

# Legislative Assembly Office

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Financial Statements - As at March 31, 1998

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## Auditor's Report

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To the Speaker of the Legislative Assembly of Alberta:

I have audited the statement of financial position of the Legislative Assembly Office as at March 31, 1998, and the statements of changes in net liabilities, operations, and changes in financial position for the year then ended. These financial statements are the responsibility of the Office's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with 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.

The Office has not recognized accrued vacation entitlements as a liability. The amount of the misstatement cannot be reasonably determined; however, I believe it to be material.

In my opinion, except for the effects of the Office's failure to record the liability referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 1998, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, reading 'Peter Valentine'.

FCA  
Auditor General

Edmonton, Alberta  
December 9, 1999

## Statement of Financial Position - As at March 31, 1998

Assets	1998	1997
Current Assets		
Cash	\$ 1,550	\$ 8,531
Accounts receivable and advances (Note 4)	688,929	308,658
Inventory held for resale	210,988	193,290
	<u>901,467</u>	<u>510,479</u>
Capital assets (Note 5)	358,593	228,975
	<u><b>\$ 1,260,060</b></u>	<u><b>\$ 739,454</b></u>
Liabilities and Net Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 787,016	\$ 300,720
	<u>787,016</u>	<u>300,720</u>
Members' transition allowance liability (Note 7)	2,722,683	2,650,800
Long-term disability insurance liability (Note 8)	18,200	706,250
Pension liability (Note 9)	603,000	1,256,500
	<u>3,343,883</u>	<u>4,613,550</u>
Net liabilities	<u>(2,870,839)</u>	<u>(4,174,816)</u>
	<u><b>\$ 1,260,060</b></u>	<u><b>\$ 739,454</b></u>

The accompanying notes are part of these financial statements.

## Statement of Changes in Net Liabilities - Year ended March 31, 1998

	1998	1997
Net liabilities at beginning of year	\$ (4,174,816)	\$ (6,077,420)
Net operating results	(18,774,051)	(17,697,734)
Net transfer from general revenues	<u>20,078,028</u>	<u>19,600,338</u>
<b>Net liabilities at end of year</b>	<b>\$ (2,870,839)</b>	<b>\$ (4,174,816)</b>

## Statement of Operations - Year ended March 31, 1998

	1998		1997
	BUDGET (Note 10)	ACTUAL	ACTUAL
Revenues			
Gift shop sales, services, and fees	\$ 131,638	\$ 156,238	\$ 147,643
Contribution from Alberta Public Works, Supply and Services for accommodation provided at no charge		461,000	461,000
	<b>131,638</b>	<b>617,238</b>	<b>608,643</b>
Expenses			
Voted:			
Financial management and administrative services	326,811	302,808	328,000
House services	1,040,477	1,079,949	886,000
MLA administration	14,172,275	12,638,647	12,221,000
Office of the Speaker	260,970	280,160	180,000
Government members' services	1,842,335	1,221,325	1,044,000
Official Opposition services	1,115,126	1,115,837	1,568,000
New Democrat Opposition services	85,690	234,328	-
Legislative committees	159,045	105,688	41,000
Public Information Branch	1,364,523	1,236,045	1,041,000
Legislature Library	832,820	824,116	809,000
Information systems	814,699	886,753	776,000
Independent member's services	-	-	15,000
Human resources services	371,849	403,917	213,000
Electoral Boundaries Commission	-	-	117,000
	<b>\$ 22,386,620</b>	<b>20,329,573</b>	<b>19,239,000</b>
Valuation adjustments (Note 11)			
Accommodation costs		461,000	461,000
Capitalization of assets expensed as supplies		(407,674)	(260,430)
Amortization of capital assets (Note 3 (b))		278,057	201,027
Provision for (reduction in) members' transitional allowance liability		71,883	(949,200)
Provision for (reduction in) long-term disability insurance liability (Note 8)		(688,050)	145,780
Provision for (reduction in) pension liability (Note 9)		(653,500)	(530,800)
		(938,284)	(932,623)
		19,391,289	18,306,377
<b>Net operating results</b>		<b>\$ (18,774,051)</b>	<b>\$ (17,697,734)</b>

## Statement of Changes in Financial Position - Year ended March 31, 1998

	1998	1997
Operating transactions		
Net operating results	\$ (18,774,051)	\$ (17,697,734)
Add non-cash charges		
Amortization of capital assets	278,057	201,027
Increase (decrease) in accounts payable and accrued liabilities	486,296	(64,567)
Increase (decrease) in long-term disability insurance liability	(688,050)	145,780
Decrease in pension liability	(653,500)	(530,800)
Increase in accounts receivable and advances	(380,271)	(139,862)
Increase in inventory	(17,698)	(290)
Increase (decrease) in transitional allowance	71,883	(1,249,200)
Cash used by operating transactions	<u>(19,677,334)</u>	<u>(19,335,646)</u>
Investing transactions		
Acquisition of capital assets	<u>(407,675)</u>	<u>(260,430)</u>
Financing transactions		
Net transfer from general revenues	<u>20,078,028</u>	<u>19,600,338</u>
Net cash provided (used)	<u>(6,981)</u>	<u>4,262</u>
Cash, beginning of year	<u>8,531</u>	<u>4,269</u>
<b>Cash, end of year</b>	<b>\$ 1,550</b>	<b>\$ 8,531</b>

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## Notes to the Financial Statements - Year ended March 31, 1998

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### Note 1 Authority

The Legislative Assembly Office (the "Office") is operated under the authority of the Legislative Assembly Act. The net cost of the operations of the Office is borne by the general revenue fund of the Province of Alberta. Annual operating budgets are approved by the Special Standing Committee on Members' Services.

### Note 2 Purpose

Within the traditions of parliamentary democracy as constitutionally established in Alberta, the Legislative Assembly:

1. Supports the Speaker of the Legislative Assembly in carrying out the duties of the office.
2. Supports members in carrying out their roles as elected representatives of the people of Alberta.
3. Records the proceedings and maintains the records of the Legislative Assembly.
4. Informs and educates the public on behalf of members and the institution of parliament.
5. Supports the Assembly in protecting its institutions and privileges.
6. Supports the exchange of information and ideas among Legislatures.
7. Supports the Officers of the Legislature as required.

### Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies:

#### a) Reporting Entity

The reporting entity is the Legislative Assembly Office, for which the Clerk of the Legislative Assembly is responsible.

The Office operates within the general revenue fund (the "Fund"). The Fund is administered by the Provincial Treasurer. All receipts of the Office are deposited into the Fund and all disbursements made by the Office are paid from the Fund.

#### b) Basis of Financial Reporting

##### *Revenues*

All revenues are reported on the accrual basis of accounting.

##### *Expenses*

Expenses represent the costs of resources consumed during the year on the Office's operations.



Pension expense included as part of the employer's share of employee benefits, or as a valuation adjustment to record the change in pension liability, comprises:

- (i) the cost of pension benefits earned by employees during the year,
- (ii) interest on the Office's share of the unfunded pension liability,
- (iii) amortization of deferred adjustments over the expected average remaining service life of employees,
- (iv) adjustments to the pension obligation in the event that there is reasonable assurance that a gain or loss has been realized, and
- (v) the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities.

#### *Valuation Adjustments*

Valuation adjustments include changes in the valuation allowances used to reflect financial assets and liabilities at their net recoverable or other appropriate value.

#### *Assets*

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

Inventory held for resale is reported at the lower of cost and net realizable value.

Amortization is calculated on a straight-line basis, over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years
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The Office follows government budgetary practices which allow funds from an operating budget to be used to purchase capital assets. These purchases are included in expenses on the statement of operations, but are then removed from expenses through a valuation adjustment and are capitalized and amortized over their useful lives.

#### *Liabilities*

Liabilities include all financial claims payable by the Office at fiscal year end, including long-term disability benefits and certain pension benefits.

#### *Net Liabilities*

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

#### Note 4 Accounts Receivable and Advances

The fair value of accounts receivable and advances are estimated to approximate their book values.

The Office is responsible for paying the remuneration of Members of the Legislative Assembly. A portion of the remuneration relates to allowances for service as a minister of a government department or on a committee that a particular ministry is responsible for. These payments are not expenses of the Office and are recovered from the appropriate government departments.

	1998	1997
Ministerial and committee remuneration recovery	\$ 520,665	\$ 266,014
GST receivable	90,710	-
Accountable advances	18,282	8,843
Other	59,272	33,801
<b>Total</b>	<b>\$ 688,929</b>	<b>\$ 308,658</b>

#### Note 5 Capital Assets

	1998			1997
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Computer hardware and software	\$ 834,170	\$ 475,577	\$ 358,593	\$ 228,975
	<b>\$ 834,170</b>	<b>\$ 475,577</b>	<b>\$ 358,593</b>	<b>\$ 228,975</b>

#### Note 6 Accounts Payable and Accrued Liabilities

The fair values of accounts payable and accrued liabilities are estimated to approximate their book values.

#### Note 7 Members' Transitional Allowance

Effective during the 1997-98 fiscal period as per the Members' Allowances Order (RMSO 1992, c.M-1, as amended) section 9:

Where a Member resigns from office as a Member, or an ex-Member chooses not to contest or is not elected in an election immediately following a period of service as a Member, the Member or ex-Members shall receive a transitional allowance in the amount of one month's indemnity allowance and one month's expense allowance at the highest level attained multiplied by the years or part years of service as Member, whether continuously or in separate periods with a minimum of 6 and a maximum of 12 years.

#### Note 8 Long-Term Disability Insurance Liability

The Office participates with government departments in long-term disability insurance. The Office's portion of this liability was based on the Office's percentage of the total salaries of all government departments in the plan. During the current year the Province paid approximately \$102 million into the long-term disability insurance fund and, as a result, there was a significant reduction in the liability at March 31, 1998.

#### Note 9 Pension Liability

The Office participates with other employers in the Public Service Pension Plan and the Management Employees Pension Plan. These plans provide pensions for the Office's employees based on years of service and earnings. The Office had an unfunded pension liability for each plan as at March 31, which was estimated as follows:

	1998	1997
Public Service Pension Plan	\$ 126,600	\$ 251,300
Management Employees Pension Plan	476,400	1,005,200
	<u>\$ 603,000</u>	<u>\$ 1,256,500</u>

The total unfunded pension liability for each plan as at March 31, 1998, was determined by actuarial valuation as at December 31, 1995, for the Public Service Pension Plan and December 31, 1996, for the Management Employees Pension Plan, both extrapolated to March 31, 1998. The 1997, comparatives were determined by extrapolation to March 31, 1997, of actuarial valuations as at December 31, 1995 for the Public Service Pension Plan and as at December 31, 1994, for the Management Employees Pension Plan.

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on each Pension Board's best estimate 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 which relate to the long-term are amortized over the expected average remaining service life of the employee group. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized as income immediately.

The *Public Sector Pension Plans Act* specifies the basis to determine the amount of the total liability for each plan which will be funded by employers. The Office's portion of these employers' liabilities was based on the Office's percentage of the total pensionable payroll of all employers in the Plans.

#### Note 10 Budget

Expenses	
1997-98 budget <sup>(a)</sup>	\$ 22,386,620
Voted supplementary <sup>(b)</sup>	-
1997-98 authorized budget	22,386,620
1997-98 actual expenses (excluding validation adjustments)	(20,329,573)
1997-98 unexpended (excluding validation adjustments)	<b>\$ 2,057,047</b>

<sup>(a)</sup> Legislative Assembly Estimates released on April 21, 1997.

<sup>(b)</sup> Supplementary Estimates released on March 17, 1998.

New Democrat Opposition services budget had \$148,343 transferred to it from the MLA administration budget as per the Special Standing Committee on Members' Services (April 30, 1997); this occurred after the Legislative Assembly Estimates were tabled in the Legislature.

#### Note 11 Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect assets and liabilities at their appropriate value.

#### Note 12 Uncertainty Due to Year 2000

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. Computer programs that have date sensitive software may recognize a date of "00" as the year 1900 rather than the year 2000 which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000.

The Office is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the Office's computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing, or retiring significant portions of computerized information systems are not expected to have a materially adverse effect on the Office's financial condition. Despite the Office's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 problem affecting the Office, including those related to the efforts of customers, suppliers, and other third parties, will be fully resolved.

#### Note 13 Approval of Financial Statements

These financial statements were approved by the Clerk of the Legislative Assembly.

## Schedule 1

### Expenses Detailed by Object - Year ended March 31, 1998

	1998		1997
	BUDGET	ACTUAL	ACTUAL
Expenses			
Salaries, wages and employer contributions			
Legislative Assembly Office staff (Schedule 2)	\$ -	\$ 3,351,262	\$ 2,930,276
Constituency Office, caucus, and other staff	-	4,661,428	4,345,724
	<u>8,270,287</u>	<u>8,012,690</u>	<u>7,276,000</u>
Supplies and services	6,522,801	6,110,033	5,529,000
Grants	2,560	1,700	2,000
Payments to MLAs and Executive Council	<u>7,590,972</u>	<u>6,205,150</u>	<u>6,432,000</u>
Total Expenses	<b>\$ 22,386,620</b>	<b>\$ 20,329,573</b>	<b>\$19,239,000</b>

## Schedule 2

### Salary and Benefits Disclosure - Year ended March 31, 1998

	1998			1997
	SALARY <sup>(1)</sup>	BENEFITS & ALLOWANCES <sup>(2)</sup>	TOTAL	TOTAL
Senior Official				
Clerk of the Legislative Assembly <sup>(3)</sup>	\$ 93,832 <sup>(4)</sup>	\$ 13,855	\$ 107,687	\$ 102,372
Senior Management Team				
Senior Financial Officer	69,508	12,460	81,968	
Senior Parliamentary Counsel	70,433 <sup>(4)</sup>	12,249	82,682	
Parliamentary Counsel	58,112	11,069	69,181	
Director, Public Information Branch	59,136	11,194	70,330	
Director, Human Resource Services	60,568 <sup>(4)</sup>	11,089	71,657	
Legislature Librarian	60,970 <sup>(4)</sup>	11,454	72,424	
Assistant Legislature Librarian	53,953	10,560	64,513	
Clerk Assistant	57,921 <sup>(4)</sup>	10,803	68,724	
Sergeant-At-Arms	51,885	10,307	62,192	
Manager, Financial Management and Administrative Services	44,111	8,561	52,672	
Other managers	96,527	13,744	110,271	
Manager Subtotal	\$ 683,124	\$ 123,490	\$ 806,614	\$ 691,002
Other salaried staff	1,534,040	239,698	1,773,738	1,679,081
Nonsalaried staff <sup>(5)</sup>	626,038	37,185	663,223	457,821
	<b>\$ 2,937,034</b>	<b>\$ 414,228</b>	<b>\$ 3,351,262</b>	<b>\$ 2,930,276</b>

<sup>(1)</sup> Salary includes regular base pay, bonuses, overtime, lump sum payments, and any other direct cash remuneration.

<sup>(2)</sup> The Legislative Assembly Office's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, and short and long-term disability plans.

<sup>(3)</sup> Automobile is provided but not included in benefit calculations.

<sup>(4)</sup> Includes vacation payout.

<sup>(5)</sup> Non-salaried staff includes all wage staff and others remunerated on an hourly basis with the exception of salaries and benefits paid under the STEP program.