

# Department of Finance Financial Statements

## Year ended March 31, 2003

	Page
Auditor's Report .....	84
Statement of Operations .....	85
Statement of Financial Position .....	86
Statement of Changes in Financial Position .....	87
Notes to the Financial Statements .....	88
Schedules to the Financial Statements	
1 Revenues .....	94
2 Dedicated Revenue Initiatives .....	95
3 Expenses Detailed by Object .....	96
4 Budget .....	97
5 Comparison of Expenses, Capital Investment and Disbursements by Element to Authorized Budget .....	98
6 Valuation Adjustments .....	99
7 Salary and Benefits Disclosure .....	100
8 Cash and Temporary Investments .....	101
9 Accounts and Accrued Interest Receivable .....	101
10 Portfolio Investments .....	102
11 Loans and Advances to Government Entities .....	102
12 Other Loans, Advances and Investments .....	103
13 Capital Assets .....	103
14 Accounts and Accrued Interest Payable .....	103
15 Unmatured Debt .....	104
16 Pension Obligations .....	106
17 Other Accrued Liabilities .....	108
18 Guaranteed Debt of Government Entities .....	108
19 Other Guarantees .....	109
20 Related Party Transactions .....	110
21 Allocated Costs by Program .....	112



## AUDITOR'S REPORT

To the Minister of Finance

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

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

Alberta Finance establishes the corporate government accounting policies and reporting practices including the following policy that is an exception from Canadian generally accepted accounting principles. Capital assets costing less than \$15,000 have been expensed in the year acquired and have not been recognized as an asset in the accompanying statement of financial position. The effect of this is that capital assets are understated by approximately \$1,894,000 as at March 31, 2003 and expenses are overstated by approximately \$104,000 for the year ended March 31, 2003.

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

[Original Signed]

Fred J. Dunn, FCA  
Auditor General

Edmonton, Alberta  
May 23, 2003

## Statement of Operations

YEAR ENDED MARCH 31, 2003

	<i>In thousands</i>		
	2003		2002
	Budget (Schedule 4)	Actual	Actual
<b>Revenues</b> (Schedules 1 and 2)			
Internal government transfers	\$ 319,830	\$ 280,243	\$ 153,376
Taxes	400	1,702	1,014
Transfers from Government of Canada	4,030	4,055	4,434
Investment income	166,987	202,109	239,332
Fees, permits and licences	19,548	17,313	16,511
Transfers from government enterprises	-	19,549	186
Other	102,285	103,382	4,866
	<u>613,080</u>	<u>628,353</u>	<u>419,719</u>
<b>Expenses - directly incurred</b> (Note 2b and Schedule 21)			
Voted (Schedules 2, 3 and 5)			
Ministry support services	4,912	5,284	4,348
Fiscal planning and accountability	8,298	7,760	7,186
Pensions, insurance and financial institutions	2,920	3,079	2,542
Treasury management	3,224	3,076	2,288
Debt servicing costs - school construction	70,706	70,675	80,463
	<u>90,060</u>	<u>89,874</u>	<u>96,827</u>
Statutory (Schedules 3 and 5)			
Farm credit stability program	910	821	1,506
Pension liability funding	66,900	68,334	67,286
Debt servicing costs	506,000	403,583	694,000
Valuation adjustments (Schedule 6)	(6,650)	80,799	(42,638)
	<u>567,160</u>	<u>553,537</u>	<u>720,154</u>
Write-down of capital assets	-	-	16
	<u>657,220</u>	<u>643,411</u>	<u>816,997</u>
<b>Net operating results</b>	<u>\$ (44,140)</u>	<u>\$ (15,058)</u>	<u>\$ (397,278)</u>

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

## Statement of Financial Position

MARCH 31, 2003

	<i>In thousands</i>	
	2003	2002
<b>Assets</b>		
Cash and temporary investments (Schedule 8)	\$ 724,998	\$ 1,428,901
Accounts and accrued interest receivable (Schedule 9)	267,571	210,390
Portfolio investments (Schedule 10)	3,042,266	3,068,737
Loans and advances to government entities (Schedule 11)	1,346,036	1,249,518
Other loans, advances and investments (Schedule 12)	48,690	80,752
Capital assets (Schedule 13)	518	698
	<b>\$ 5,430,079</b>	<b>\$ 6,038,996</b>
<b>Liabilities</b>		
Bank overdraft	\$ 777,775	\$ 1,016,212
Accounts and accrued interest payable (Schedule 14)	187,499	405,987
Unmatured debt (Schedule 15)	6,913,168	8,512,043
Pension obligations (Schedule 16)	962,247	880,898
Other accrued liabilities (Schedule 17)	613,912	781,608
	<b>9,454,601</b>	<b>11,596,748</b>
<b>Net Liabilities</b>		
Net liabilities at beginning of year	(5,557,752)	(9,177,876)
Net operating results	(15,058)	(397,278)
Net transfer from general revenues	1,548,288	4,017,402
Net liabilities at end of year	(4,024,522)	(5,557,752)
	<b>\$ 5,430,079</b>	<b>\$ 6,038,996</b>

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

## Statement of Changes in Financial Position

YEAR ENDED MARCH 31, 2003

	<i>In thousands</i>	
	2003	2002
<b>Operating transactions</b>		
Net operating results	\$ (15,058)	\$ (397,278)
Non-cash items included in net operating results		
Amortization on investments and debt, net		
Purchase and issue discounts	23,428	11,921
Foreign exchange losses (gains)	(50,509)	107,932
Net income on investments valued at equity	(351)	(310)
Amortization and write-down of capital assets	211	168
Valuation adjustments	80,799	(42,638)
	38,520	(320,205)
Increase in receivables	(57,205)	(97,843)
Increase (decrease) in payables, including pension obligations	(204,295)	128,561
Cash used for operating transactions	(222,980)	(289,487)
<b>Investing transactions</b>		
Disposals of portfolio investments	5,591,617	4,410,615
Portfolio investments purchased	(5,573,527)	(5,363,972)
Repayments of loans and advances		
Government entities	1,983,246	2,402,501
Other	34,127	55,922
Loans and advances		
Government entities	(2,076,734)	(2,532,777)
Other	(439)	(1,434)
Purchase of capital assets (Schedule 5)	(31)	(353)
Disposals of capital assets	-	4
Cash used for investing transactions	(41,741)	(1,029,494)
<b>Financing transactions</b>		
Debt issues	9,750,275	6,552,576
Debt retirement	(11,332,170)	(8,166,057)
Voted non-budgetary disbursements to settle obligations (Schedule 5)	(167,138)	(95,382)
Net transfer from general revenues	1,548,288	4,017,402
Cash (used for) provided by financing transactions	(200,745)	2,308,539
<b>Net cash (used) provided</b>	(465,466)	989,558
<b>Cash and temporary investments, net of bank   overdraft, at beginning of year</b>	412,689	(576,869)
<b>Bank overdraft, net of cash and temporary investments,   at end of year</b>	\$ (52,777)	\$ 412,689

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

## Notes to the 2002-03 Department of Finance Financial Statements

---

### NOTE 1 AUTHORITY AND PURPOSE

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

The Department's core businesses are to establish the fiscal framework and facilitate sound fiscal planning and decision-making, foster an effective accountability framework, manage financial assets and liabilities prudently, foster access to comprehensive and competitive financial products and services and pension plans, and to administer the regulatory framework to reduce the risk of financial loss to pension plan members, depositors and policyholders.

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

#### A) REPORTING ENTITY

The reporting entity is the Department, which is part of the Ministry of Finance and for which the Minister of Finance is accountable. Other entities reporting to the Minister of Finance include Provincial Judges and Masters in Chambers Reserve Fund, Supplementary Retirement Plan Reserve Fund, Alberta Insurance Council, Alberta Municipal Financing Corporation, Alberta Pensions Administration Corporation, The Alberta Government Telephones Commission and its subsidiaries, Alberta Treasury Branches and its subsidiaries, Credit Union Deposit Guarantee Corporation and its subsidiary S C Financial Ltd., N.A. Properties (1994) Ltd. and Gainers Inc. The activities of these organizations are not included in these financial statements.

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

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

#### B) BASIS OF FINANCIAL REPORTING

##### Revenues

All revenues are reported on the accrual method of accounting.

**NOTE 2** (continued)**Internal Government Transfers**

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

**Dedicated Revenue**

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

**Expenses***Directly Incurred*

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

Directly incurred expenses include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year and additional government contributions for service relating to prior years.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees, indemnities, pension obligations, loans repayable from future appropriations, and accrued employee vacation entitlements.

*Incurred by Others*

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

**Assets**

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

Portfolio investments are carried at cost. Realized gains and losses on disposals of these investments are included in the determination of net operating results for the year. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

**NOTE 2** (continued)

Loans are reported at their face value except for loans made on significantly concessionary terms which are discounted by the amount of concessions. The amount of the discount is amortized to revenue over the term of the loan, except when the collectibility of either the principal or interest related to the loan transaction is not reasonably assured. The stated value of loans is estimated to approximate fair value.

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

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

**Liabilities**

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

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

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

**Foreign Currency**

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

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

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

**Net Liabilities**

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

**Measurement Uncertainty**

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



**NOTE 2** (continued)

Measurement uncertainty that is material to these financial statements exists in provisions for pensions and loans and advances. The nature of the uncertainty in these items arises from several factors such as the effect on accrued pension obligations of actual experience compared to assumptions, and the effect on loans and advances of actual collectibility and changes in economic conditions. While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

**NOTE 3 VALUATION OF FINANCIAL ASSETS AND LIABILITIES**

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

The fair values of cash and temporary investments, accrued interest, receivables, bank overdraft, payables and other accrued liabilities are estimated to approximate their book values.

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

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

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

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

**NOTE 4 RISK MANAGEMENT****A) LIABILITY MANAGEMENT**

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

The Department decided in February 2001, in light of the current debt reduction environment, that the most effective liability risk management strategy would be to allow existing debt instruments to mature in accordance with their terms.

**B) ASSET MANAGEMENT**

Portfolio investments are used to repay debt as it matures and to provide funding for the capital plan.

**NOTE 5 COMMITMENTS***(in thousands)***A) CREDIT UNION ACT**

The Credit Union Deposit Guarantee Corporation, operating under the authority of the Credit Union Act, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The Credit Union Act provides that the Province, through the Department, will ensure that this obligation of the Corporation is carried out. As at December 31, 2002, credit unions in Alberta held deposits totalling \$7,583,130 (2001 \$6,941,026). Substantial assets are available to safeguard the Department from risk of loss arising from its potential obligation under the Act.

**B) OTHER COMMITMENTS**

Commitments to outside organizations in respect of contracts entered into before March 31, 2003 amounted to \$491 (2002 \$102). These commitments will become expenses of the Department when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

**NOTE 6 CONTINGENCIES***(in thousands)*

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

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

**A) INDEMNITIES AND DEBENTURE, DEPOSIT AND LOAN GUARANTEES**

The Province's indemnity to fund interest to the extent necessary on \$335,000 of debentures issued by SC Financial Ltd. to credit unions in exchange for stabilization preferred shares of the credit unions expired on October 31, 2002.

Guaranteed liabilities at March 31, 2003 of government entities amounting to \$16,455,757 (2002 \$15,564,275), and other guarantees amounting to \$43,150 (2002 \$73,518) are analyzed in Schedules 18 and 19 respectively. These schedules are included with the financial statements because payments under debenture and loan guarantees are a statutory charge on the Department.

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

**B) LEGAL ACTIONS**

At March 31, 2003, the Department is a defendant in nine legal claims (2002 ten legal claims). The claims have specified amounts totalling approximately \$55,807 (2002 \$273,879). Two claims amounting to \$227 (2002 none) are covered by the Alberta Risk Management Fund.

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

**NOTE 7 TRUST FUNDS UNDER ADMINISTRATION**  
(in thousands)

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

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

	<b>2003</b>	<b>2002</b>
Local Authorities Pension Plan Fund	\$ 8,049,940	\$ 9,058,058
Public Service Pension Plan Fund	3,400,249	3,864,447
Universities Academic Pension Plan Fund	1,446,909	1,697,905
Management Employees Pension Plan Fund	1,329,315	1,490,696
Special Forces Pension Plan Fund	894,183	1,020,063
Regional Health Authorities and various health institutions construction accounts	419,765	511,871
Other	113,797	93,632
	<u>\$ 15,654,158</u>	<u>\$ 17,736,672</u>

**NOTE 8 DEFINED BENEFIT PLANS**  
(in thousands)

The Department participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$1,090 for the year ended March 31, 2003 (2002 \$983).

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

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

**NOTE 9 COMPARATIVE FIGURES**

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

**NOTE 10 APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Corporate Secretary and the Deputy Minister of Finance.

## Schedules to the 2002-03 Department of Finance Financial Statements

**REVENUES**

**Schedule 1**

	<i>In thousands</i>		
	2003		2002
	Budget	Actual	Actual
Internal government transfers			
Lottery Fund	\$ 319,830	\$ 280,243	\$ 153,376
Taxes			
Special broker tax	400	1,702	1,014
Transfers from Government of Canada			
Unconditional subsidy	4,030	4,055	4,434
Investment income			
Farm credit stability program	6,800	6,139	11,251
Other	160,187	195,970	228,081
	166,987	202,109	239,332
Fees, permits and licences			
Deposit guarantee fee	18,206	15,988	15,234
Insurance companies, agents and brokers	250	224	226
Other	1,092	1,101	1,051
	19,548	17,313	16,511
Transfers from government enterprises			
The Alberta Government Telephones Commission	-	19,549	186
Other			
Alberta Municipal Financing Corporation	100,000	100,000	-
Sale of assets	-	3	6
Refunds of expenditure	550	275	2,070
Miscellaneous	1,735	3,104	2,790
	102,285	103,382	4,866
	\$ 613,080	\$ 628,353	\$ 419,719

## DEDICATED REVENUE INITIATIVES

Schedule 2

	<i>In thousands</i>		
	2003		
	<b>Authorized Dedicated Revenues</b>	<b>Actual Dedicated Revenues</b>	<b>(Shortfall) (a)/ Excess</b>
Fiscal planning and accountability	\$ 424	\$ 249	\$ (175)
Treasury management	105	94	(11)
	<b>\$ 529</b>	<b>\$ 343</b>	<b>\$ (186)</b>

Following is a brief description of each dedicated revenue initiative:

- **Fiscal planning and accountability:** Provides accounting services to various public sector investment funds. Fees are based on cost recovery.
- **Treasury management:** Provides banking services to various public sector entities. Fees are based on cost recovery.

The revenue of these initiatives is included in the Statement of Operations in other revenues.

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

**EXPENSES DETAILED BY OBJECT**

**Schedule 3**

	<i>In thousands</i>		
	<b>2003</b>		<b>2002</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>Voted</b>			
Salaries, wages and employee benefits	\$ 12,993	\$ 13,253	\$ 11,842
Supplies and services	7,624	7,168	5,969
Grants	70,706	70,675	80,463
Financial transactions and other	1,100	1,032	837
Amortization of capital assets	228	211	152
Total voted expenses before recoveries	92,651	92,339	99,263
Less recovery from support service arrangements with related parties (a)	2,591	2,465	2,436
	<u>\$ 90,060</u>	<u>\$ 89,874</u>	<u>\$ 96,827</u>
<b>Statutory</b>			
Farm credit stability program	\$ 910	\$ 821	\$ 1,506
Pension liability funding	66,900	68,334	67,286
Debt servicing costs	506,000	403,583	694,000
Valuation adjustments (Schedule 6)	(6,650)	80,799	(42,638)
	<u>\$ 567,160</u>	<u>\$ 553,537</u>	<u>\$ 720,154</u>

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

**BUDGET****Schedule 4**

<i>In thousands</i>					
	<b>2002-03 Estimates</b>	<b>Adjustments (a)</b>	<b>2002-03 Budget</b>	<b>Dedicated Revenue Shortfall</b>	<b>2002-03 Authorized Budget</b>
<b>Revenues</b>					
Internal government transfers	\$ 319,830	\$ -	\$ 319,830	\$ -	\$ 319,830
Other taxes	400	-	400	-	400
Transfers from Government of Canada	4,030	-	4,030	-	4,030
Investment income	166,987	-	166,987	-	166,987
Fees, permits and licences	19,548	-	19,548	-	19,548
Other	102,285	-	102,285	-	102,285
	<u>613,080</u>	<u>-</u>	<u>613,080</u>	<u>-</u>	<u>613,080</u>
<b>Expenses</b>					
<b>Voted</b>					
Ministry support services	4,912	-	4,912	-	4,912
Fiscal planning and accountability	8,298	-	8,298	(175)	8,123
Pensions, insurance and financial institutions	2,920	-	2,920	-	2,920
Treasury management	3,224	-	3,224	(11)	3,213
Debt servicing costs	70,706	-	70,706	-	70,706
	<u>90,060</u>	<u>-</u>	<u>90,060</u>	<u>(186)</u>	<u>89,874</u>
<b>Statutory</b>					
Farm credit stability program	910	-	910	-	910
Pension liability funding	66,900	-	66,900	-	66,900
Debt servicing costs	506,000	-	506,000	-	506,000
Valuation adjustments	350	(7,000)	(6,650)	-	(6,650)
	<u>574,160</u>	<u>(7,000)</u>	<u>567,160</u>	<u>-</u>	<u>567,160</u>
	<u>664,220</u>	<u>(7,000)</u>	<u>657,220</u>	<u>(186)</u>	<u>657,034</u>
<b>Net operating results</b>	<u>\$ (51,140)</u>	<u>\$ 7,000</u>	<u>\$ (44,140)</u>	<u>\$ 186</u>	<u>\$ (43,954)</u>
<b>Capital investment</b>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 80</u>

a) Adjustments consist of \$7,000 for pension provisions excluded from the Estimates.

**COMPARISON OF EXPENSES, CAPITAL INVESTMENT AND DISBURSEMENTS BY ELEMENT TO AUTHORIZED BUDGET**

**Schedule 5**

<i>In thousands</i>					
	<b>2002-03 Budget</b>	<b>Dedicated Revenue Shortfall</b>	<b>2002-03 Authorized Budget</b>	<b>2002-03 Actual Expense (a)</b>	<b>Unexpended (Over Expended)</b>
Voted Expenses and Capital Investment					
Program 1 - Ministry Support Services					
1.0.1	\$ 283	\$ -	\$ 283	\$ 323	\$ (40)
1.0.2	354	-	354	457	(103)
1.0.3					
- Operating Expense	3,893	-	3,893	4,168	(275)
- Capital Investment	50	-	50	31	19
1.0.4	287	-	287	250	37
1.0.5					
Standing Policy Committee on Economic Development and Finance	95	-	95	86	9
	<u>4,962</u>	<u>-</u>	<u>4,962</u>	<u>5,315</u>	<u>(353)</u>
Program 2 - Fiscal Planning and Accountability					
2.0.1	8,298	(175)	8,123	7,760	363
Program 3 - Pensions, Insurance and Financial Institutions					
3.0.1	283	-	283	539	(256)
3.0.2	1,290	-	1,290	1,340	(50)
3.0.3	532	-	532	549	(17)
3.0.4	531	-	531	391	140
3.0.5					
Corporate Management Services to Alberta Municipal Financing Corporation	284	-	284	260	24
	<u>2,920</u>	<u>-</u>	<u>2,920</u>	<u>3,079</u>	<u>(159)</u>
Program 4 - Treasury Management					
4.0.1					
Liability Management					
- Operating Expense	1,850	-	1,850	1,748	102
- Capital Investment	30	-	30	-	30
4.0.2	1,374	(11)	1,363	1,328	35
Banking and Cash Forecasting	<u>3,254</u>	<u>(11)</u>	<u>3,243</u>	<u>3,076</u>	<u>167</u>
Debt Servicing					
Grants for School Construction Debenture Interest Payments					
	70,706	-	70,706	70,675	31
	<u>\$ 90,140</u>	<u>\$ (186)</u>	<u>\$ 89,954</u>	<u>\$ 89,905</u>	<u>\$ 49</u>
Program Operating Expense					
	\$ 90,060	\$ (186)	\$ 89,874	\$ 89,874	\$ -
Program Capital Investment					
	80	-	80	31	49
	<u>\$ 90,140</u>	<u>\$ (186)</u>	<u>\$ 89,954</u>	<u>\$ 89,905</u>	<u>\$ 49</u>

a) Includes achievement bonus of \$643.



**Schedule 5** (continued)

	<i>In thousands</i>		
	<b>2002-03 Budget</b>	<b>2002-03 Actual</b>	<b>Unexpended (Over Expended)</b>
<b>Statutory Expenses</b>			
Farm credit stability program	\$ 910	\$ 821	\$ 89
Pension liability funding	66,900	68,334	(1,434)
Debt servicing costs	506,000	403,583	102,417
Valuation adjustments	(6,650)	80,799	(87,449)
	<u>\$ 567,160</u>	<u>\$ 553,537</u>	<u>\$ 13,623</u>
<b>Voted Non-Budgetary Disbursements</b>			
Grants for school construction debenture principal repayment	\$ 89,754	\$ 89,628	\$ 126
Settlement of obligations under the credit union deficit financing agreement	78,000	77,510	490
	<u>\$ 167,754</u>	<u>\$ 167,138</u>	<u>\$ 616</u>

**VALUATION ADJUSTMENTS**

**Schedule 6**

	<i>In thousands</i>		
	<b>2003</b>		<b>2002</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
Pension provisions	\$ (7,000)	\$ 81,349	\$ (9,560)
Provision for employee benefits other than pensions	-	83	40
Provision for doubtful accounts and loans	-	(27)	(36)
Provision for guarantees and indemnities	350	(606)	(33,082)
	<u>\$ (6,650)</u>	<u>\$ 80,799</u>	<u>\$ (42,638)</u>

**SALARY AND BENEFITS DISCLOSURE**

**Schedule 7**

	2003			2002
	Salary <sup>(1)</sup>	Benefits and Allowances <sup>(2)</sup>	Total	Total
Deputy Minister <sup>(3)(4)</sup>	\$ 190,681	\$ 55,426	\$ 246,107	\$ 227,414
Controller <sup>(4)(5)</sup>	137,778	36,225	174,003	116,088
Executives				
Acting Controller <sup>(5)</sup>	-	-	-	32,723
Assistant Deputy Minister - Pensions, Insurance and Financial Institutions <sup>(3)(6)</sup>	142,244	35,335	177,579	170,644
Executive Director, Treasury Management	130,418	31,103	161,521	136,601
Corporate Secretary <sup>(7)</sup>	111,775	25,425	137,200	127,489

- 1) Salary includes regular base pay, bonuses, overtime and lump sum payments.
- 2) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships and tuition fees.
- 3) Benefits and allowances include the following vacation payments: Deputy Minister \$Nil (2002 \$5,874), Assistant Deputy Minister - Pensions, Insurance and Financial Institutions \$Nil (2002 \$16,662).
- 4) Automobile provided, no dollar amount included in benefits and allowances figures.
- 5) The incumbent was appointed to the position of Controller on July 1, 2001. The position was not occupied for the first three months of 2001-02. The incumbent previously occupied the position of Acting Controller for the first three months of 2001-02.
- 6) The position was occupied by two individuals in 2002.
- 7) The incumbent's services are shared with the Department of Revenue and Executive Council which contribute their own share of the cost of salary and benefits. Full salary and benefits are disclosed in this Schedule.

**CASH AND TEMPORARY INVESTMENTS****Schedule 8**

	<i>In thousands</i>	
	<b>2003</b>	<b>2002</b>
Fixed-income securities (a)		
Corporate	\$ 574,360	\$ 1,263,876
Deposit in Consolidated Cash Investment Trust Fund	123,249	151,939
Cash in bank and in transit	27,389	13,086
	<u>\$ 724,998</u>	<u>\$ 1,428,901</u>

- a) Fixed-income securities have an average effective yield of 3.0% (2002 2.8%) per annum. All of the securities have terms to maturity of less than three years (2002 less than two years).

**ACCOUNTS AND ACCRUED INTEREST RECEIVABLE****Schedule 9**

	<i>In thousands</i>	
	<b>2003</b>	<b>2002</b>
Lottery Fund	\$ 72,243	\$ 28,376
Alberta Treasury Branches	61,401	45,416
Accrued interest receivable	50,919	60,290
Present value of future contributions from credit union system	47,043	53,831
The Alberta Government Telephones Commission	24,572	5,023
Swap accruals	11,259	16,446
Other	946	1,796
	<u>268,383</u>	<u>211,178</u>
Less allowance for doubtful accounts	812	788
	<u>\$ 267,571</u>	<u>\$ 210,390</u>

**PORTFOLIO INVESTMENTS**

**Schedule 10**

	<i>In thousands</i>			
	<b>2003</b>		<b>2002</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Fixed-income securities (a)				
Government of Canada, direct and guaranteed	\$ 367,530	\$ 367,797	\$ 524,388	\$ 526,842
Provincial, direct and guaranteed	1,224,589	1,230,691	1,133,220	1,147,521
Municipal	81,971	82,367	140,092	141,804
Corporate	1,368,176	1,366,784	1,271,037	1,277,853
	<u>\$ 3,042,266</u>	<u>\$ 3,047,639</u>	<u>\$ 3,068,737</u>	<u>\$ 3,094,020</u>

a) The Department's fixed-income securities are held to repay debt as it matures and to provide funding for the capital plan. The securities held have an average effective market yield of 3.4% (2002 3.3%) per annum. All (2002 98%) of the securities have terms to maturity of less than two years.

**LOANS AND ADVANCES TO GOVERNMENT ENTITIES**

**Schedule 11**

	<i>In thousands</i>	
	<b>2003</b>	<b>2002</b>
Agriculture Financial Services Corporation	\$ 999,734	\$ 888,191
Alberta Social Housing Corporation	346,078	361,103
Public Trustee	224	224
	<u>\$ 1,346,036</u>	<u>\$ 1,249,518</u>

**OTHER LOANS, ADVANCES AND INVESTMENTS**

**Schedule 12**

	<i>In thousands</i>	
	<b>2003</b>	<b>2002</b>
Loans and advances		
Farm Credit Stability Act	\$ 41,889	\$ 73,263
Board of Governors of the University of Alberta	2,018	2,342
Pratt & Whitney Canada Ltd.	1,963	2,519
University of Lethbridge Students' Union	786	948
Implemented guarantees and indemnities	224	236
Judgement debts	51	91
Accountable advances	4	-
	<u>46,935</u>	<u>79,399</u>
Less allowance for doubtful loans and advances	276	327
	<u>46,659</u>	<u>79,072</u>
Investments		
N.A. Properties (1994) Ltd.	1,986	1,635
Alberta Municipal Financing Corporation	45	45
	<u>2,031</u>	<u>1,680</u>
	<u>\$ 48,690</u>	<u>\$ 80,752</u>

**CAPITAL ASSETS**

**Schedule 13**

	<i>Estimated Useful Life</i>	<i>In thousands</i>			
		<b>2003</b>			<b>2002</b>
		<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
Equipment	10 years	\$ 109	\$ 109	\$ -	\$ -
Computer hardware and software	5 years	1,096	578	518	698
		<u>\$ 1,205</u>	<u>\$ 687</u>	<u>\$ 518</u>	<u>\$ 698</u>

**ACCOUNTS AND ACCRUED INTEREST PAYABLE**

**Schedule 14**

	<i>In thousands</i>	
	<b>2003</b>	<b>2002</b>
Accrued interest on unmatured debt	\$ 167,944	\$ 227,135
Investment purchases	-	146,407
Other	19,555	32,445
	<u>\$ 187,499</u>	<u>\$ 405,987</u>

## UNMATURED DEBT

Schedule 15

*In thousands*

			2003		2002	
	Effective Rate (a)(b)(c) %	Modified Duration (d) years	Book Value (a)	Fair Value (a)	Book Value (a)	Fair Value (a)
Canadian dollar debt and fully hedged foreign currency debt						
Floating rate and short-term						
fixed rate (e)	4.99	0.29	\$ 1,513,571	\$ 1,550,492	\$ 1,067,342	\$ 1,092,912
Fixed rate long-term (f)	6.87	4.45	3,839,493	4,290,299	4,605,748	5,013,809
	6.34	3.35	5,353,064	5,840,791	5,673,090	6,106,721
Unhedged U.S. dollar debt (g)						
Floating rate and short-term						
fixed rate (e)	1.61	0.10	1,055,900	1,050,468	2,328,856	2,475,004
Fixed rate long-term	6.68	1.19	504,204	553,938	510,097	593,097
	3.24	0.48	1,560,104	1,604,406	2,838,953	3,068,101
	5.68	2.72	\$ 6,913,168	\$ 7,445,197	\$ 8,512,043	\$ 9,174,822

- a) Book value represents the amount the Department owes. Fair value is an approximation of market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.
- b) Weighted average effective rates on unhedged U.S. dollar debt are based upon debt stated in U.S. dollars.
- c) Weighted average effective rate on total unmatured debt is on debt inclusive of deferred exchange losses on unhedged U.S. dollar debt (see note (g)).
- d) Modified duration is the weighted average term to maturity of the security's cash flows (i.e., interest and principal) and is a measure of price volatility; the greater the modified duration of a bond, the greater its percentage price volatility.
- e) Floating rate debt includes short-term debt, term debt with less than one year remaining to maturity, and term debt with interest rate reset within a year.
- f) Canadian dollar fixed rate debt includes \$678,696 (2002 \$678,696) held by the Canada Pension Plan Investment Fund.
- g) Unhedged U.S. dollar debt is translated into Canadian dollars at the March 31 noon exchange rate of \$1.47 per U.S. dollar (2002 \$1.59 per U.S. dollar). Deferred exchange gains on unhedged U.S. dollar debt amounted to \$23,457 at March 31, 2003 (2002 deferred exchange losses \$82,616). Amortization of deferred exchange gains amounted to \$50,105 for the year ended March 31, 2003 (2002 amortization of deferred losses \$106,627).

**Schedule 15** (continued)

Debt principal repayment requirements at par in each of the next five years, including short-term debt maturing in 2003-04, and thereafter are as follows:

	<i>In millions</i>	
	<b>Total in Canadian Dollars</b>	<b>Unhedged in US Dollars</b>
2003-04	\$1,836	\$ 500
2004-05	1,635	439
2005-06	1,300	108
2006-07	115	-
2007-08	268	-
Thereafter to 2016-17	1,754	-
	<b>\$6,908</b>	<b>\$1,047</b>

None of the debt has call provisions (2002 \$110,000).

**Derivative financial instruments**

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

Interest rate swaps involve the exchange of a series of interest payments, either at a fixed or floating rate, based upon a contractual or notional principal amount. An interest rate swap agreement based upon a notional amount involves no exchange of underlying principal. The notional amount serves as the basis for determining the exchange of interest payments. At March 31, 2003, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

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

**Schedule 15** (continued)

The following table summarizes the Department's derivative portfolio and related credit exposure. Notional amount represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Replacement cost represents the cost of replacing, at current market rates, all contracts which have a positive market value.

	<i>In thousands</i>			
	2003		2002	
	Notional Amount	Replacement Cost	Notional Amount	Replacement Cost
Interest rate swaps	\$ 1,906,000	\$ 24,491	\$ 2,493,000	\$ 28,818
Cross currency interest rate swaps	536,000	-	1,070,000	-
	<u>\$ 2,442,000</u>	<u>\$ 24,491</u>	<u>\$ 3,563,000</u>	<u>\$ 28,818</u>

**PENSION OBLIGATIONS**

**Schedule 16**

Because the pension plans referred to in Note 8 are multi-employer, the Department has no obligations in respect of pension plans for its employees.

However, in respect of other public sector pension plans, the Department has pension obligations as described below.

	<i>In thousands</i>	
	2003	2002
Obligations to pension plans for current and former employees and Members of the Legislative Assembly		
Public Service Management (Closed Membership) Pension Plan (a)	\$ 695,785	\$ 630,281
Members of the Legislative Assembly Pension Plan (b)	49,323	47,437
	<u>745,108</u>	<u>677,718</u>
Obligations to pension plans for employees of organizations outside the government reporting entity		
Universities Academic Pension Plan (c)	157,134	151,203
Special Forces Pension Plan (c)	60,005	51,977
	<u>217,139</u>	<u>203,180</u>
	<u>\$ 962,247</u>	<u>\$ 880,898</u>

- a) The Public Service Management (Closed Membership) pension plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992. The costs of all benefits under the plan are paid by the Department.
- b) The Department has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after this date.



**Schedule 16** (continued)

- c) Under the Public Sector Pension Plans Act, the Department has obligations for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25 per cent of pensionable salaries by the Department, and such percentages by employers and employees as will fund equally the remaining amount, as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

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

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

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

<b>Plan</b>	<b>Latest Valuation</b>	<b>Real Rate of Return %</b>	<b>Inflation Rate %</b>	<b>Investment Rate of Return %</b>
Public Service Management (Closed Membership) Pension Plan	December 31, 2002	3.0	3.0	6.0
Members of the Legislative Assembly Pension Plan	March 31, 2003	3.0	3.0	6.0
Universities Academic Pension Plan	December 31, 2000	4.0	3.5	7.5
Special Forces Pension Plan	December 31, 2001	3.75	3.25	7.0

These actuarial valuations indicated a deficiency of net assets over actuarial present value of accrued benefits. Including deferred adjustments, unfunded liabilities were extrapolated to March 31, 2003.

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

**OTHER ACCRUED LIABILITIES**

**Schedule 17**

	<i>In thousands</i>	
	2003	2002
Future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	\$ 608,135	\$ 697,763
Guarantees and indemnities (Schedule 19)	3,601	3,721
Vacation entitlements	1,757	1,674
Future funding to settle obligations under the credit union deficit financing agreement	-	78,000
Other	419	450
	<b>\$ 613,912</b>	<b>\$ 781,608</b>

**GUARANTEED DEBT OF GOVERNMENT ENTITIES**

**Schedule 18**

	<i>In thousands</i>				
	<b>Held by:</b>			<b>Total</b>	<b>Total</b>
	<b>Department of Finance</b>	<b>Alberta Heritage Savings Trust Fund</b>	<b>Others</b>	<b>2003</b>	<b>2002</b>
Debtentures					
Alberta Municipal Financing Corporation	\$ 160,000	\$ -	\$ 3,671,081	\$ 3,831,081	\$ 3,590,816
Alberta Social Housing Corporation	346,077	100,037	81,651	527,765	548,249
	506,077	100,037	3,752,732	4,358,846	4,139,065
Deposits					
Alberta Treasury Branches	7,888	-	12,089,023	12,096,911	11,425,210
	<b>\$ 513,965</b>	<b>\$ 100,037</b>	<b>\$ 15,841,755</b>	<b>\$ 16,455,757</b>	<b>\$ 15,564,275</b>

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

**Schedule 18** (continued)

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

Entity	Date	Position	<i>In thousands</i>	
			2003	2002
Alberta Municipal Financing Corporation	December 31, 2002	Shareholders' equity	\$ 26,740	\$ 132,802
Alberta Social Housing Corporation	March 31, 2003	Surplus	\$ 307,199	\$ 306,588
Alberta Treasury Branches	March 31, 2003	Equity	\$ 790,937	\$ 592,033

**OTHER GUARANTEES (a)****Schedule 19**

	<i>In thousands</i>		Expiry Date
	2003	2002	
Farm Credit Stability Act (b)	\$ 43,061	\$ 72,602	2011
Centre for Engineering Research Inc.	1,553	1,950	2005
University of Calgary	1,134	1,194	2016
Rural utilities loans	973	1,450	2015
Small Business Term Assistance Act	30	43	(c)
	46,751	77,239	
Less estimated liability (Schedule 17)	3,601	3,721	
	\$ 43,150	\$ 73,518	

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

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

No new program guarantees are being issued under the following Acts: Farm Credit Stability Act, Rural Utilities Act and the Small Business Term Assistance Act.

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

c) Loans have expired or are in the process of realization of security.

**RELATED PARTY TRANSACTIONS****Schedule 20**

---

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

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

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

The investment in Alberta Municipal Financing Corporation is recorded at cost (see Schedule 12) because the Corporation has the power to pay its retained earnings, which amounted to \$26,676,000 at December 31, 2002 (2001 \$132,738,000), to municipal and other shareholders which have borrowed money from the Corporation. During the 2002-03 fiscal year, the Department paid \$160,284,000 (2002 \$175,845,000) to the Corporation by way of grants to school boards to satisfy their interest and principal repayment obligations in respect of school board debentures. These amounts are not included in the table below as school boards are not related parties. The investment in Alberta Pensions Administration Corporation is not significant, either on a cost or an equity basis.

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

**Schedule 20** (continued)

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties.

	<i>In thousands</i>			
	<b>Entities in the Ministry</b>		<b>Other Entities</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Revenues</b>				
Transfers	\$ 119,549	\$ 186	\$ 280,243	\$ 153,376
Interest	10,321	1,616	69,722	68,851
Charges for services	16,301	15,466	175	256
	<u>\$ 146,171</u>	<u>\$ 17,268</u>	<u>\$ 350,140</u>	<u>\$ 222,483</u>
<b>Expenses</b>				
Cost of services	\$ 77	\$ 69	\$ 3,157	\$ 3,125
<b>Assets</b>				
Accounts receivable	\$ 86,005	\$ 50,439	\$ 72,247	\$ 28,376
Accrued interest receivable	1,911	1,693	15,050	13,757
Portfolio investments	160,000	160,000	-	-
Loans, advances and investments	2,031	1,680	1,345,812	1,249,294
	<u>\$ 249,947</u>	<u>\$ 213,812</u>	<u>\$ 1,433,109</u>	<u>\$ 1,291,427</u>
<b>Liabilities</b>				
Accounts and accrued interest payable	\$ 19	\$ -	\$ 175	\$ -

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

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 21.

	<b>Entities in the Ministry</b>		<b>Other Entities</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Expenses - incurred by others</b>				
Accommodation	\$ -	\$ -	\$ 1,173	\$ 921
Legal services	-	-	408	964
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,581</u>	<u>\$ 1,885</u>

**ALLOCATED COSTS BY PROGRAM**

**Schedule 21**

*In thousands*

	<b>Ministry Support Services</b>	<b>Fiscal Planning and Accountability</b>	<b>Pensions, Insurance and Financial Institutions</b>	<b>Treasury Management</b>	<b>Debt Servicing Costs and Other</b>	<b>Total</b>
Expenses <sup>(1)</sup>	\$ 5,284	\$ 7,760	\$ 3,079	\$ 3,076	\$ 543,413	\$ 562,612
Expenses - incurred by others						
Accommodation	402	251	484	36	-	1,173
Legal services	28	61	292	27	-	408
	430	312	776	63	-	1,581
Valuation adjustments						
Vacation pay	57	2	3	21	-	83
Doubtful accounts	-	-	-	(27)	-	(27)
Other	-	-	-	-	80,743	80,743
	57	2	3	(6)	80,743	80,799
2003 Total	\$ 5,771	\$ 8,074	\$ 3,858	\$ 3,133	\$ 624,156	\$ 644,992
2002 Total	\$ 4,886	\$ 7,540	\$ 3,462	\$ 2,365	\$ 800,613	\$ 818,866

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