financial Administration Act*, Section 25. This agreement had been budgeted as a Dedicated Revenue Initiative as disclosed in Schedule 2, however, after the release of the Government and Lottery Fund Estimates, it was determined that this agreement should be recorded as a Payment Under Agreement.

Amounts paid under the agreement were as follows:

	2003
Government of Canada	
G8 Summit Security Agreement	\$ 211

Note 14 Defined Benefit Plans

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$5,463,000 for the year ended March 31, 2003 (2002 – \$4,927,000).

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of \$301,968,000 (2001 – surplus \$5,338,000) and the Public Service Pension Plan reported an actuarial deficiency of \$175,528,000 (2001 – actuarial surplus \$320,487,000). At December 31, 2002, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of \$6,472,000 (2001– actuarial deficiency \$399,000).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2003, the Bargaining Unit Plan reported an actuarial deficiency of \$14,434,000 (2002 – \$8,646,000) and the Management, Opted Out and Excluded Plan reported an actuarial deficiency of \$3,053,000 (2002 – \$2,656,000). The expense for these two plans is limited to employer’s annual contributions for the year.

Note 15 Surplus Retention Reserves

The Ministry has entered into contracts with third party agencies to provide support for adults with developmental disabilities, which it serves. Occasionally, the agencies do not spend all the funds they have been provided. When these unexpended amounts result from the efficient management of the

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 15 Surplus Retention Reserves (continued)

program or fluctuations in service demand, the funds may be retained by the agency, and after obtaining approval, spent in the following manner:

- To eliminate deficits;
- To acquire assets;
- To fund exceptional maintenance costs; and
- For expenditures of a one-time nature that will not result in incremental or continuing operating costs.

The estimated balance of these reserves at March 31, 2003 was \$112,000 (March 31, 2002 – \$102,000). This amount is not reflected in these consolidated financial statements.

Note 16 Grandfathered Clients

When the *Persons with Developmental Disabilities Community Governance Act* (the *Act*) was passed by the Alberta Legislature in 1997, the new legislation narrowed the service mandate from the previous disability supports program and established eligibility criteria.

Certain individuals and agencies which were receiving services prior to the passing of the *Act* but which no longer met these new criteria for Persons with Developmental Disabilities (PDD) supports were grandfathered into the new PDD service system. In response to a recommendation from the *Building Better Bridges* Report, Government directed that PDD Boards continue providing services to grandfathered individuals and agencies until service responsibility is handed-off to a more appropriate provincial program.

Accordingly, expenses related to these grandfathered individuals and agencies do not comply with the *Act*. The total cost of these services for 126 (2002 – 143) individuals that have been included in the Consolidated Statement of Operations is estimated to be \$4,765,000 (2002 – \$5,146,000). The total cost for 10 agencies that have been included in the Statement of Operations is estimated to be \$2,707,000 (2002 – \$2,549,000).

Note 17 Economic Interest

The Ministry has entered into cooperating agreements and provided exclusive licences to two not-for-profit organizations to operate and provide front-of-house and related activities at the Northern Alberta Jubilee Auditorium and the Southern Alberta Jubilee Auditorium. These not-for-profit organizations are incorporated under the Societies Act (Alberta) and function independently of the Ministry. The cooperating agreements and licences expire on March 31, 2003, with the Minister having an option to

Ministry of Community Development
Notes to the Consolidated Financial Statements
For the year ended March 31, 2003

Note 17 Economic Interest (continued)

renew these for a further term of two years to March 31, 2005. The Ministry is in the process of renewing these agreements and licences on the same terms and conditions as the ones that expired on March 31, 2003.

Under the cooperating agreements, the societies are required to direct all revenues generated towards programs and services in support of the respective auditorium. Cash in excess of working capital requirements is placed by the societies into a capital reinvestment trust fund. As at March 31, 2003 the two societies had \$8,332,256 (2002 – \$7,863,459) held as restricted funds to be utilized specifically for capital upgrading and major renovations of the auditoriums. The Ministry is not responsible for any liabilities of either society.

The Ministry had also entered into cooperating agreements with other not-for-profit societies to operate admission services at various Ministry sites. These agreements were terminated on March 31, 2000. Upon termination, funds held by these societies for facility reinvestment were donated to the Ministry to be used for the same purpose. These funds have been placed in the Historical Resources Fund and held as deferred contributions until such time as the funds are used for the purposes intended. As at March 31, 2003 this portion of the deferred contributions amounted to \$305,638 (2002 – \$379,964). In addition to the deferred contributions, two not-for-profit societies have retained facility reinvestment funds. As at March 31, 2003 the funds retained amounted to \$130,786 (2002 – \$129,785).

Note 18 Comparative Figures

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Note 19 Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister of Community Development.

**Ministry of Community Development
Revenues
For the year ended March 31, 2003
(thousands of dollars)**

	2003		2002
	Budget	Actual	Actual
Internal Government Transfers			
Transfer from the Lottery Fund	\$ 58,256	\$ 56,256	\$ 100,714
Transfer from Alberta Heritage Scholarship Fund	-	42	-
	<u>58,256</u>	<u>56,298</u>	<u>100,714</u>
Transfer from the Government of Canada			
Canada Health and Social Transfers	17,791	14,896	15,921
Other	1,535	574	375
	<u>19,326</u>	<u>15,470</u>	<u>16,296</u>
Investment Income			
Interest	1,365	1,225	1,572
Premiums, Fees and Licences			
Admission Fees	4,561	3,820	3,702
Film Classification	450	493	521
Maintenance Fees	675	885	824
Lands and Grazing	415	472	461
Other	3,810	2,601	2,176
	<u>9,911</u>	<u>8,271</u>	<u>7,684</u>
Other Revenue			
Donations and Contributions in Kind	1,926	3,218	2,325
Refunds of Expenses	665	1,202	4,131
Sales	-	1,113	1,166
Rental Revenue	-	741	346
Miscellaneous	6,070	3,107	3,225
	<u>8,661</u>	<u>9,381</u>	<u>11,193</u>
Total Revenues	<u>\$ 97,519</u>	<u>\$ 90,645</u>	<u>\$ 137,459</u>

Ministry of Community Development
Dedicated Revenue Initiatives
For the year ended March 31, 2003
(thousands of dollars)

	2003		
	Authorized Dedicated Revenues	Actual Dedicated Revenues ^(a)	(Shortfall) / Excess ^(h)
Cultural Facilities and Historical Resources ^(b)	\$ 4,000	\$ 1,078	\$ (2,922)
Park Operations ^(c)	2,100	1,873	(227)
Parks Capital Reinvestment Levy ^(d)	1,500	777	(723)
Francophone Secretariat ^(e)	240	240	-
Government of Canada Admin Reform Agreement ^(f)	488	-	(488)
Government of Canada G8 Summit Security Agreement ^(g)	457	-	(457)
	<u>\$ 8,785</u>	<u>\$ 3,968</u>	<u>\$ (4,817)</u>

- (a) Revenues from dedicated revenue initiatives are included in the Ministry's revenues in the Consolidated Statement of Operations.
- (b) Cultural facilities and historical resources dedicated revenue is related to donations of artifacts and other items to various historic sites and cultural facilities.
- (c) Parks Operations dedicated revenue initiative is established to:
- Ensure that tendered campgrounds, that have not been contracted out, and other recreational facilities will remain open to the public;
 - Facilitate the receipt of corporate and private sector contributions to the parks programs;
 - Provide for the interim operation of tendered campgrounds and recreation facilities by redirecting fees, corporate and other contributions to parks operations; and
 - Provide for the cost of firewood supply at sites which do not have facility operating agreements or firewood concessions.
- (d) Revenues generated by the Parks capital reinvestment levy dedicated revenue are used for reinvestment in the aging infrastructure of Alberta's parks and recreation areas. This levy is included in the camping fees at all Natural Heritage Sites and those Recreation Facility sites operated to Ministry standards.
- (e) Francophone Secretariat dedicated revenue is a Canada-Alberta Cooperation Agreement to promote the official languages.
- (f) Government of Canada Admin Reform Agreement is a Canada-Alberta Agreement in which Alberta is reimbursed for those Social Services which are delivered to Natives who would ordinarily be residing on a Reserve.
- (g) Government of Canada G8 Summit Security Agreement is a Canada-Alberta Agreement pertaining to security measures required in connection with the holding of the G8 Summit in Alberta. This agreement had been budgeted as a dedicated revenue initiative. However, after the Government and Lottery Fund Estimates were released, it was determined that this agreement would be recorded as a Payment Under Agreement (Note 13).
- (h) Shortfall is deducted from current year's authorized budget, as disclosed in Schedule 4 to the financial statements.

Ministry of Community Development
Expenses – Directly Incurred Detailed By Object
For the year ended March 31, 2003
(thousands of dollars)

	2003		2002
	Budget	Actual	Actual (Restated – Note 2 (d))
Grants	\$ 237,987	\$ 207,738	\$ 223,701
Supplies and Services	212,963	235,962	213,207
Salaries, Wages and Employee Benefits	121,319	116,953	109,383
Amortization of Capital Assets	9,815	9,890	10,182
Supplies and Services from Support Service Arrangements with Related Parties ^(a)	829	3,193	2,383
Financial Transactions and Other	698	137	127
	583,611	573,873	558,983
Less: Recovery from Support Service Arrangements with Related Parties ^(b)	(462)	(1,632)	(2,001)
Total Expenses	\$ 583,149	\$ 572,241	\$ 556,982
Valuation Adjustments			
Provision for Vacation Pay	\$ 217	\$ 741	\$ 135
Provision for Doubtful Accounts	-	30	(5)
	\$ 217	\$ 771	\$ 130

(a) The Ministry received information technology services from the Ministry of Seniors and financial and administrative services from the Ministry of Human Resources and Employment.

(b) The Ministry provided financial and administrative services to Ministries of Gaming and Seniors. Costs incurred by the Ministry for these services were recovered from the respective Ministries.

Ministry of Community Development
Budget
For the year ended March 31, 2003
(thousands of dollars)

	2002-2003				
	Estimates	Adjustment ^(a)	Budget	Authorized Supplementary ^(b)	Authorized Budget
Revenues					
Internal Government Transfers	\$ 58,256	\$ -	\$ 58,256	\$ -	\$ 58,256
Transfers from the Government of Canada	19,326	-	19,326	-	19,326
Investment Income	1,365	-	1,365	-	1,365
Premiums, Fees and Licences	9,911	-	9,911	-	9,911
Other Revenue	8,661	-	8,661	3,000	11,661
	<u>97,519</u>	<u>-</u>	<u>97,519</u>	<u>3,000</u>	<u>100,519</u>
Expenses					
Promoting Community Development	78,868	-	78,868	-	78,868
Protecting Human Rights and Promoting Fairness and Access	4,376	-	4,376	-	4,376
Supporting the Inclusion and Participation for Albertans with Disabilities and Protecting Persons in Care	412,819	(488)	412,331	-	412,331
Preserving, Protecting and Presenting Alberta's History and Culture	35,151	(2,922)	32,229	6,700	38,929
Preserving, Protecting and Presenting Alberta's Provincial Parks and Protected Areas	41,959	(1,407)	40,552	-	40,552
Ministry Support Services	9,976	-	9,976	-	9,976
	<u>583,149</u>	<u>(4,817)</u>	<u>578,332</u>	<u>6,700</u>	<u>585,032</u>
Valuation Adjustments					
Provision for Vacation Pay	217	-	217	-	217
Provision for Doubtful Accounts	-	-	-	-	-
	<u>217</u>	<u>-</u>	<u>217</u>	<u>-</u>	<u>217</u>
	<u>583,366</u>	<u>(4,817)</u>	<u>578,549</u>	<u>6,700</u>	<u>585,249</u>
(Gain) Loss on Disposal of Capital Assets	<u>(2,320)</u>	<u>-</u>	<u>(2,320)</u>	<u>-</u>	<u>(2,320)</u>
Net Operating Results	<u>\$ (483,527)</u>	<u>\$ 4,817</u>	<u>\$ (478,710)</u>	<u>\$ (3,700)</u>	<u>\$ (482,410)</u>
Capital Investment	<u>\$ 1,772</u>	<u>\$ -</u>	<u>\$ 1,772</u>	<u>\$ -</u>	<u>\$ 1,772</u>

^(a) Adjustments include dedicated revenue shortfalls.

^(b) Supplementary estimates of \$3,700 were approved on December 4, 2002. Treasury Board approval of \$3,000 is pursuant to section 24(2) of the *Financial Administration Act* (for net budgeted initiatives).

**Ministry of Community Development
Related Party Transactions
For the year ended March 31, 2003
(thousands of dollars)**

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

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences, and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry receives services under contracts managed by the Ministry of Government Services (ACSC). Any commitments under these contracts are reported by the Ministry of Government Services (ACSC).

The Ministry had the following transactions with related parties recorded in the consolidated financial statements at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2003	2002
Revenues		
Lottery Fund	\$ 56,256	\$ 100,714
Alberta Heritage Scholarship Fund	42	-
	<u>\$ 56,298</u>	<u>\$ 100,714</u>
Expenses – Directly Incurred		
Other Services	<u>\$ 9,435</u>	<u>\$ 10,346</u>
Capital Assets Transferred From (To) Others	<u>\$ 552</u>	<u>\$ (9)</u>
Accounts Receivable	<u>\$ 22</u>	<u>\$ 4</u>
Accounts Payable	<u>\$ 6</u>	<u>\$ 1,315</u>

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

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the consolidated financial statements and are disclosed in Schedule 6.

	Other Entities	
	2003	2002
Expenses – Incurred by Others		
Accommodation	\$ 30,077	\$ 26,972
Parks Maintenance	1,500	-
Legal	390	362
	<u>\$ 31,967</u>	<u>\$ 27,334</u>

**Ministry of Community Development
Allocated Costs
For the year ended March 31, 2003
(thousands of dollars)**

Program	2003							2002	
	Expenses (a)	Accommodation Costs	Park Maintenance	Legal Services	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses	(Restated – Note 2 (d))
		Expenses – Incurred by Others						Valuation Adjustments	
Promoting Community Development	\$ 74,775	\$ 1,847	\$ -	\$ 106	\$ 64	\$ -	\$ 76,792	\$ 82,520	
Protecting Human Rights and Promoting Fairness and Access	4,488	157	-	-	24	-	4,670	5,924	
Supporting the Inclusion and Participation for Albertans with Disabilities and Protecting Persons in Care	408,447	9,145	-	70	351	-	418,013	388,688	
Preserving, Protecting and Presenting Alberta's History and Culture	38,169	16,942	-	63	129	15	55,318	59,054	
Preserving, Protecting and Presenting Alberta's Provincial Parks and Protected Areas	37,474	1,608	1,500	84	145	15	40,826	41,657	
Ministry Support Services	8,888	378	-	67	28	-	9,360	6,388	
	<u>\$ 572,241</u>	<u>\$ 30,077</u>	<u>\$ 1,500</u>	<u>\$ 390</u>	<u>\$ 741</u>	<u>\$ 30</u>	<u>\$ 604,979</u>	<u>\$ 584,231</u>	

(a) Expenses – Directly Incurred as per Consolidated Statement of Operations, excluding valuation adjustments.

