

Ministry of Municipal Affairs

Consolidated Financial Statements

March 31, 2010

Auditor's Report

Consolidated Statement of Operations

Consolidated Statement of Financial Position

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Auditor's Report

To the Members of the Legislative Assembly

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

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

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

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

Edmonton, Alberta
June 10, 2010

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31
(in thousands)

	2010		2009
	Budget (Schedule 3)	Actual	Actual
Revenues (Schedule 1)			
Internal Government Transfers	\$ 26,000	\$ 26,000	\$ 26,000
Transfers from the Government of Canada	-	(12,540)	2,054
Premiums, Fees and Licences	458	237	485
Other Revenue	2,118	20,563	2,943
Net Loss from Commercial Operations	(1,211)	(702)	(919)
	<u>27,365</u>	<u>33,558</u>	<u>30,563</u>
Expenses - Directly Incurred (Note 2c and Schedule 5)			
Voted (Schedule 2)			
Ministry Support Services	13,017	11,576	12,011
Local Government Services	513,943	506,584	613,120
Public Safety	14,435	13,901	16,439
Alberta Emergency Management Agency	14,540	33,894	37,014
Municipal Government Board	3,992	4,299	4,230
Library Services	31,853	33,194	21,649
	<u>591,780</u>	<u>603,448</u>	<u>704,463</u>
Statutory (Schedule 2)			
Valuation Adjustments			
Provision for Doubtful Accounts	-	7	-
Provision for Vacation Pay	200	(144)	335
	<u>200</u>	<u>(137)</u>	<u>335</u>
	<u>591,980</u>	<u>603,311</u>	<u>704,798</u>
Net Operating Results	<u>\$ (564,615)</u>	<u>\$ (569,753)</u>	<u>\$ (674,235)</u>

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

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31
(in thousands)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and Cash Equivalents	\$ 4	\$ -
Accounts Receivable (Note 4)	104,342	115,671
Loans and Advances	9	9
Tangible Capital Assets (Note 6)	3,777	3,030
Deferred Charge	15	48
Equity in Commercial Operations (Note 3)	4,552	5,254
	<u>\$ 112,699</u>	<u>\$ 124,012</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	<u>\$ 98,797</u>	<u>\$ 81,982</u>
NET ASSETS		
Net Assets at Beginning of Year	42,030	26,467
Net Operating Results	(569,753)	(674,235)
Net Financing Provided from General Revenues	541,625	689,798
Net Assets at End of Year	<u>13,902</u>	<u>42,030</u>
	<u>\$ 112,699</u>	<u>\$ 124,012</u>

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

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF CASH FLOWS

As at March 31

(in thousands)

	<u>2010</u>	<u>2009</u>
	Actual	Actual
Operating Transactions		
Net Operating Results	\$ (569,753)	\$ (674,235)
Non-cash items included in Net Operating Results:		
Amortization	1,423	1,526
Deferred Charge	33	63
Valuation Adjustments	(137)	335
Net Loss from Commercial Operations	<u>702</u>	<u>919</u>
	(567,732)	(671,392)
Changes in Working Capital		
Decrease (Increase) in Accounts Receivable	11,322	(2,089)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>16,959</u>	<u>(14,692)</u>
Cash Applied to Operating Transactions	<u>(539,451)</u>	<u>(688,173)</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	<u>(2,170)</u>	<u>(1,934)</u>
Cash Applied to Capital Transactions	<u>(2,170)</u>	<u>(1,934)</u>
Financing Transactions		
Net Financing Provided from General Revenues	<u>541,625</u>	<u>689,798</u>
Cash Provided by Financing Transactions	<u>541,625</u>	<u>689,798</u>
Increase (Decrease) in Cash and Cash Equivalents	4	(309)
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>309</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4</u>	<u>\$ -</u>

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

NOTE 1 AUTHORITY AND PURPOSE

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

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

This is done by:

- Assists municipalities in providing well-managed, collaborative, and accountable local government to Albertans.
- Administers a safety system that strives to ensure appropriate safety standards for the construction and maintenance of buildings and equipment.
- Manages the network of municipal and library system boards to provide province-wide access to high-quality public library services for Albertans.
- The Alberta Emergency Management Agency reports directly to the Minister and is responsible for co-ordinating a comprehensive, cross-government, all-hazards approach to managing emergencies in the province.
- The Municipal Government Board is an independent, quasi-judicial board that conducts hearings and renders decisions on such matters as property assessment, and provides recommendations to Cabinet on matters defined under the *Municipal Government Act*, such as contested annexations.
- Managing 2.8 million acres of public land in the Special Areas and provides municipal services to the dryland region in eastern Alberta through the Special Areas Board.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

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

(a) Reporting Entity

The reporting entity is the Ministry of Municipal Affairs for which the Minister of Municipal Affairs is accountable. 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 Department of Municipal Affairs (*Government Organization Act*) and the Safety Codes Council (*Safety Codes Act*). The Ministry is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these consolidated financial statements except by way of disclosure in Note 9.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(a) Reporting Entity (continued)

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

(b) Basis of Consolidation

The accounts of the Safety Codes Council are reported on the modified equity basis, the equity being computed in accordance with generally accepted accounting principles.

The Ministry's Annual Report for the year ended March 31, 2010 includes the Safety Codes Council audited financial statements for the year ended December 31, 2009.

(c) Basis of Financial Reporting

Revenues

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

Internal Government Transfers

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

Transfers from Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made. The Ministry recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of concern to the Government of Canada.

Expenses

Directly Incurred

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

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

- amortization of tangible capital assets.
- pension costs, which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.
- grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Incurring by Others

Services contributed by other entities in support of the Ministry's operations are disclosed in Schedule 5.

Assets

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

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

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

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

Liabilities

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

Net Assets

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

Measurement Uncertainty (in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Estimates relating to the determination of the Government of Canada accounts receivable \$104,044 (2009-\$115,665), the accrued liabilities for the Disaster Recovery Program \$37,966 (2009-\$47,466) and Tank Site Remediation Program \$5,749 (2009-\$9,078), as disclosed in these consolidated financial statements are subject to measurement uncertainty.

The Government of Canada accounts receivable is mainly related to Disaster Recovery Programs \$101,367 (2009-\$113,888) that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as construction cost fluctuations, receipt of eligible claims, and the level of work and time time required to recover from disaster events.

NOTE 3 EQUITY IN COMMERCIAL OPERATIONS

(in thousands)

For the year ended December 31:

	<u>2009</u>	<u>2008</u>
		(Restated)
Equity in Commercial Operations, Beginning of Year	\$ 5,254	\$ 6,173
Total Revenues	4,513	4,584
Total Expenses	(5,215)	(5,503)
Equity in Commercial Operations, End of Year	<u>\$ 4,552</u>	<u>\$ 5,254</u>

Equity in commercial operations is solely the Safety Codes Council.

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	<u>2010</u>			<u>2009</u>
	Gross	Allowance for	Net Realizable	Net Realizable
	Amount	Doubtful	Value	Value
		Accounts		
Government of Canada	\$ 104,044	\$ -	\$ 104,044	\$ 115,665
Other	391	(93)	298	6
	<u>\$ 104,435</u>	<u>\$ (93)</u>	<u>\$ 104,342</u>	<u>\$ 115,671</u>

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

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 (other than Disaster Recovery accounts receivable), advances, accounts payable, accrued liabilities, and holdbacks are estimated to approximate their carrying values because of the short term nature of these instruments.

Disaster Recovery accounts receivable \$101,367 (2009-\$113,888), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the Ministry believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the Ministry is unable to estimate the fair value.

NOTE 6 TANGIBLE CAPITAL ASSETS

(in thousands)

	2010			2009
	Equipment	Computer hardware and software	Total	Total
Estimated useful life	10 years	5 years		
Historical Cost				
Beginning of year	\$ 1,848	\$ 13,681	\$ 15,529	\$ 15,531
Additions	470	1,700	2,170	1,934
Disposals, including write-downs	-	-	-	(1,936)
	<u>\$ 2,318</u>	<u>\$ 15,381</u>	<u>\$ 17,699</u>	<u>\$ 15,529</u>
Accumulated Amortization				
Beginning of year	\$ 1,089	\$ 11,410	\$ 12,499	\$ 12,909
Amortization expense	217	1,206	1,423	1,526
Effect of disposals	-	-	-	(1,936)
	<u>\$ 1,306</u>	<u>\$ 12,616</u>	<u>\$ 13,922</u>	<u>\$ 12,499</u>
Net book value at March 31, 2010	<u>\$ 1,012</u>	<u>\$ 2,765</u>	<u>\$ 3,777</u>	
Net book value at March 31, 2009	<u>\$ 759</u>	<u>\$ 2,271</u>		<u>\$ 3,030</u>

NOTE 7 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2010	2009
Operating Expense		
Service Contracts	\$ 30,640	\$ 12,196
Agreements ⁽¹⁾	10,003,894	10,312,537
Long-Term Leases	-	7
	<u>\$ 10,034,534</u>	<u>\$ 10,324,740</u>

⁽¹⁾ Included in agreements is an amount of \$10,000,000 for the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Ministry of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Agreements	Total
2010-11	\$ 11,589	\$ 879,861	\$ 891,450
2011-12	8,528	886,033	894,561
2012-13	5,295	928,000	933,295
2013-14	5,228	1,400,000	1,405,228
2014-15	-	1,400,000	1,400,000
Thereafter	-	4,510,000	4,510,000
	<u>\$ 30,640</u>	<u>\$ 10,003,894</u>	<u>\$ 10,034,534</u>

NOTE 8 CONTINGENT LIABILITIES

(\$ in thousands)

At March 31, 2010 the Ministry is a defendant in seven legal claims (2009 – nine legal claims). Three of these claims have specified amounts totalling \$51,266 and the remaining four have no specified amount (2009 – six claims with a specified amount of \$53,891 and three with no specified amount). Included in the total legal claims are three claims amounting to \$50,166 (2009 – six claims amounting to \$53,386) in which the Ministry has been jointly named with other entities. None of the claims (2009 – three claims amounting to \$3,220) are covered by the Alberta Risk Management Fund.

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

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

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 purpose of various trusts, they are not included in the Ministry's consolidated financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the unaudited financial statements of the trust funds for December 31, 2009 and December 31, 2008 are as follows:

	<u>2009</u>	<u>2008</u>
		(Restated)
Special Areas Trust Account	\$ 207,054	\$ 195,079
Improvement Districts' Trust Account	6,768	5,686
	<u>\$ 213,822</u>	<u>\$ 200,765</u>

NOTE 10 PAYMENTS UNDER AGREEMENT

(in thousands)

The Ministry has entered into agreements to deliver programs and services:

- The Federal Office of Critical Infrastructure Protection and Emergency Preparedness Program which is designed to provide financial assistance, on a cost-shared basis with municipalities, to fund projects that will develop or enhance a regional emergency response capability.
- The National Search and Rescue Secretariat to deliver search and rescue projects under the Federal Government's New Search and Rescue Initiatives Fund.
- Indian and Northern Affairs Canada to deliver the Alberta First Nations Emergency Planning Program.
- Emergency Services Workers Agreement allows for the partial recovery of Workers' Compensation Board (WCB) costs.

Costs incurred under these agreements are made by the Ministry under authority of the *Financial Administration Act*, Section 25. Accounts receivable includes \$2,678 (2009 - \$1,777) and accounts payable includes \$2,458 (2009 -\$822) relating to payments under agreement.

Amounts paid and payable under agreement are as follows:

	<u>2010</u>	<u>2009</u>
Joint Emergency Preparedness Program	\$ 483	\$ 869
First Nations Emergency Planning Program	1,243	568
Emergency Services Workers Agreement	41	-
	<u>\$ 1,767</u>	<u>\$ 1,437</u>

NOTE 11 DEFINED BENEFIT PLANS

(in thousands)

The Ministry participates in the multi-employer pension plans: Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$3,694 for the year ended March 31, 2010 (2009 - \$3,439).

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

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

NOTE 12 COMPARITIVE FIGURES

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

NOTE 13 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

MINISTRY OF MUNICIPAL AFFAIRS
 SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

Schedule 1

Revenues
 Year ended March 31
 (in thousands)

	<u>2010</u>		<u>2009</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Internal Government Transfers			
Transfer from the Lottery Fund	\$ 26,000	\$ 26,000	\$ 26,000
Transfers from the Government of Canada			
Disaster Assistance Programs	-	(12,521)	2,091
Other	-	(19)	(37)
	<u>-</u>	<u>(12,540)</u>	<u>2,054</u>
Premiums, Fees and Licences	<u>458</u>	<u>237</u>	<u>485</u>
Other Revenue			
Dedicated Revenue Initiatives	1,937	1,937	1,827
Refunds of Expenditure	181	18,618	1,113
Miscellaneous	-	8	3
	<u>2,118</u>	<u>20,563</u>	<u>2,943</u>
Net Loss from Commercial Operations	<u>(1,211)</u>	<u>(702)</u>	<u>(919)</u>
	<u>\$ 27,365</u>	<u>\$ 33,558</u>	<u>\$ 30,563</u>

MINISTRY OF MUNICIPAL AFFAIRS
 SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Expenses - Directly Incurred Detailed by Object
 Year ended March 31
 (in thousands)

Schedule 2

	2010		2009
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Voted:			
Salaries, Wages and Employee Benefits	\$ 43,614	\$ 39,070	\$ 38,941
Supplies and Services	21,682	23,237	27,995
Grants	524,122	539,598	635,883
Financial Transactions and Other	91	120	118
Amortization of Tangible Capital Assets	<u>2,271</u>	<u>1,423</u>	<u>1,526</u>
Total Voted Expenses	<u>\$ 591,780</u>	<u>\$ 603,448</u>	<u>\$ 704,463</u>

Statutory:

Valuation Adjustments

Provision for Doubtful Accounts	\$ -	\$ 7	\$ -
Provision for Vacation Pay	<u>200</u>	<u>(144)</u>	<u>335</u>
	<u>\$ 200</u>	<u>\$ (137)</u>	<u>\$ 335</u>

MINISTRY OF MUNICIPAL AFFAIRS
 SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 3

Budget

Year ended March 31

(in thousands)

	2009-2010				
	Estimates	Adjustments (a)	Budget	Supplementary (b)	Authorized Budget
Revenues					
Internal Government Transfers	\$ 26,000	\$ -	\$ 26,000	\$ -	\$ 26,000
Transfers from the Government of Canada	-	-	-	-	-
Premiums, Fees and Licences	458	-	458	-	458
Other Revenue	2,118	-	2,118	-	2,118
Net Loss from Commercial Operations	(1,211)	-	(1,211)	-	(1,211)
	<u>27,365</u>	<u>-</u>	<u>27,365</u>	<u>-</u>	<u>27,365</u>
Expenses - Directly Incurred					
Voted Expenses					
Ministry Support Services	13,017	-	13,017	(370)	12,647
Local Government Services	513,943	545	514,488	(3,219)	511,269
Public Safety	14,435	-	14,435	(392)	14,043
Alberta Emergency Management Agency	14,540	-	14,540	19,867	34,407
Municipal Government Board	3,992	-	3,992	(18)	3,974
Library Services	31,853	-	31,853	(27)	31,826
	<u>591,780</u>	<u>545</u>	<u>592,325</u>	<u>15,841</u>	<u>608,166</u>
Statutory Expenses					
Valuation Adjustments					
Provision for Vacation Pay	200	-	200	-	200
	<u>591,980</u>	<u>545</u>	<u>592,525</u>	<u>15,841</u>	<u>608,366</u>
Net Operating Results	<u>\$ (564,615)</u>	<u>\$ (545)</u>	<u>\$ (565,160)</u>	<u>\$ (15,841)</u>	<u>\$ (581,001)</u>
Equipment/Inventory Purchases (EIP)	<u>\$ 2,190</u>	<u>\$ -</u>	<u>\$ 2,190</u>	<u>\$ (500)</u>	<u>\$ 1,690</u>

(a) Adjustments include encumbrances, credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. In the event that actual voted Expense, Equipment/Inventory Purchases and Capital Investment in the prior year exceed the authorized budget, the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

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

MINISTRY OF MUNICIPAL AFFAIRS
 SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 4

Related Party Transactions
 Year ended March 31
 (in thousands)

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

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

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

	Other Entities	
	<u>2010</u>	<u>2009</u>
Revenues		
Lottery Fund	\$ 26,000	\$ 26,000
Fees and charges	88	-
	<u>\$ 26,088</u>	<u>\$ 26,000</u>
Expenses - Directly Incurred		
Business and Technology Services	314	296
Insurance	94	74
Other Services	433	-
	<u>\$ 841</u>	<u>\$ 370</u>

MINISTRY OF MUNICIPAL AFFAIRS
 SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Related Party Transactions
 Year ended March 31
 (in thousands)

Schedule 4
 (continued)

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 but are disclosed in Schedule 5.

	Other Entities	
	<u>2010</u>	<u>2009</u>
Expenses - Incurred by Others (Schedule 5)		
Accommodation	\$ 4,014	\$ 5,677
Air Transportation/Executive Vehicles	169	150
Business Services	1,383	1,334
Legal	723	747
	<u>\$ 6,289</u>	<u>\$ 7,908</u>

The Ministry paid \$39,099 (2009 - \$36,416) of grants in place of taxes on behalf of other ministries.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
Allocated Costs
Year ended March 31
(in thousands)

Schedule 5

Program	2010						2009	
	Expenses (1)	Expenses - Incurred by Others			Valuation Adjustments (5)		Expenses	Expenses
		Accommo- dation Costs (2)	Business Services (3)	Legal Services (4)	Vacation Pay	Doubtful Accounts		
Ministry Support Services	\$ 11,576	\$ 755	\$ 1,552	\$ 131	\$ 45	\$ -	\$ 14,059	\$ 14,708
Local Government Services	506,584	1,634	-	388	(15)	7	508,598	615,981
Public Safety	13,901	774	-	79	(56)	-	14,698	17,767
Alberta Emergency Management Agency	33,894	564	-	116	(32)	-	34,542	37,876
Municipal Government Board	4,299	201	-	8	(70)	-	4,438	4,640
Library Services	33,194	86	-	1	(16)	-	33,265	21,734
	<u>\$ 603,448</u>	<u>\$ 4,014</u>	<u>\$ 1,552</u>	<u>\$ 723</u>	<u>\$ (144)</u>	<u>\$ 7</u>	<u>\$ 609,600</u>	<u>\$ 712,706</u>

- (1) Expenses – Directly Incurred as per Consolidated Statement of Operations, excluding valuation adjustments.
- (2) Cost shown for Accommodation on Schedule 4, allocated by number of employees.
- (3) Business Services includes financial and administrative services and air transportation and executive vehicle services, allocated by estimated costs incurred in each program.
- (4) Costs shown for Legal Services on Schedule 4, allocated by estimated costs incurred by each program.
- (5) Valuation Adjustments as per Consolidated Statement of Operations. Provision for Doubtful Accounts and Provision for Vacation Pay included in Valuation Adjustments were allocated as follows:
- Vacation Pay - allocated to the program by employee,
 - Doubtful Accounts Provision - estimated allocation to program.