

1997/98

Annual  
Annual  
Report

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Ministry  
of  
Environmental  
Protection

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Alberta



# Public Accounts 1997-98 — Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Province of Alberta and the annual reports of each of the 18 Ministries. Commencing this fiscal year, ministry annual reports required under the *Government Accountability Act* replace volumes 2, 3 and 4 of the Public Accounts prepared in previous years.

The annual report of the Province of Alberta contains the consolidated financial statements of the province and a comparison of the actual performance results to desired results set out in the government's business plan, including a message from the Provincial Treasurer. The province's audited consolidated financial statements include the accounts of government entities consisting of departments (all departments combined from the General Revenue Fund), revolving funds, the Alberta Heritage Savings Trust Fund and other regulated funds, provincial agencies and Crown-controlled corporations.

**This annual report of the Ministry of Environmental Protection contains the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry's business plan, including a message from the Minister. The ministry's audited consolidated financial statements include the accounts of the department of Environmental Protection, revolving funds, regulated funds, provincial agencies and Crown-controlled corporations for which the Minister is responsible. The financial statements of each of these component entities of the ministry are also included in this annual report.**

**This annual report includes, either as a separate report or as part of financial statements, the reports or statements prepared pursuant to the *Financial Administration Act*, to the extent that the ministry has anything to report. A summary of expenditures under each appropriation in the ministry, as required by the *Government Accountability Act*, is included in the financial statements of the department.**

**Financial information relating to the Environmental Protection Revolving Fund, the Environmental Protection and Enhancement Fund, the Natural Resources Conservation Board and the Alberta Special Waste Management Corporation are also included in this annual report as supplementary information.**





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# *Minister's Accountability Statement*



The Ministry's Annual Report for the year ended March 31, 1998 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 14, 1998 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

*Ty Lund*

**Ty Lund**  
Minister of Environmental Protection

September 14, 1998





## *Message from the Minister*



*Ty Lund  
Minister of  
Environmental Protection*

Alberta's prosperity and the health and welfare of Albertans are founded on a healthy environment. Albertans rely on their environment for renewable natural resources to fuel economic growth; for clean air, water and land with which to live; and for the spiritual renewal that the natural world can offer.

Alberta Environmental Protection seeks to ensure Alberta's environment continues to thrive while fulfilling the needs of all Albertans.

In 1997-98, we continued to successfully meet the demands of our mission, and to make a significant contribution to the government's overall goals of People, Prosperity and Preservation, and to its fiscal objectives. In doing so, we again demonstrated the success that can be achieved through teamwork, innovation and continual improvement.

By streamlining our operations and improving our processes, Alberta Environmental Protection saved \$2.4 million in administrative costs. Major privatization initiatives resulted in savings of another \$4.4 million.

We continued our efforts to improve and simplify our legislative framework, publishing 17 standards and guidelines for industry, municipalities and government, and removing more unnecessary red tape.

We developed a team-based approach to environmental assessment and regulatory processes. The new approach allowed us to successfully deal with the largest number of new major project proposals—\$11 billion in capital costs—in recent years.

The 1997-98 compliance assurance and enforcement program resulted in the issuance of approximately 100 administrative penalties for a total assessment of about \$780,000. In addition, approximately 6000 charges were laid under a variety of legislation administered by the department.

We deployed leading-edge technology to improve our ability to both forecast floods and warn Albertans of emergency floodwater situations.

And as part of our principle of offering service in all regions of Alberta, the responsibility for environmental approvals for a



*Alberta Environmental Protection seeks to ensure Alberta's environment continues to thrive while fulfilling as much as possible the needs of all Albertans.*

number of community-level industrial activities was regionalized.

None of this would have been possible without our continued commitment to detailed business planning. The 1997-2000 business plan built on the results of previous plans. Through it, we were better able to direct our resources and efforts, and to improve our focus on our core businesses. In addition, the plan's performance measurements helped make us more accountable to Albertans.

That accountability will continue to be a hallmark of the Ministry's activities, particularly as we address the results of last year's Growth Summit.

We will continue to hold sustainable development and integrated resource management as fundamental principles. This will help us respond to the desire expressed at the summit for a new model for growth, one that addresses not just economic needs, but the needs of society and the environment as well.

We will continue to implement our regulatory reform strategy, part of our response to the demand for less red tape and fewer financial charges that inhibit business growth.

Our business plan goals related to cooperation, clarification and harmonization of environmental

roles and responsibilities between governments will help us respond to Albertans' desire for a clearer understanding of those roles and responsibilities.

And our commitment to the principle of shared responsibility will help us meet Albertans' call for more and better partnerships with non-profit and private sector organizations.

We are doubly blessed in Alberta. We are enjoying a period of impressive economic growth and prosperity. And we have a natural heritage of which we can be proud. Alberta Environmental Protection is dedicated to working with our partners, the people of Alberta, to protect that natural heritage and its contribution to the welfare of the province. With staff who continue to demonstrate the professionalism, commitment and excellence for which they are well known, my Ministry looks to the future with confidence.



## *Management's Responsibility for Reporting*

The Ministry of Environmental Protection includes:

Department of Environmental Protection  
Environmental Protection Revolving Fund  
Environmental Protection and Enhancement Fund  
Natural Resources Conservation Board  
Alberta Special Waste Management Corporation

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, we ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Environmental Protection. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under ministry administration;
- provide Executive Council, Treasury Board, the Provincial Treasurer and the Minister any information needed to fulfil their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executive of the individual entities within the ministry.



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Jim Nichols  
Deputy Minister  
Environmental Protection  
Date: September 14, 1998



## Overview

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*Our mission: as proud stewards of Alberta's renewable natural resources, we will protect, enhance and ensure the wise use of our environment. We are a dedicated and committed team responsible for managing these resources with Albertans. We are guided by a shared commitment to the environment and are accountable to our partners, the people of Alberta.*

### Introduction

Environmental Protection continued to be an effective and performance-driven organization in 1997-98, capable of achieving its mandate and always ready to meet new challenges. This year was, once again, a significant year for the Ministry.

The Ministry fiscal plan allowed us to conduct our business in an efficient and cost-effective manner. We continued to streamline and clarify decision-making structures and processes for managing natural resources, and significantly reduced administrative costs. Along with streamlining, the Ministry's resources were re-allocated to better meet the challenge of environmental management and to support the Alberta Advantage.

The Department of Environmental Protection was restructured with two of the four service areas being amalgamated. This restructuring resulted in a broader, more inclusive environmental management mandate for one Service, and a realignment of a number of functions within other Services. This streamlining and reduction will produce benefits throughout the organization.

The Ministry continued its search for new ways of doing business by permitting the private sector to deliver those services to the public for which it is better suited. The various initiatives undertaken throughout the year contributed to a strong and prosperous Alberta, while maintaining a clean and healthy environment for present and future generations of Albertans.

The Ministry is composed of the Department of Environmental Protection, as well as two boards and a corporation reporting directly to the Minister: The Environmental Appeal Board; the Natural Resources Conservation Board; and the Special Waste Management Corporation. As well, the Department is responsible for the Environmental Protection Revolving Fund and the Environmental Protection and Enhancement Fund.

The Department of Environmental Protection is organized into three major areas: Natural Resources Service; Land and Forest Service; and Environmental Service—with support from Financial Services, Human Resource Services and Communications Division. Departmental services are delivered in over 100 communities throughout Alberta.

### *Natural Resources Service (NRS)*

NRS is responsible for the management of Alberta's water, wildlife and fish, natural heritage resources and provincial parks. NRS is committed to the wise use and sustainable development of these renewable resources to support a prosperous provincial economy, a healthy environment and high quality of life for present and future generations of Albertans. This responsibility is met through monitoring, careful and fair resource allocation, public education, enforcement and management of the parks and water capital works.

*Morley Barrett*  
Assistant Deputy Minister  
Phone: 427-6749

### *Land and Forest Service (LFS)*

LFS' mission is to ensure sound stewardship of Alberta's public lands and Crown forests. To achieve this, LFS develops policy regarding the use of public lands and Crown forests, reviews and approves all geophysical activity on Crown land (both White and Green Areas) and ensures these activities conform to applicable provincial regulations and standards for land and forest resource use. A large portion of LFS resources is devoted towards managing wildfire and forest pests. LFS also reforests lands harvested by small timber producers.

*Cliff Henderson*  
Assistant Deputy Minister  
Phone: 427-3542

### *Environmental Service (ES)*

ES was created by amalgamating the former Environmental Regulatory Service and the Corporate Management Service, and integrating their mandates. To ensure the protection, enhancement and wise use of the environment, the new Service develops and applies integrated, consistent and effective environmental management strategies and programs. ES develops environmental management policies and standards, issues pollution prevention and control approvals for industrial and municipal operations, conducts the environmental assessment review process and leads provincial policy for integrated resource management and enforcement compliance. ES programs are founded on science-based decision-making, environmental monitoring and performance measurement, compliance assurance and enforcement, public education and stakeholder partnerships.

*Doug Tupper*  
Assistant Deputy Minister  
Phone: 427-6247

The Minister of Environmental Protection is responsible for the Environmental Appeal Board, the Natural Resources Conservation Board and the Special Waste Management Corporation. The Boards and Corporation operate at arm's length from the Department and report directly to the Minister.

### *Environmental Appeal Board (EAB)*

The EAB reports and makes recommendations to the Minister on appeals of decisions made by a Director of Environmental Protection. These decisions include environmental protection orders and reclamation certificates; assessment of environmental issues; cases involving adverse environmental impact on air, water and soil; and decisions related to hazardous wastes and contaminated sites. The board provides fair, impartial and efficient resolution of all matters before it, consistent with the purpose of the *Alberta Environmental Protection and Enhancement Act*.

### *Natural Resources Conservation Board (NRCB)*

The NRCB is an independent, quasi-judicial tribunal with members appointed by Cabinet. The core business of the NRCB is to review applications for major natural resource projects. It provides an open, fair and impartial review process for projects that will, or may affect, the natural resources of Alberta. The hearing process contributes to the achievement of sustainable natural resource development, reflecting the public interest. The *Natural Resources Conservation Board Act*, and the *Alberta Environmental Protection and Enhancement Act*, require the NRCB's approval for certain projects from the forest, recreation and tourism, and mining industries, as well as water management projects and others referred to the board by Cabinet.

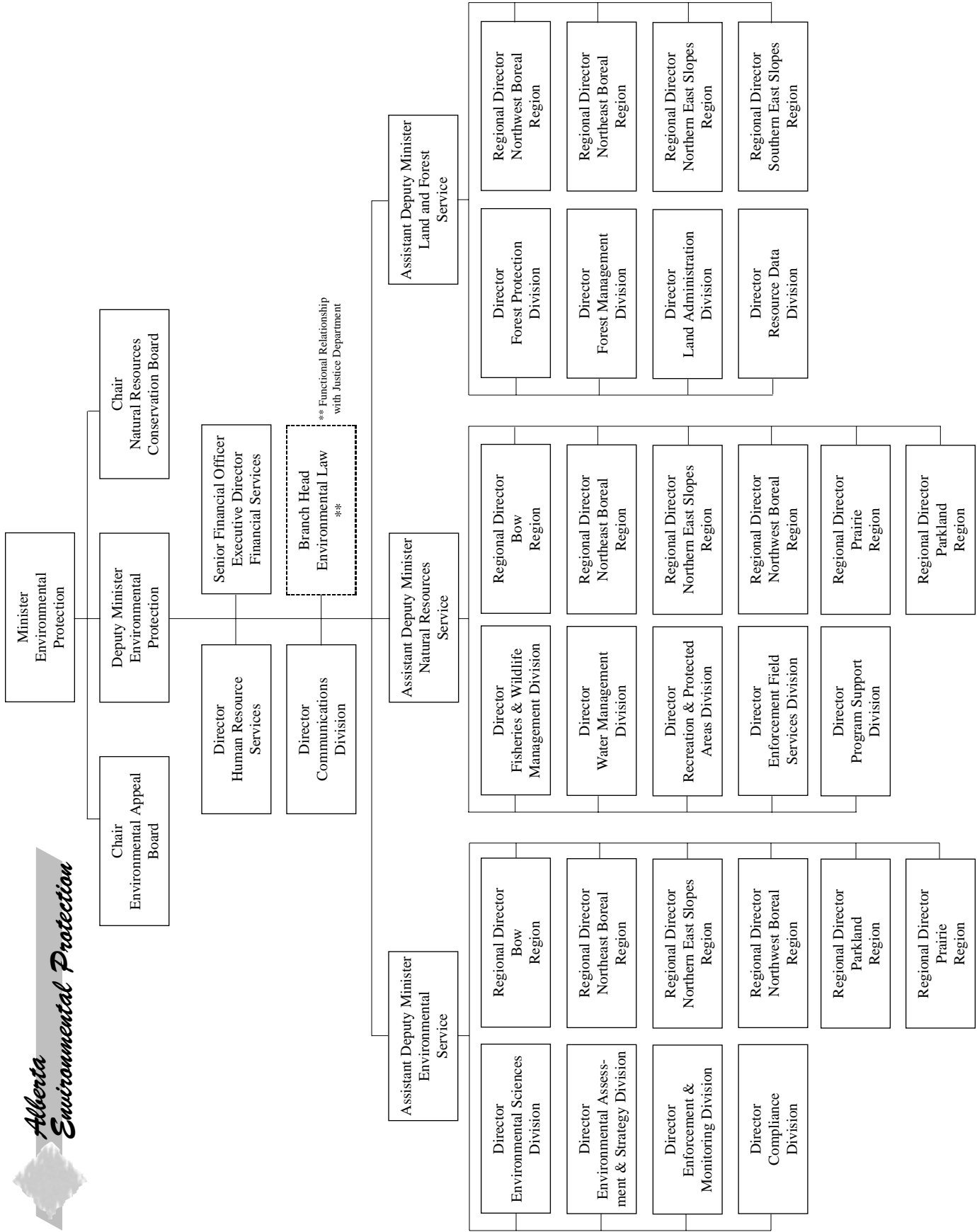
### *Special Waste Management Corporation (SWMC)*

SWMC relinquished its interest in the Treatment Centre near Swan Hills in 1996. However, SWMC continues to monitor the activities and financial results of the Swan Hills operation.

*William Tillman*  
*Phone: 427-6207*

*Bill Kennedy*  
*Phone: 422-1952*

*Ron McKague*  
*Phone: 427-1081*





# Results Analysis

*Alberta*  
—  
*People, Prosperity  
and Preservation*

## *Resource Management*

The Ministry of Environmental Protection develops and implements legislation, policies, plans and programs; sets standards; monitors compliance; conducts ambient monitoring, renewable resource inventories and environmental impact assessments; and issues approvals that ensure the sustainable use of Alberta's renewable natural resources.

## *Environmental Hazard Management*

The Ministry of Environmental Protection reduces the risks of environmental hazards to people, property and the sustainability of our renewable natural resources through fire fighting, flood control, problem wildlife control, spill response and reclamation.

The Ministry's goals are the following:

- To protect and maintain Alberta's high quality air, land and water for the health and enjoyment of Albertans.
- To manage Alberta's renewable resources for the continued prosperity and benefit of Albertans.

## Ministry Core Business, Goals and Accomplishments

The 1997-98 business plan for the Ministry of Environmental Protection builds upon the results of previous plans, dedicating resources to the efficient, effective and responsible delivery of the Ministry's core businesses. The plan also focuses resources on the priorities of the Alberta government—People, Prosperity and Preservation.

Accomplishments and performance measures reported in this document are organized according to the goals and strategies of the 1997-2000 Ministry business plan. Once again, the Ministry's accomplishments demonstrate its commitment to the sustainable management of Alberta's natural resources, which is the key to maintaining Alberta's dynamic resource-based economy, economic prosperity for the long-term, and to sustaining the Alberta Advantage.

The Ministry's core businesses focus on the following:

## Achievements

*A number of initiatives undertaken in 1997-98 supported the Ministry's commitment to protecting and maintaining a high quality of air, water and land in our province, and the quality of life for Albertans.*

- To protect and manage Alberta's natural heritage for present and future generations.

All aspects of our core businesses are guided by and conducted according to the Ministry's operating principles of Shared Responsibility; Public Involvement; Customer Service; Resource Sustainability; and Informed Decision-Making. The coming pages outline the goals and strategies of the 1997-98 business plan and the Ministry's accomplishments over the course of the 1997-98 fiscal year.

## Goal 1

*To protect and maintain Alberta's high quality air, land and water for the health and enjoyment of Albertans.*

### Strategies

- Establish acceptable standards for air, land and water quality.
- Monitor, assess and take action to maintain the quality of Alberta's air, land and water.
- Actively promote understanding and improve knowledge of Alberta's environment.
- Provide Albertans with opportunities to contribute to environmental protection and natural resource management.

### Achievements

- In 1997-98 the Ministry implemented 17 standards and guidelines that industries, municipalities and government will use to protect human health, air, land, soil and water in our province. Scientifically and technically defensible standards and guidelines related to economic activity in Alberta (such as the development of interim ethylene guidelines in response to ethylene industry expansion) are key to the department's environmental management strategy. Together with the Codes of Practice, they clarify legislative requirements and simplify approvals. In setting provincial environmental guidelines and standards, the Ministry took into consideration methodologies and standards used by other jurisdictions, including the Canadian Council of Ministers of the Environment (CCME) and the U.S. Environmental Protection Agency.
- Environmental Protection completed "Standards and Guidelines for Municipal Water Works, Wastewater and Storm Drainage Systems," which was awarded a Premier's Award of Excellence early in 1998.
- In partnership with the private sector and/or other governments, the Ministry



*Staff continued to monitor and assess environmental conditions, and when necessary took appropriate action.*

funded five air issue research projects consistent with the Ministry research business plan. The projects included the Alberta Ethylene Crop Research Project, the Particulate Matter Source Emissions Profile and Source Apportionment Study. Data gathered through these projects will help the Ministry make better decisions and enhance air quality in Alberta.

- The soil and air quality monitoring networks were maintained to establish ambient conditions. Information from this network is being used to review contamination assessment reports and generate the Air Quality Index.
- Environmental Protection staff prepared the “Soil Monitoring Directives” document to clearly indicate soil-monitoring expectations in operating approvals.
- To ensure the high quality of Alberta’s water was maintained, Environmental Protection continued to monitor the state of Alberta’s rivers and lakes for ambient water quality and quantity. Monitoring data from the rivers is used to generate the Surface Water Quality Index and assess the effects of human activities downstream of Alberta’s major centres.
- We continued to work with Albertans to reduce waste in the areas of construction and demolition materials, waste organics and paper. To help monitor progress towards the Ministry’s waste reduction goal, the Environmental Management System, which helps manage environmental data, was expanded to include solid waste data and information.
- Staff worked with Albertans, industry and other departments to reduce waste and divert waste from landfills. With Alberta municipalities and industry, over 2600 drums, 22 pails and 52 000 aerosols of hazardous material were diverted from landfill sites in Alberta and disposed of at the Swan Hills Treatment Centre.
- Environmental Protection continued to facilitate the stewardship of the beverage container recovery system. In 1997-98 the program diverted over 500 million beverage containers for recycling and reuse. The average return rate was 80 percent of all containers for recycling and reuse.
- Alberta Environmental Protection staff continued to carry out compliance assurance and enforcement activities to protect our natural resources and the quality of our environment. The 1997-98

*Through environmental awareness activities, the Ministry improved knowledge of Alberta's environment and encouraged environmentally responsible behaviour among Albertans.*

compliance assurance and enforcement program resulted in the issuance of approximately 100 administrative penalties for a total assessment of more than \$780,000. In addition, approximately 6000 charges were laid under the various legislation administered by the department. Alberta Environmental Protection also undertook other enforcement measures including issuing orders, directives and warnings.

- Environmental Protection took action against poachers and those who exceeded their harvest limits, laying 3640 fisheries and wildlife charges.
- The Lesser Slave Lake Enforcement Program was introduced to prevent the illegal harvest of walleye at Lesser Slave Lake. A few months after the program was initiated, Environmental Protection enforcement officers detected 106 violations, applied 61 warnings and laid 45 charges.
- Having recognized that informing and educating Albertans on environmental issues are proactive, non-regulatory, and future-oriented ways to protect the environment, the Ministry reached further in 1997-98 to educate Albertans. Educational accomplishments over the year

were characterized by successful partnerships with other levels of government and external organizations, increased community level delivery of educational services, greater focus on developing education and community leaders and the further integration of staff activities across the services.

- Throughout the year, Environmental Protection staff worked with Alberta teachers to deliver education programs and provide education workshops. Over 1600 Alberta teachers in communities across the province participated in these workshops. The teachers received basic knowledge about environmental topics, as well as methods to present the topics to students. Topics included waste minimization, forest issues, threatened wildlife and the protection of wetlands. Education programs included a new fisheries education program called "Fish in Schools Raise to Release", the "Water Literacy Program", "Land Conservation Education Program" and the "Action on Waste Education Program".
- Environmental Protection staff established a partnership with the Olds Compost Technology Centre to carry out innovative composting work, education programs and demonstration projects. Projects include the

## Goal #1 - Achievements

composting of tallow waste from slaughter houses and development of a fully integrated compost site that addresses groundwater protection at an intensive livestock operation. The Centre fulfils three key roles including waste minimization, product manufacture and environmental remediation.

- In partnership with FEESA, An Environmental Education Society and the private sector, Environmental Protection continued to deliver the Sustainable Communities Initiative. The purpose of the initiative is to increase the capacity of community members to maintain environmentally, economically and socially healthy communities. As a result, in 1997-98 more Albertans were actively involved in environmental stewardship activities.
- Staff coordinated and delivered “Special Weeks” activities (Wildlife Week, National Forest Week, Environment Week and Parks Day) across Alberta. Special Weeks saw the Ministry cooperate with other government departments and the private sector to provide public education on the theme of environmental stewardship. As part of the Special Weeks program, staff also delivered

over 500 Adopt-A-Classroom presentations.

- A new program, “Flames in the Forest”, was launched during National Forest Week. This educational program focuses on fire ecology, forest fire management and safety. The program is developed and delivered in partnership with the Calgary Flames Hockey Club; FEESA, An Environmental Education Society; and the Alberta Forest Products Association.
- The Ministry delivered a field-based forest education program at “Jumpingpound Demonstration Forest”. Over 6000 students from the Calgary area visited the demonstration forest, learning about forest ecology, biodiversity and forest uses. The program was delivered in partnership with the University of Calgary and FEESA, An Environmental Education Society.
- The Environmental Appeal Board continued to deal effectively with appeals of decisions made by the department. Of the 65 appeals filed with the board during 1997, more than 55 were upheld.
- The EAB continued to make its decisions, rules and procedures available to all parties to achieve greater understanding,

*Through the year, the Ministry provided Albertans with information on important environmental decisions and opportunities to have their voices heard on environmental issues.*

reduce unnecessary appeals and generate informed suggestions for future change. The board's high-quality decisions were the subject of analysis in legal journals and were widely reported in other legal and environmental publications.

- The extensive use of mediation largely contributed to the EAB's success in dealing with appeals. Successful mediation is a win-win resolution for all parties involved: it is fast, flexible and informal; is provided without fee to either party; is more likely to preserve and even restore a good relationship; and allows the parties to make the decisions that will affect them.
- Consistent with its operating principle of providing service excellence in all regions of Alberta, the Ministry regionalized the responsibility for environmental approval for a number of community-level industrial activities. These included agriculture-related facilities, certain wood products operations and industrial waste management systems. To date, approximately 150 industrial facilities are now be able to obtain approvals and deal with approval-related issues in the communities where they operate.
- In 1997-98, the Ministry's Freedom of Information and

Protection of Privacy office undertook a variety of initiatives to help the Department meet its statutory requirements under the *Freedom of Information and Protection of Privacy Act* (FOIP). By communicating and negotiating with applicants and third parties, the office quickly and effectively processed 157 requests for access to information. Through similar efforts and collaboration with the office of the Information and Privacy Commissioner, staff effectively mediated the concerns of applicants and third parties to give applicants access to the records they requested. In addition, staff supplied advisory and consultative services to the federal government and provincial government departments on the disclosure of records and information. Training sessions on the Department's statutory responsibilities under FOIP were designed and scheduled for Environmental Protection staff. FOIP staff also collaborated with other departments to improve the delivery of the Act across government.

- Environmental Protection played a key role in many of the Clean Air Strategic Alliance initiatives in 1997, including the Flaring Project Team, the Sulphur Dioxide

## Goal #1 - Achievements

Management Implementation Coordination Team, the Alberta Ambient Air Quality Monitoring Implementation Design Team and the Air Toxin and Human Health Committee. The work of each of these multi-stakeholder groups has contributed towards an efficient, cost-effective and consensus-building approach to air quality management in Alberta.

- Staff played a significant role in national committees on climate change, sulphur in gasoline, all nitrogen gases, volatile organics and sulphur gases management plan, national air quality objectives and other issues. These committees determine the direction and strategy of air issues management at the national and international level.
- In 1997-98, opportunities were sought to establish further partnerships to deliver environment-related activities through Delegated Administrative Organizations (DAOs). Five such organizations were established in 1997-98, making a total of six to date. The new DAOs are the Alberta Conservation Association (to deliver fish and wildlife program); the Alberta Used Oil Management Association (to steward the management and recycling of used oil, used oil filters and oil

containers in Alberta); the Beverage Container Recycling Association (to manage the beverage container recovery and recycling program); the Alberta Professional Outfitters Society (to manage the guides and outfitters program); and the Forest Resource Improvement Program, or FRIP (an association set up to manage and operate the Forest Resource Improvement Program). None of these organizations require government funds for their operations.

- In partnership with five major Alberta utility companies and the Department of Municipal Affairs, Environmental Protection created Spatial Data Warehouse Ltd. (SDW), a non-profit company to manage and distribute several mapping data sets previously managed and distributed by the department. SDW is in the process of engaging the private sector to carry out the company's operations. This initiative will have several benefits. It will provide all Albertans with timely access to up-to-date mapping data at an affordable price, will offer better distribution of the data for wider use and will allow the government to work in partnership with major stakeholders to share equitably the data's maintenance costs.

## Goal 2

*To manage Alberta's renewable resources for the continued prosperity and benefit of Albertans.*

### Strategies

- Provide clear, effective direction and guidance for the use, management and development of Alberta's renewable natural resources.
- Streamline regulatory processes and legislative requirements.
- Reduce impact of natural hazards (fire, drought, flood and pests) on people, property and resources.

### Achievements

- In 1997, Environmental Protection initiated the "Year 2000 Review of Water Management in the South Saskatchewan River Basin", to be completed in the year 2000. Important to irrigation districts, private irrigators and all those concerned with the quality, availability and allocation of water in this major river basin, the review will determine the maximum allocation limit for the basin's water, including the amounts of water necessary to protect the aquatic environment.

- The Ministry implemented a pilot project for landscape management which will eventually be used as a basis for landscape management in the province. The project is a multi-disciplinary study aimed at developing landscape planning support models for evaluating the ecological and socio-economic effects of different landscape patterns. Specifically, the models will aim to predict the effects of various landscape scenarios on biodiversity, wildlife, water, fire risk, timber, grazing, recreation, visual quality and the regional economy, in addition to other resources and assets. The project supports integrated planning for the allocation and use of public natural resources.
- The consequences of droughts, floods and erosion were lessened through the Ministry's successful management of its water infrastructure, valued in excess of \$3 billion. This included overall flow management in the intensely used South Saskatchewan River Basin, in partnership with major stakeholders including TransAlta Utilities, other irrigation districts, the prairie provinces and the federal government.
- A state-of-the-art control system for southern Alberta water facilities was

### Achievements

*The Ministry continued to guide the use, management and development of Alberta's natural resources.*

## Goal #2 - Achievements

implemented. The system features more reliable information and remote controls for tighter control of water operations.

- Environmental Protection participated in an interagency coordination, planning and development initiative through the Bow River Ecosystem Advisory Group. In 1997, the group completed “Wildlife Corridors and Habitat Patches Guidelines” for the Bow Valley, an initiative to help protect wildlife movement corridors and habitat in the Canmore area. The document outlines the initiative’s objectives, activities within corridors, land use setbacks and requirements, design standards for wildlife corridors and habitat patch networks and how the initiative will be implemented and monitored. The guidelines will be used in the land use planning and management processes of participating jurisdictions.
- In 1997-98, Environmental Protection continued to provide leadership to municipalities in dealing with land use. To help municipal decision-makers, landowners and developers identify, evaluate and reduce potential environmental conflicts when subdividing and developing land in Alberta, staff developed the “Environmental Reference Manual and Environmental Screening Process for Subdivisions in Alberta”. The manual earned an Environmental Protection Award of Distinction from the Alberta Association of the Canadian Institute of Planners.
- The document “Alberta’s Commitment to Sustainable Resource and Environmental Management” was endorsed by the Sustainable Development Coordinating Council, a council co-chaired by the Deputy Ministers of both Environmental Protection and Economic Development. The initiative was part of our continuing progress in integrated resource management. The initiative provides the framework for sustainable resource and environmental management, decisions and policies.
- Ministry staff were instrumental in developing partnerships with federal, provincial and territorial governments and First Nations in negotiating, developing and ratifying agreements furthering environmental protection in Alberta and Canada. A “Cooperative Management Memorandum of Understanding” (MOU) was signed with the Horse Lake First Nation. The MOU provides a framework for ongoing, meaningful

*The Ministry streamlined and improved its legislative and policy framework, while continuing to focus on the protection and enhancement of the environment.*

consultation with First Nations on environmental and renewable resource issues.

- The “Canada-Wide Accord on Environmental Harmonization” and its related sub-agreements on environmental assessment, Canada-wide standards and inspections were signed by all Canadian Council of Ministers of the Environment (CCME) members, with the exception of Quebec, in January 1998. The accord will increase cooperation and coordination among federal, provincial and territorial governments, clarify roles and responsibilities, eliminate duplication and overlap and make more efficient use of resources. The accord’s development included stakeholder consultation.
- In 1997 the Ministry completed its review of the Northern River Basins Study (NRBS) Report to the Ministers and, in conjunction with Alberta Health and the federal and Northwest Territories governments, prepared and released a joint response. In the response, the Ministers agreed with the direction of the 24 main recommendations of the NRBS and committed their governments to action in such areas as pollution prevention, science-based ecological management, the resolution of contaminant and nutrient issues, continued

environmental research and open and full public participation in basin management decisions.

In addition to these general commitments, Environmental Protection took specific action in 1997 on the report’s high priority recommendations such as addressing water quality concerns in the Wapiti-Smoky River system, adopting the CCME’s dissolved oxygen guideline, following up on PCB (polychlorinated biphenyls) contamination identified by the NRBS and improving water quality monitoring in the Athabasca River’s Hinton-Whitecourt reach. Environment Canada and the Ministry also initiated joint planning for the Northern River Ecosystem Initiative which will address follow-up work on the report’s other recommendations.

- The Ministry developed and implemented 15 Codes of Practice for regulated activities such as asphalt paving plants and tanker truck washing facilities. These activities have the potential, individually and collectively, to damage the environment. Through Codes of Practice, the Ministry can track industry activity, change and growth to ensure environmental protection.



*Wildfires and other natural hazards were dealt with more efficiently reducing their impact on people, property and resources.*

- The Ministry developed the “Proposed Policy Foundation for the Natural Heritage Act”, which recommends a new classification framework for Alberta’s protected areas systems, defines the purpose and management guidelines for each class and consolidates three existing Acts into one.
- *The Fisheries (Alberta) Act* and the *Wildlife Amendment Act* were proclaimed in 1997, increasing protection for endangered species, strengthening enforcement provisions and introducing a progressive aquaculture licensing system for Alberta.
- *The Natural Resources Conservation Board Amendment Act* was developed and passed. The amendments give the NRCB powers to amend environmental approvals when circumstances change or new information becomes available that was not available for the initial board review and decision. In the amendments, the definitions of reviewable projects were updated to ensure consistency with the *Alberta Environmental Protection and Enhancement Act*.
- The Mackenzie River Basin Transboundary Water Master Agreement was signed between Alberta, Saskatchewan, British Columbia, the Northwest Territories, the Yukon and Canada. The agreement establishes common principles for the cooperative management of the Mackenzie River Basin’s aquatic system.
- The Ministry completed the first wildfire instruction CD-ROM training program, which received international attention and recognition. In addition, a fire fighting simulator program on laser disc was developed to help train Alberta forest fire fighters in fire behaviour, management and control. The Ministry also contributed to the development of other wildfire training materials. First used at Grande Prairie College, the materials are now being proposed for other colleges across Alberta.
- In partnership with municipal governments, federal agencies and the general public, the Ministry developed the Wildland Urban Interface program to reduce the risk of fires in urban areas spreading to wildlands, and vice-versa.
- In consultation with other departments, the Ministry established Emergency Public Information Officers across the province to deal with regional environmental emergencies and disasters.
- To give Albertans early flood warnings for Alberta rivers,

### *Achievements*

*The Ministry continued to protect biodiversity and natural ecosystems and used science and research to support its decisions.*

Environmental Protection improved its flood risk assessment and flood forecast information procedures. We established more almost instant-reporting meteorological and hydrologic stations in the Swan Hills and areas west of Lethbridge; increased satellite transmission of meteorological data during storms from once every three hours to hourly transmissions; had forecasters begin using satellite and live radar weather imagery to locate and track storms; and developed a high-speed fax broadcast system through a private sector partnership. The system notifies hundreds of clients about emergency conditions within minutes, instead of the hours it took previously. These improvements will give Albertans valuable additional lead-time to take appropriate action.

### *Goal 3*

*To protect and manage Alberta's natural heritage for present and future generations.*

#### Strategies

- Establish acceptable levels of protection for natural resources and ecosystems.

- Monitor, assess and take action to protect natural resources and ecosystems.

#### Achievements

- In 1997-98, significant progress was made in the Special Places program. Sites identified for review included 11 in the grassland, nine in the foothills and eight in the parkland regions. A total of 44 new sites have been added to Alberta's protected areas network since Special Places was announced in 1995, representing a contribution of more than 4900 square kilometres. Early in 1998, the government designated Castle Special Management Area and six wildland provincial parks—Colin-Cornwall Lakes, Fidler-Greywillow, La Butte Creek, Marguerite Crag & Tail, Maybelle River and Richardson River Dunes Wildland Provincial Park—as Special Places under Alberta's Special Places Program.
- The Ministry announced a new management strategy for Alberta's Recreation and Protected Areas Program included in "Completing the Puzzle: Building a Recreation and Protected Areas Network for the Next Century". The strategy balances recreation, heritage appreciation, tourism and preservation in recreation

## Goal #3 - Achievements

and protected areas. It outlines how the government will allocate resources to protect sensitive wild spaces and continue building a parks system for future generations to enjoy into the next century.

- As part of the “Completing the Puzzle” management policy changes, private operators of campgrounds in the province’s recreation and protected areas were permitted to use market-based pricing for the services they provide. The new fees will make Alberta’s provincial campgrounds competitive with other campgrounds across the province and across Canada. Environmental Protection established the Alberta Natural Heritage Information Centre to support this initiative. The Centre supports the conservation of biodiversity in the province’s protected areas by collecting and storing information on Alberta’s flora and fauna, and by providing educational and interpretative programs to share information related to Natural Heritage Sites with Ministry staff and the public.
- After three years of extensive public consultation with stakeholders, the Alberta Forest Conservation Strategy (AFCS)—consisting of a vision, goal, set of principles and strategic directions for Alberta’s forests—was

completed. The strategy was used to develop a made-in-Alberta approach to the sustainable management of the province’s forest resources, as described in the “Alberta Forest Legacy” document. The completion of the AFCS fulfilled a provincial commitment to sustainable forest management, made when Alberta signed the National Forest Accord.

“Alberta Forest Legacy” sets out a management approach that reflects Albertans’ desire to maintain their access to the diverse economic, cultural and recreational benefits that are provided by, and dependent on, sustainable forest ecosystems on provincially-owned land. This continuation of the process of incremental change is driven by advancements in knowledge and changes in public demand on the forest landscape.

- The Ministry introduced an approval process for decommissioning industrial sites. The process helps ensure that permanently closed industrial facilities are properly decontaminated and do not pose a risk to human health or the environment.
- Increased economic activity during 1997-98 resulted in the largest number of new major project proposals in recent

## Goal #3 - Achievements

years, with capital costs totalling approximately \$11 billion. Environmental Protection successfully implemented a team-based review of major resource development projects that are subject to Alberta's environmental assessment and regulatory processes (such as coal mines, oil sand mines and petrochemical developments).

- In the case of the new oil sand mines proposed by Syncrude and Suncor, this team-based approach enabled Environmental Protection to conduct thorough reviews and to issue its approvals on a schedule agreed to in advance by the department and the companies. Environmental Protection is now using this team-based approach on all major project reviews.
- The NRCB completed its public hearings on the proposed Little Bow Project/Highwood Diversion Plan. In keeping with harmonization initiatives, the hearings were conducted by a joint federal-provincial review panel. The board also took an issue-focussed approach to the review and used a more proactive and innovative approach to communications during the hearings.
- To protect wildlife and their habitat, staff worked with other

governments, stakeholders and industry to develop strategic policies and programs addressing the threat of whirling disease in Alberta's fishery; to develop cross-boundary issues regarding the management of grizzly bears; to establish wildlife corridor guidelines in Alberta; to complete a fisheries inventory of over 200 sites; and to use radio collars to track caribou for assessing their distribution and movement.

- Environmental Protection closed Alberta's borders to imported live salmonids (trout). This measure minimizes risk of whirling disease in Alberta's world-class trout fishery.
- Together with other government departments, Environmental Protection formed partnerships with regional stakeholders for new 1:30 000 aerial photo coverage of the White (settled) Area of the province. The partnership benefits municipalities and the government. It benefits municipalities by reducing the amount they pay for the photo coverage they use to determine their taxation base. The program benefits the provincial government by saving a portion of the program's total flying and processing costs.
- The Ministry introduced an automated recreational fishing

*Significant changes and innovations in computer technology were adopted to meet unique department needs, improve operational efficiency and aid environmental protection.*

and hunting licence system (similar to credit/debit card transactions) and privatized management of the licensing business through a private sector contract. The new system is faster, more efficient and tracks all pertinent information on every hunter or angler holding a hunting or fishing licence.

- Enforcement activities were significantly enhanced by innovations in computer technology. The Ministry initiated a pilot Mobile Technical Office, outfitting two patrol vehicles with laptop computers, a Global Positioning System and telephone communications. The equipment improves staff safety and gives on-line access to computerized regulatory data and motor vehicle and driver information. The result will be better, more efficient and faster service to the public.
- The Ministry added data on over 8400 square kilometres of the province to the Alberta Vegetation Inventory and designed and built automated data storage for information about Alberta's land base. The Ministry also began converting this data to the Geographic Information System format. Conversions were begun for Alberta Township system data and for hydrography and

provincial digital elevation model data.

- To ensure that Environmental Protection's computer and related systems are ready for the year 2000, the Department established a departmental project team to implement conversion. The team is supported by a department steering committee to help ensure that year 2000 conversion priorities are known and clearly communicated.
- A Fisheries Management Information System was developed to consolidate a number of data sets and other comprehensive fisheries management information for many of Alberta's water bodies.
- As part of the Government of Alberta IMAGIS Implementation Plan, Environmental Protection successfully implemented the Accounts Payable and General Ledger modules in July 1997. Work is now proceeding on the Human Resources/Payroll, Budgets, Accounts Receivable/Billing, Purchasing and Inventory modules.

The overall objectives of these initiatives are:

- to implement a single government-wide integrated financial management and Human Resources system;

- to ensure that the common needs of the Ministry and the corporate needs of both Treasury and the Personnel Administration Office are adequately met;
- to minimize the number of current Human Resources computer systems by replacing them with the PeopleSoft computer program; and
- to reduce the financial costs of using systems and resources.

IMAGIS will make Environmental Protection a more efficient and effective organization in a variety of ways:

- IMAGIS makes the department's financial and Human Resources systems Year 2000 compliant;
- supports the Community Level Service initiative;
- gives employees immediate access to their payroll payment information and payment status;
- responds faster to inquiries;
- provides a simple, single access point for retrieving a variety of human resources information; and
- allows regional staff to enter data directly from their workplace.

## Awards

Environmental Protection employees took four of 19 Premier's Awards of Excellence. The awards were for the following:

- A Gold Award to the Fort McMurray Oil Sands Review Team for a new, thorough and efficient approach to reviewing regulatory applications for the Suncor Steepbank Mine and Syncrude Aurora Mine.
- A Silver Award to staff who worked on the Canadian Shield Special Places project. Their efforts have helped identify for Special Places status a full complement of sites representing the unique and natural features of the Canadian Shield.
- A Silver Award to a project team for a comprehensive set of municipal standards and guidelines for the regulation of municipal water, wastewater and storm drainage systems. As a result, new standards and guidelines will help Alberta continue its state-of-the-art municipal water regulations.
- A Bronze Award to the Forest Protection group for their work in designing and implementing eight-man Wildland Firefighting Units. The new units are better trained and better prepared for fighting devastating forest fires.

*Throughout the year, staff showed dedication and worked hard to meet the responsibilities of resource management and environmental protection.*

An Environmental Protection employee earned an Emerald Award under the category of Research and Innovation for her leadership of a team that conducted research on surface water quality. Thanks to the team's efforts, agricultural industry planning can now more effectively incorporate environmental considerations into its activities.

The Alberta Association, Canadian Institute of Planners recognized Environmental Protection's Source Standards Branch with an Award of Distinction in the Environmental Design Category. Branch staff earned the award for a manual and screening process they developed to help screen for, avoid, and resolve environmental concerns associated with subdivision applications.

### Conclusion

The Ministry set ambitious goals and high standards for performance in 1997-98 and met the challenge. The accomplishments listed in this report demonstrate that Environmental Protection delivered what it promised in the 1997-2000 Ministry business plan.

Our fiscal plan allowed us to conduct business efficiently and cost-effectively. We continued to explore and find new ways of

doing business, permitting the private sector to deliver those services to the public for which it is better suited. This allowed the Ministry to concentrate further on its core businesses, while contributing to budget reduction.

To better meet the environmental needs of Albertans, Environmental Protection made significant changes early this year, amalgamating two of its four Services. The result was a broader, more inclusive Environmental Management mandate for one Service, and a realignment of a number of functions within the other. The Ministry also further streamlined many of its processes and significantly reduced its administrative costs. Along with streamlining, the Ministry re-allocated its resources to better meet the challenge of environmental protection and to support the Alberta Advantage.

In 1997-98, we invested strongly in technology. New technological advancements were helpful in detecting environmental problems and allowing us to react to them more quickly. Many initiatives were undertaken in partnership with other government departments, other levels of government and external organizations, all of whom contributed to our achievements.

Improved management of the Ministry's water infrastructure—

*We will carry on our tradition of sustainable resource management and responsible environmental protection that helps make Alberta an outstanding place to live.*

valued in excess of \$3.7 billion—lessened the consequences of droughts, floods and erosion.

The Ministry continued to pursue the objectives of the national environmental harmonization accord and three sub-agreements signed earlier this year by all federal, territorial and provincial governments (except Quebec). The accord and sub-agreements represents a significant step forward in effective and efficient environmental management.

Environmental Protection is proud of its accomplishments and awards in 1997-98, but we are committed to doing better. We will continue to explore new ways to use our resources more efficiently and effectively. We will focus more intensely on our core business. And we will do so while remaining accountable to the people of Alberta.

Most importantly, we will carry on our tradition of sustainable resource management and responsible environmental protection that helps make Alberta an outstanding place to live.





*Report of the Auditor  
General on the Results of  
Applying Specified  
Audit Procedures to  
Performance Measures*

To the Members of the Legislative Assembly:

I have audited the following procedures in connection with the Ministry of Environmental Protection's performance measures included in the *1997-98 Annual Report of the Ministry of Environmental Protection* as presented on pages 31 to 38.

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit of the performance measures and therefore I express no opinion on the performance measures included in the *1997-98 Annual Report of the Ministry of Environmental Protection*.

*Peter Valente*

FCA  
Auditor General

Edmonton, Alberta  
July 17, 1998

Performance measurement is an important part of the Ministry's business planning. Performance measurement helps track progress towards achieving business plan goals.

In the 1997-98 business plan, seven performance measures were identified.

- Air quality index;
- Surface water quality index;
- Reduction of municipal solid waste to landfills;
- Timber sustainability;
- Species at risk;
- Area of parks and natural reserves in Alberta;
- Pulp production versus amount of substance discharged.

The seven performance measures reflect the Ministry's mandate and are key contributors to Government of Alberta performance measures reported in "Measuring Up".

One new performance measure has been incorporated into the 1998-2001 business plan:

- Parks visitation.

The Ministry continues to develop and improve its performance measures to accurately reflect environmental protection and sustainable use of natural resources in Alberta.

*Alberta's air quality  
was rated good more  
than 98 percent of the  
time in 1997.*

### Air Quality Index

Ensuring the protection of Alberta's clean air is a key factor in maintaining Albertans' health and quality of life. This measure indicates the quality of air in Alberta throughout the year based on continuous monitoring at 10 selected locations, including Edmonton, Calgary, Fort Saskatchewan and Fort McMurray. The target is to maintain air quality at "Good" (Figure 1) or "Fair" (Figure 2) levels at all times.

The figure shows that days were rated "Good" for air quality throughout almost the whole of 1997. While there were no days rated "Poor" and "Very Poor" last year, there were a number of hours rated poor or very poor. According to the definition used in calculating the Index of Quality of Air, there is adequate protection against harmful effects to human health, animals and vegetation at the "Fair" level.

Figure 1  
Air quality index — Good

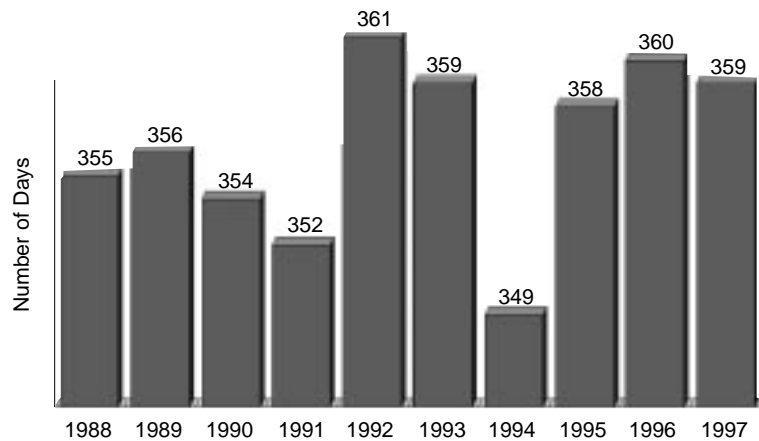
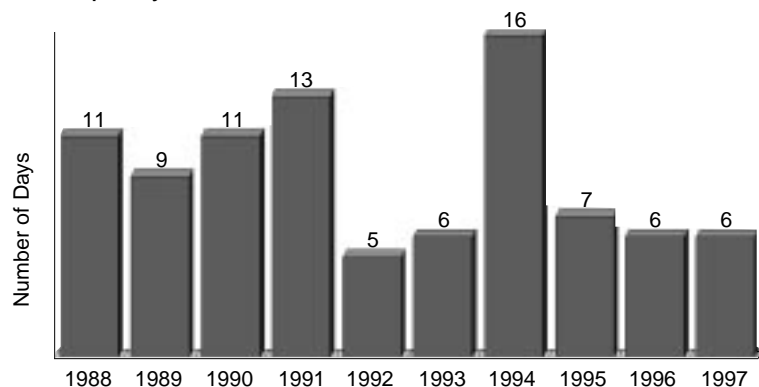


Figure 2  
Air quality index — Fair



### Surface Water Quality Index

Good	<ul style="list-style-type: none"> <li>• 100% - 96% compliance</li> <li>• guidelines generally met</li> </ul>
Fair	<ul style="list-style-type: none"> <li>• 95% - 86% compliance</li> <li>• guidelines sometimes not met</li> </ul>
Poor	<ul style="list-style-type: none"> <li>• 85% - 71% compliance</li> <li>• guidelines occasionally not met</li> </ul>
Not Acceptable	<ul style="list-style-type: none"> <li>• &lt;70% compliance</li> <li>• guidelines frequently not met</li> </ul>

#### Recreation Uses:

supports water contact activities such as swimming.

#### Aquatic Life Uses:

supports appropriate conditions for aquatic plants and animals.

#### Agricultural Uses:

supports stock watering and irrigation.

The quality of surface water (rivers and lakes) is determined by a combination of physical, chemical and biological factors. This measure shows river water quality for recreation, aquatic life and agricultural uses upstream and downstream of major Alberta centres. The Ministry's goal is to bring river water quality downstream of developed areas in line with upstream conditions.

The measure focuses on river water quality because the effects of human activities are generally more evident in rivers than in lakes. To monitor the state of Alberta's rivers, several variables (such as coliform bacteria, nutrients, pH, oxygen and metals) are routinely tested and evaluated against acceptable levels identified in the Alberta Ambient Surface Water Quality Interim Guidelines.

The figure shows the quality of Alberta river water is "Fair" to "Good" but recreational use is impaired for the North Saskatchewan, Bow and Oldman rivers downstream of urban centres. Water quality tends to be poorer downstream of areas of significant urban, industrial or agricultural development. Significant improvements have already been made to water quality downstream of major developments. Continued improvements are expected as municipal wastewater treatment facilities and infrastructure are upgraded.

**Figure 3**  
Suitability of Alberta's major rivers for various uses

Location	Upstream		Downstream		Issues/Concerns	
	1996	1995*	1996	1995*	1996	1995*
Smoky/Peace River Recreation Uses Aquatic Life Uses Agriculture Uses	(at Watino) Poor Fair Good	(at Watino) Poor Fair Good	(at Ft Vermilion) Poor Fair Good	(at Ft Vermilion) Poor Fair Fair	pulp mill and municipal sources	pulp and municipal inputs
Athabasca River Recreation Uses Aquatic Life Uses Agriculture Uses	(at Athabasca) Poor Fair Fair	(at Athabasca) Fair Good Good	(at Old Fort) Poor Fair Fair	(at Old Fort) Fair Good Good	pulp mill and municipal sources	pulp and municipal inputs
North Saskatchewan River Recreation Uses Aquatic Life Uses Agriculture Uses	(of Edmonton) Fair Good Good	(of Edmonton) Good Good Good	(of Edmonton) Unacceptable Fair Good	(of Edmonton) Unacceptable Fair Good	municipal, industrial and agricultural pollution	municipal and non-point pollution sources
Red Deer River Recreation Uses Aquatic Life Uses Agriculture Uses	(of Red Deer) Fair Good Good	(of Red Deer) Good Good Good	(of Red Deer) Poor Fair Good	(of Red Deer) Poor Fair Good	municipal, industrial and agricultural pollution	municipal and non-point pollution sources
Bow River Recreation Uses Aquatic Life Uses Agriculture Uses	(of Calgary) Good Good Good	(of Calgary) Good Good Good	(of Calgary) Unacceptable Fair Good	(of Calgary) Unacceptable Fair Fair	municipal and agricultural pollution; reduced flow due to water withdrawal	municipal and non-point pollution sources; reduced flow due to water withdrawal
Oldman River Recreation Uses Aquatic Life Uses Agriculture Uses	(of Lethbridge) Poor Fair Good	(of Lethbridge) Poor Fair Good	(of Lethbridge) Unacceptable Fair Good	(of Lethbridge) Unacceptable Fair Good	municipal and agricultural pollution	municipal and non-point pollution sources

\* From 1996-97 Ministry of Environmental Protection Annual Report

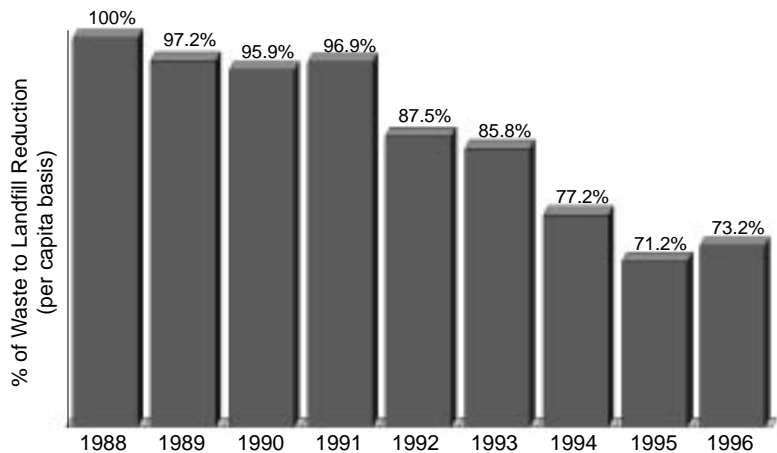
*Alberta Environmental Protection has contributed to a significant decline in waste in the province.*

### Reduction of Municipal Solid Waste to Landfills

This measure indicates Alberta’s progress towards meeting a municipal solid waste reduction target of 50 percent of 1988 levels by the year 2000. It charts the success of the Ministry’s efforts to encourage Albertans to produce less waste. Over the years, Alberta Environmental Protection has contributed to a significant decline in waste in the province. This has been accomplished through technical and financial assistance to municipalities for recycling infrastructure, and through training, education and general awareness about waste management uses and opportunities.

The figure shows steady progress toward the 50 percent reduction target, based on per capita solid waste reductions. Although in 1996 the amount of solid waste to landfills actually increased by two percent, this was the result of substantial increases in disposal in Calgary due to increased construction and demolition compared to 1995. Rural areas showed reductions in waste, despite an increase in volumes at some landfills.

Figure 4  
Waste to landfill reductions from 1988 levels



Complete data for all municipalities in 1997 was not available.

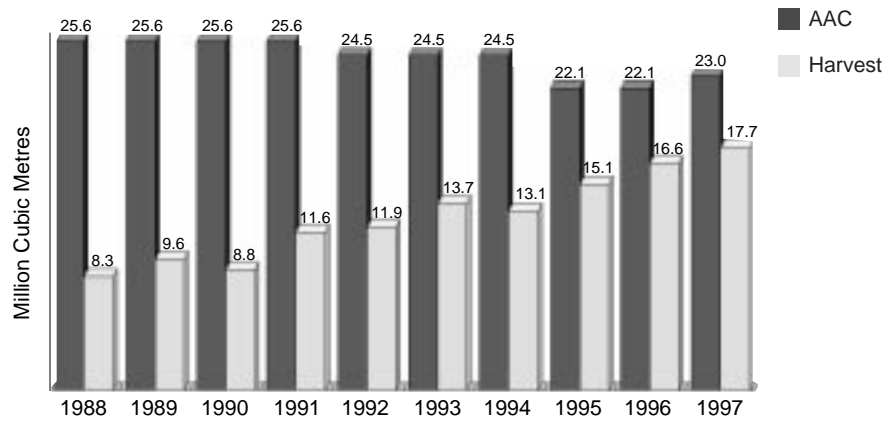
*Alberta's timber harvest is well below the Annual Allowable Cut.*

### Timber Sustainability

This measure reflects the Ministry's ability to manage Alberta's timber resource in a sustainable manner. The figure gives the status of timber stocks by comparing the amount of timber harvested with the annual allowable cut (AAC) of timber set by the province. The target is for Alberta's annual timber harvest to be no greater than the AAC, ensuring a sustainable timber supply.

The figure shows that the timber harvest in Alberta is well below the AAC.

**Figure 5**  
Timber sustainability



*Of the 538 species of fish and wildlife in Alberta, over 98 percent are considered healthy.*

### Species At Risk

Fish and wildlife are highly valued by Albertans. Activities such as hunting, fishing and wildlife viewing contribute significantly to the provincial economy.

This measure shows the health of Alberta’s fish and wildlife populations, based on data in the Ministry’s Status of Alberta Wildlife report (December 1996). The target is to keep the percentage of species at serious risk below five percent. Every five years a survey of the population status of fish and wildlife species is conducted. The last survey was conducted in 1995. At that time, there were approximately 538 species of fish and wildlife known to occur in Alberta.

This number consists of the following:

Amphibians	10	Mammals	90	Birds	370
Reptiles	8	Fish	60		
<b>Total</b>	<b>538</b>				

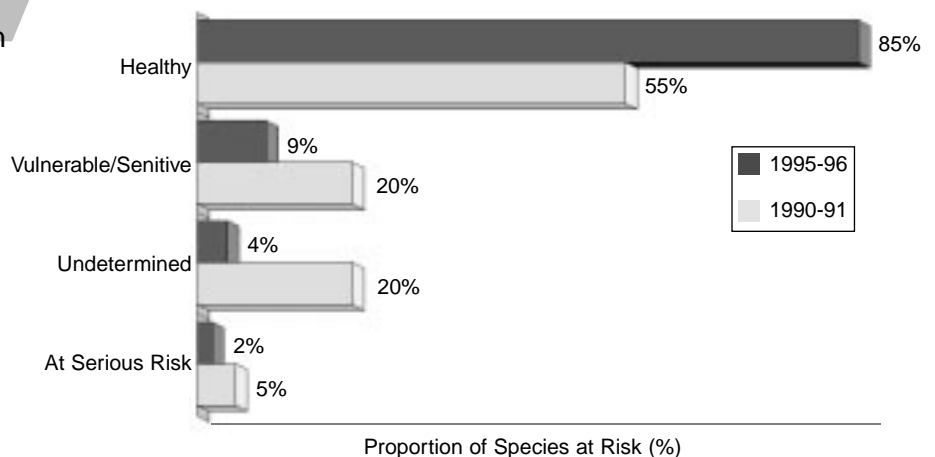
Alberta Environmental Protection tracks the health of fish and wildlife populations by categorizing species and wildlife in Alberta as follows:

- healthy—not considered at risk
- vulnerable/sensitive—at some risk or require special management
- undetermined—not considered at risk or more study needed
- at serious risk—some species may be considered endangered

Of the 538 species of fish and wildlife found in Alberta, only two percent are considered at serious risk. Of the two percent considered at serious risk, four species are considered endangered and three are considered threatened under the Wildlife Regulation.

**Figure 6**  
Known fish and wildlife population

**Note:** In some cases, the differences in data between 1991 and 1996 reflect improvements both in knowledge about wildlife populations and in methods of collecting and evaluating species information. For example, the 1996 survey used a more refined species ranking system than was used in 1991, as well as stricter rules to rank and list species that are migrant or peripheral in Alberta.





*Since 1950, the area of land in Alberta designated as parks and natural reserves has increased steadily.*

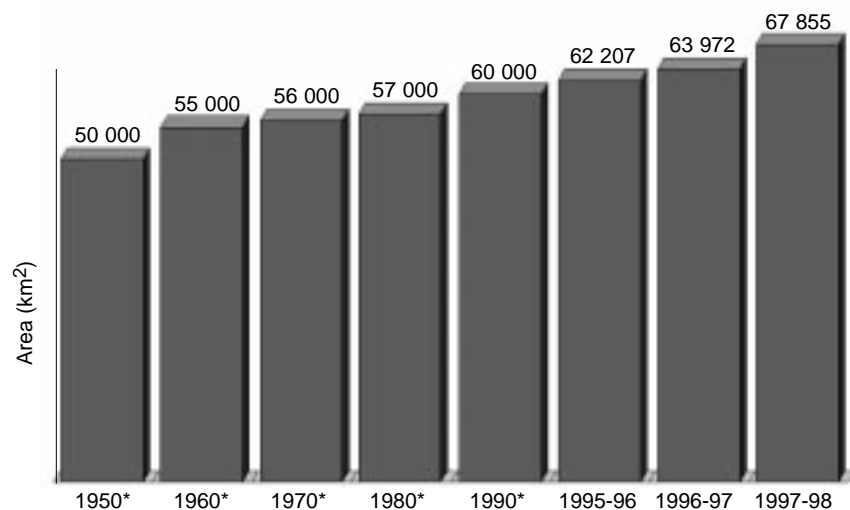
### Area of Parks and Natural Reserves In Alberta

The designation of parks, natural reserves and related sites contributes to Alberta's protection, heritage appreciation, outdoor recreation and tourism/economic development goals. This measure includes the total area of parks, natural reserves and related sites—including 54 000 square kilometres of national parks—in Alberta. After 1995, the area of Recreation Areas is also included. (The measure does not include over 4600 square kilometres of Forest Land Use Zones [FLUZ]. FLUZ can be used to protect sensitive resources such as wildlife, vegetation, and soils, but are not included in the Special Places program unless they go through the Special Places process. The 1041 square kilometres of the Castle Special Management FLUZ have been designated through Special Places, and are included in this measure.) The goal is to have 81 000 square kilometres of Alberta designated by the year 2000. This would meet the four goals identified for the Special Places initiative: preservation, outdoor recreation, heritage appreciation and tourism/economic development.

The figure shows that the area of land designated as parks and natural reserves has increased steadily since 1950.

Figure 7

Area of Alberta designated as parks and natural reserves



\* Estimates

*In 1997, BOD released per tonne of pulp was at the lowest level on record in Alberta.*

### Pulp Production Versus Amount of Substance Discharged

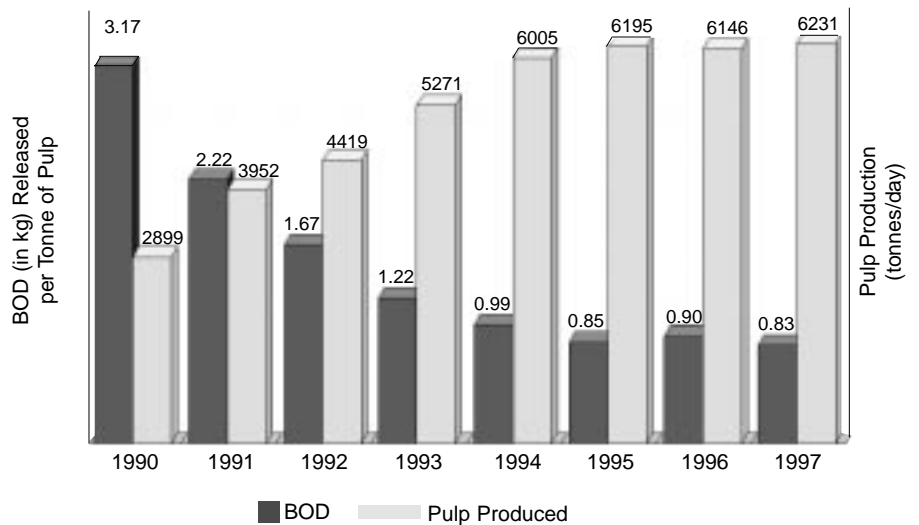
Good water quality is essential for a sustainable and prosperous Alberta. One common measure used to gauge the effect on river water of treated pulp mill wastewater releases is biochemical oxygen demand (BOD).

Certain substances in pulp mill wastewater require oxygen in their breakdown. This breakdown may decrease the amount of oxygen available to aquatic organisms. An unlimited amount of these substances could cause a shortage in the oxygen necessary to keep an aquatic ecosystem healthy.

To help control the amount of substances released to aquatic ecosystems, each of Alberta's seven pulp mills is issued an approval, which restricts the amount of BOD that can accompany the release of substances into river water. Alberta's average maximum allowable BOD (3 kg/tonne of pulp) is based on criteria for both water quality and Best Available Demonstrated Technology. Reducing BOD discharges to the lowest practical limit protects aquatic ecosystems from oxygen depletion and contributes to pollution prevention.

The figure shows the total BOD released per tonne of pulp in 1997 was 0.83 kg—the lowest level on record in the province.

**Figure 8**  
Pulp production versus amount of substance discharged



*Annual visitation to parks and recreation areas remains above eight million visits.*

### Parks Visitation

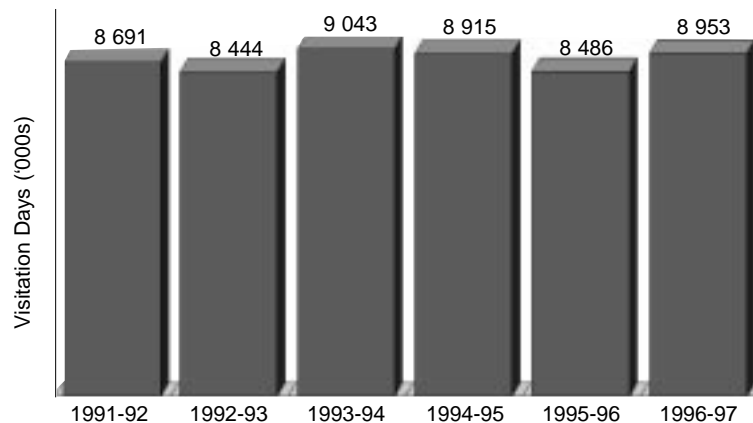
Alberta Environmental Protection uses the number of visits to Alberta's parks and recreation areas as a measure of how well the department is managing the province's natural heritage for present and future generations.

The measure includes data on provincial parks and recreation areas. Alberta Environmental Protection collects the data through camping permit sales and automatic traffic counters and adjusts it based on periodic surveys of day visitors during peak season. (Not included are sites such as forest recreation areas, ecological reserves, natural areas, wilderness areas and wildland provincial parks.)

As the measure demonstrates, visitation has varied slightly over the years, but has remained above eight million visits. The target is to maintain visitation at or above this level.

Park visitation rates can be affected by factors such as weather, fire risk, the value of the dollar and road construction.

Figure 9  
Provincial parks and recreation areas visitation



### Financial

For the first time, the annual report includes the 1997-98 financial statements for the Ministry, Department, Environmental Protection Revolving Fund, Environmental Protection and Enhancement Fund, Alberta Special Waste Management Corporation and Natural Resources Conservation Board. These financial statements are published in accordance with the *Government Accountability Act*.

The Auditor General's reports on the financial statements offer his opinion on the fairness of presentation in the statements. They also identify exceptions from generally accepted accounting principles.

The Auditor General's Office and the government have indicated they are committed to working together to address these exceptions.

### Results of Ministry Operations

The Ministry consolidated revenues in 1997-98 were \$180.1 million, which is a \$22.4 million increase from

1996-97. The Ministry consolidated expenses were \$300.7 million, up \$5 million from 1996-97. The net contribution from general revenues was \$106.8 million, a decrease of \$109.3 million from 1996-97. The result was a net loss of \$45 million.

### Ministry Revenues

The largest source of revenue for the Ministry (\$103.2 million) came from Timber Royalties and Fees. Land and Grazing and other fees provided \$41 million. The federal government provided \$13.3 million through transfer payments. The remaining \$22.5 million came through various other sources of revenue (\$16.1 million) and investment income (\$6.4 million).

### Ministry Revenue — Comparison of 1997-98 Actuals to 1997-98 Budget

Revenues increased \$73.2 million from the budget as outlined below:

- The contribution from Timber Royalties and Fees was up \$49.4 million due to higher

## Analysis of Financial Results

lumber prices and strength in U.S. lumber consumption.

- Revenue from Transfers from Government of Canada was up \$12.1 million, mainly due to the Canada/U.S. Softwood Lumber Agreement.
- Investment income was \$2.4 million higher than budgeted due to larger fund balances on hand.
- Other revenue was \$3.8 million higher primarily due to the sale of land.
- Land and Grazing Fees were up \$5.5 million as a result of increased oil and gas activity.

#### Ministry Revenue — Comparison of 1997-98 Actuals to 1996-97 Actuals

Revenue increased \$22.4 million from the previous year as a result of the following:

- The contribution from Timber Royalties was \$5.5 million higher due to lumber prices.
- Revenues from Transfers from Government of Canada was up \$11.8 million, largely due to the Canada/U.S. Softwood Lumber Agreement.
- Land and Grazing revenues were up \$2.4 million as a result of increased oil and gas activity.

- Investment income was \$3 million higher than last year due to larger fund balances on hand.
- Other revenues sources were down slightly by \$350,000.

#### Ministry Expenses

The majority of total ministry expenses is represented by voted expenses of \$266.2 million. Statutory expenses were \$31.7 million. The remaining expenses were \$2.8 million.

#### Ministry Expenses — Voted

Ministry Support Services spent \$9.8 million. This amount includes spending in the Minister's Office, the Deputy Minister's Office, Financial Services, Communications and the Standing Policy Committee on Sustainable Development and Environmental Protection.

Environmental Regulatory Service spent \$29.7 million on various programs (for example, land reclamation, environmental assessment and waste management, air and water approvals, pollution control, chemical assessment and management).

In Natural Resources Service, \$108.6 million was spent on various programs across the province (for example, fisheries

management, wildlife management, water management, enforcement field services and client and licensing services).

Corporate Management Service spent \$28.7 million on various programs (for example, research and scientific support, strategic and regional support, resource data and Special Places).

In Land and Forest Service, \$88.7 million was spent on a variety of programs (for example, fire suppression, forest protection, and forest management land administration).

#### Voted Expenses — Comparison of 1997-98 Actuals to 1997-98 Budget

Expenses were \$4.7 million more than budget primarily due to employee salary settlements, the Achievement Bonus Award Program, additional expenses for contract agreements and other supplies and services expenses.

#### Voted Expenses — Comparison of 1997-98 Actuals to 1996-97 Actuals

Expenses were up \$28 million from the previous year primarily due to the following:

- A \$27.8 million increase in Land and Forest Service expenses was primarily due to a change in accounting for fire

fighting costs—emergency fire fighting costs were charged to the Environmental Protection Enhancement Fund 1996-97.

- Ministry Support Service expenses were up \$2.7 million primarily due to the cost of the Achievement Bonus Award Program and remuneration increases for employees.
- Various program and administration savings resulting in a decrease of \$2.5 million.

#### Ministry Expenses — Statutory

In our Environmental Protection Revolving Fund, \$17.2 million was spent on various functions (for example, vehicle rentals, reforestation services and the Environmental Training Centre). The Environmental Protection and Enhancement Fund spent \$12.5 million on various programs (for example, forest fires, emergency spills and cleanup, drought and flood emergencies and the Forest Resource Advancement Program).

Both the Alberta Special Waste Management Corporation and the Natural Resources Conservation Board each expended just over \$1 million.

### Statutory Expenses — Comparison of 1997-98 Actuals to 1997-98 Budget

Environmental Protection Revolving Fund expenses were \$8.1 million less than budget due to a change in the accounting treatment for the Forest Resource Advancement Program (FRAP). The expenses and revenues for FRAP are now being charged directly to the Environmental Protection Enhancement Fund instead of to the Revolving Fund.

Environmental Protection and Enhancement Fund expenses were \$10.1 million lower than budget, primarily due to lower than anticipated forest fire costs.

Alberta Special Waste Management Corporation (ASWMC) expenses were \$1 million over budget. This was primarily to accommodate the costs of future removal and site restoration of the Swan Hills facility. ASWMC continues to be responsible for all site remediation that may be required after the Swan Hills facility closes.

Natural Resources Conservation Board expenses were \$398,000 lower than budget, due to a lower than anticipated number of applications.

### Statutory Expenses — Comparison of 1997-98 Actuals to 1996-97 Actuals

Environmental Protection Revolving Fund expenses were \$6.4 million less than 1996-97 due to a change in the accounting treatment for the Forest Resource Advancement Program (FRAP). The expenses and revenues for FRAP are now being charged directly to the Environmental Protection Enhancement Fund instead of to the Revolving Fund.

Environmental Protection and Enhancement Fund expenses were \$22.6 million lower than 1996-97, primarily due to a change in the accounting treatment of forest fire costs.

### Ministry Expenses — Other

The Ministry had a loss of \$3.4 million, compared to a gain of \$375,000 in the previous year. The loss was primarily the result of the write-down of capital assets. The Ministry decided to write-down various buildings and structures following an extensive review of its capital assets.

### Net Operating Results from Discontinued Operations

On July 8, 1997, management decided to discontinue the operations of the Forest Resource Improvement Program (FRIP).

FRIP activities ceased and all its assets and liabilities were transferred to the Forest Resource Improvement Association of Alberta (FRIAA), which resulted in a net loss of \$31.5 million. There was also a small gain of \$299,000 from the discontinuance of the Pine Ridge Forest Nursery.

### Net Contribution from General Revenues

Since revenues generated by the Department of Environmental Protection are less than the expenses of the Department, additional funding is provided from the province's General Revenues. The Ministry reported a \$106.8 million net contribution from general revenues, down \$109.3 million from the previous year and \$109.8 million less than budget. This reduction in the contribution from general revenues was the result of a transfer of excess equity from the Environmental Protection and Enhancement Fund. The Department implemented a new policy regarding the treatment of department incremental revenues transferred to the Enhancement Fund, by establishing a \$150 million equity limit or "cap" in the Enhancement Fund. Equity in excess of the cap is now transferred to the Department, which potentially reduces our net contribution from general revenue requirements.

### Financial Highlights

Environmental Protection continually looks for ways to improve its service to Albertans. Our resources and staff are dedicated to the efficient, effective and responsible delivery of the Ministry core businesses—the wise management of our province's renewable natural resources and the management of environmental hazards that could pose risks to people, property and resources.

In 1997-98, the Ministry continued to streamline its operations, reduce its administration costs and focused on its core operations as outlined below:

- The Ministry's operations were streamlined and processes were reengineered, resulting in administration savings of \$2.4 million.
- The public land management process was streamlined resulting in savings of approximately \$600,000.
- Various maintenance activities were privatized for savings of approximately \$3 million.
- The privatization of the Pine Ridge Forest Nursery was completed resulting in savings of \$1.4 million.
- The operations for the Forest Resource Improvement Program (FRIP) were



discontinued and the program's assets and liabilities transferred to the non-profit Forest Resource Improvement Association of Alberta (FRIAA). This non-profit association was established as a delegated administrative organization for the enhancement of forest resources.

- The new IMAGIS system general ledger and accounts payable modules were put in place and the accounts payable module introduced to our field operations. The system will help support our community level service across Alberta.
- The Ministry is increasing the role of the private sector in the provision of campground support operations, including the use of contractors in campground and facility operations. Savings are anticipated to be \$1.4 million.
- The Environmental Protection and Enhancement Fund established an equity limit ("cap") of \$150 million. As a result, \$111.9 million of equity was transferred from the Enhancement Fund to the Department.
- The Ministry's various cost savings were partially offset by cost pressures such as salary settlements, new computer operating systems and several program initiatives.

## Auditor's Report - Ministry of Environmental Protection

To the Members of the Legislative Assembly

I have audited the consolidated statement of assets, liabilities and net assets of the Ministry of Environmental Protection as at March 31, 1998 and 1997 and the consolidated statements of revenues and expenses and changes in financial position for the years then ended. These financial statements are the responsibility of the management of the Ministry. 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 Ministry is required to follow the corporate government policies and reporting practices as disclosed in Note 3. These accounting policies have been established by Alberta Treasury and are consistent across ministries. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

The following accounting policies are exceptions from generally accepted accounting principles:

*Pension obligations*

Obligations to pension plans for current and former employees of the Ministry have not been recognized as a liability in the accompanying consolidated statement of assets, liabilities and net assets and consequently the annual change in the liability has not been recognized in the consolidated statement of revenues and expenses. In my view, on a basis of allocation similar to that used for Provincial agencies, an amount of approximately \$8.6 million due to pension plans at March 31, 1998 (1997 \$14.6 million) in the Ministry's capacity as employer, and which is reflected in the financial statements of the Department of Treasury, should be recognized as a liability in these financial statements. The effect of not recognizing the annual change in the liability is to overstate the Ministry's

expenses for the year ended March 31, 1998 by \$6 million (1997 \$7.7 million).

#### *Long-term disability benefits*

Unfunded accrued long-term disability benefits have not been recognized as a liability in the accompanying consolidated statement of assets, liabilities and net assets, and related expenses have not been recognized in the consolidated statement of revenues and expenses. During the year ended March 31, 1998, the liability for the benefits for all departments, which was recorded in the financial statements of the Department of Treasury, was fully funded. However, unfunded benefits for all departments that were recorded in the financial statements of the two Long-term Disability Benefit Funds have not been allocated. In my view, the Ministry's liabilities at March 31, 1998 are understated by approximately \$578,000 (1997 \$12.6 million) and expenses are understated by approximately \$1.8 million (1997 \$1.5 million).

#### *Capitalization of assets*

Capital asset purchases under \$15,000 in the Ministry have been expensed in the year acquired and have not been recognized as an asset in the accompanying consolidated statement of assets, liabilities and net assets. Consequently, the annual amortization of these assets has not been recognized in the consolidated statement of revenues and expenses. In my view, an amount of approximately \$28.6 million (1997 \$14.9 million), representing the net book value of these assets as at March 31, 1998, should be recognized in these consolidated financial statements. The net effect of this understatement of assets is to overstate expenses for the year ended March 31, 1998 by approximately \$1.5 million (1997 \$2 million).

#### *Excluded direct costs*

Accommodation and certain other administrative costs incurred in the operation of the Ministry have not been included in expenses. These costs, estimated at \$18.1 million (1997 \$20 million) for accommodation only, are recorded by the Ministries that paid the expenses on behalf of the Ministry of Environmental Protection.

## Auditor's Report - Ministry of Environmental Protection

In my opinion, except for the effects of the matters discussed in the preceding sections, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



FCA  
Auditor General

Edmonton, Alberta  
May 22, 1998

Financial Information - Ministry of Environmental Protection

Consolidated Statement of Revenues and Expenses  
for the Year Ended March 31, 1998  
(in thousands)

	1998		1997
	Budget	Actual	Actual
<b>Revenue</b>			
Transfers from Government of Canada	\$ 1,217	\$ 13,341	\$ 1,449
Investment Income	4,018	6,438	3,473
Fees, Permits and Licenses			
Timber Royalties and Fees	53,800	103,207	97,643
Land and Grazing	23,800	29,307	26,930
Other	11,800	11,742	12,594
Other Revenue	12,240	16,072	15,570
	<u>106,875</u>	<u>180,107</u>	<u>157,659</u>
<b>Expense (Schedule 1)</b>			
Voted			
Ministry Support Services	6,986	9,862	7,152
Environmental Regulatory Service	29,305	29,668	28,845
Natural Resources Service	107,339	108,604	109,762
Corporate Management Service	28,947	28,752	31,081
Land and Forest Service	88,403	88,722	60,876
Reporting Agencies	471	594	508
	<u>261,451</u>	<u>266,202</u>	<u>238,224</u>
Statutory			
Environmental Protection Revolving Fund	25,367	17,219	23,618
Environmental Protection and Enhancement Fund	22,586	12,458	35,105
Alberta Special Waste Management Corporation	-	1,019	1,449
Natural Resources Conservation Board	1,422	1,024	809
	<u>49,375</u>	<u>31,720</u>	<u>60,981</u>
<b>Valuation Adjustments (Note 3 (b))</b>			
Provision for Doubtful Accounts	(237)	339	(1,022)
Provision for Vacation Pay	-	(951)	(2,071)
	<u>(237)</u>	<u>(612)</u>	<u>(3,093)</u>
<b>Other</b>			
Disposal of Capital Assets	968	(2,848)	(375)
Write-down of Capital Assets	-	6,501	-
Write-down of Inventory Held for Resale	-	351	-
Dissolution of Revolving Fund	-	(576)	-
	<u>968</u>	<u>3,428</u>	<u>(375)</u>
	<u>311,557</u>	<u>300,738</u>	<u>295,737</u>
Net Operating Results from Continuing Operations	(204,682)	(120,631)	(138,078)
Net Operating Results from Discontinued Operations (Note 4 (f))	-	(31,210)	(7,768)
Net Contribution from General Revenues (Note 3 (b))	216,620	106,833	216,107
Net Income (Loss)	<u>\$ 11,938</u>	<u>\$ (45,008)</u>	<u>\$ 70,261</u>

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



Financial Information - Ministry of Environmental Protection  
**Consolidated Statement of Changes in Financial Position**  
**for the Year Ended March 31, 1998**  
(in thousands)

	1998	1997
<b>Operating Transactions</b>		
Net Operating Results from Continuing Operations	\$ (120,631)	\$ (138,078)
Non-cash Items Included in Net Operating Results		
Amortization	27,397	28,986
Gain on Disposal of Capital Assets	(2,833)	(375)
Loss on Write-down of Capital Assets	6,501	-
Provision for Doubtful Accounts	339	(1,022)
Provision for Vacation Pay	(951)	(2,071)
Revolving Fund Adjustment to Conform to Department Accounting Policy	(26)	-
	(90,204)	(112,560)
Decrease (Increase) in Accounts Receivable	7,929	(16,592)
Decrease (Increase) in Inventories	956	(3,824)
Decrease in Prepaid Expenses	309	324
Decrease in Advances	12	6
Increase in Accounts Payable and Accrued Liabilities	16,744	17,542
Increase (Decrease) in Unearned Revenue	(620)	14,124
Decrease in Pension Liability	(42)	(79)
Decrease in Advance from General Revenues	-	(5,072)
Decrease in Obligation for Cell Monitoring and Remediations	(48)	-
Increase in Provision for Future Removal and Site Restoration	800	775
Net Cash Used by Continuing Operations	(64,164)	(105,356)
Net Cash Used by Discontinued Operations	(31,210)	(7,768)
Net Contribution from General Revenues	106,833	216,107
	11,459	102,983
<b>Investing Transactions</b>		
Purchases of Capital Assets (Schedule 2)	(7,254)	(9,987)
Proceeds from Disposal of Capital Assets	3,955	722
Transfer of Capital Assets to (from) Other Government Entities	74,161	(15,019)
Transfer of Capital Assets to Inventory	-	2,961
Transfer of Assets from Revolving Fund	316	6,535
	71,178	(14,788)
<b>Financing Transactions</b>		
Increase (Decrease) in Obligation under Capital Lease	(163)	163
Net Cash Provided	82,474	88,358
Due to General Revenues and Cash, Beginning of Year	(951,198)	(1,039,556)
Due to General Revenues and Cash, End of Year	\$ (868,724)	\$ (951,198)
Due to General Revenues and Cash represented by:		
Due to General Revenues	\$ (1,095,654)	\$ (1,075,199)
Cash	226,930	124,001
	\$ (868,724)	\$ (951,198)

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



Financial Information - Ministry of Environmental Protection

Consolidated Statement of Assets, Liabilities and Net Assets  
as at March 31, 1998  
(in thousands)

	1998	1997
<b>Assets</b>		
Cash (Note 5)	\$ 226,930	\$ 124,001
Accounts Receivable (Note 6)	35,619	43,887
Inventories (Note 7)	5,879	6,835
Prepaid Expenses	1	310
Advances	204	216
Capital Assets (Note 8)	1,070,573	1,173,578
	<u>\$ 1,339,206</u>	<u>\$ 1,348,827</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 49,257	\$ 33,464
Unearned Revenue	33,482	34,102
Pension Liability	59	101
Obligation for Cell Monitoring and Remediations (Note 9)	1,057	1,105
Provision for Future Removal and Site Restoration (Note 10)	9,750	8,950
Due to General Revenues	1,095,654	1,075,199
Long-term Portion of Capital Lease	-	163
	<u>1,189,259</u>	<u>1,153,084</u>
<b>Net Assets (Note 11)</b>	<u>149,947</u>	<u>195,743</u>
<b>Liabilities and Net Assets</b>	<u>\$ 1,339,206</u>	<u>\$ 1,348,827</u>
Net Assets at Beginning of Year	\$ 195,743	\$ 125,482
Adjustment to Net Assets (Note 16)	(788)	-
Net Income (Loss) for the Year	(45,008)	70,261
Net Assets at End of Year	<u>\$ 149,947</u>	<u>\$ 195,743</u>

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

*Note 1***Authority**

The Minister of Environmental Protection has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which the organizations operate is also listed. Together, these organizations form the Ministry of Environmental Protection.

<b>Organization</b>	<b>Authority</b>
The Department of Environmental Protection	<i>Government Organization Act</i>
Environmental Protection Revolving Fund	<i>Financial Administration Act</i>
Environmental Protection and Enhancement Fund	<i>Environmental Protection and Enhancement Act</i>
Natural Resources Conservation Board	<i>Natural Resources Conservation Board Act</i>
Alberta Special Waste Management Corporation	<i>Special Waste Management Corporation Act</i>



## Note 2

### Purpose

The Ministry's purpose is the protection and enhancement of the environment and the management of Alberta's renewable natural resources (air, land, water, forests, fish, wildlife and parks).

Two core businesses reflect the Ministry's functions and activities:

*Resource Management* — the Ministry develops and implements legislation, policies, plans and programs; sets standards; monitors compliance; conducts ambient monitoring, renewable resource inventories and environmental impact assessments; and issues approvals which ensure sustainable use of Alberta's renewable natural resources.

*Environmental Hazard Management* — the Ministry reduces the risks of environmental hazards to people and property and ensures the sustainability of our renewable natural resources through fire fighting, flood control, problem wildlife control, spill response and reclamation.

## Note 3

### Summary Of Significant Accounting Policies And Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all ministries. The recommendations of the Public Sector Accounting and Auditing 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 and Auditing Board where it is considered appropriate.

*Note 3*  
*Summary Of Significant*  
*Accounting Policies And*  
*Reporting Practices*  
*- continued*

**a) Reporting Entity**

The reporting entity is the Ministry of Environmental Protection, for which the Minister of Environmental Protection is accountable. These financial statements include the activities of the Department of Environmental Protection, the Environmental Protection Revolving Fund, the Environmental Protection and Enhancement Fund, the Natural Resources Conservation Board, and the Alberta Special Waste Management Corporation. On March 2, 1998, management decided to discontinue the operations of the Environmental Protection Revolving Fund. The assets, liabilities and surplus of the Environmental Protection Revolving Fund were transferred to the Department of Environmental Protection on March 31, 1998.

In addition, the Ministry discontinued operations of the Tire Recycling Management Board, the Fish and Wildlife Trust Fund, the Forest Resource Improvement Program and the Pine Ridge Forest Nursery.

**b) Basis of Financial Reporting**

*Basis of Consolidation*

The accounts of the Department of Environmental Protection, Environmental Protection Revolving Fund, Environmental Protection and Enhancement Fund, Natural Resources Conservation Board and Alberta Special Waste Management Corporation are consolidated. Revenue and expense transactions, investing and financing transactions and related asset and liability accounts between consolidated entities have been eliminated.

*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.

Under the terms of certain forestry contracts, the Province receives levies from timber companies in exchange for reforestation services. In some cases, these services are provided as much as fourteen years after the levy is received. Levies received by the Ministry are initially recorded as unearned revenue when they are received and are subsequently recognized in the fiscal year in which the reforestation services are provided.

*Note 3*  
*Summary Of Significant*  
*Accounting Policies And*  
*Reporting Practices*  
*- continued*

*Internal Government Transfers*

Transfers from other entities within the government reporting entity are classified as internal government transfers. Internal government transfers exclude the net contributions from General Revenues.

*Expenses*

Expenses represent the costs of resources consumed during the year by the Ministry's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service relating to prior years.

Certain expenses, primarily for office space, legal advice and banking services, incurred on behalf of the Ministry by other Ministries, are not reflected in the Consolidated Statement of Revenues and Expenses.

*Valuation Adjustments*

Valuation adjustments 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 and deficits of provincial agencies within the Ministry.

*Assets*

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale. Inventories are recorded at the lower of cost and net realizable value.

*Capital Assets and Amortization*

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. Capital assets consist of assets acquired for cash, or as a result of transfers with other Government of Alberta entities. Assets acquired by right, such as Crown lands, are not included.

*Note 3*  
*Summary Of Significant*  
*Accounting Policies And*  
*Reporting Practices*  
 - continued

The estimated useful lives of major asset categories are as follows:

Land	Infinite
Buildings	25-40 years
Equipment	3-20 years
Computer Hardware and Software	3-10 years
Other	20 years
Land Improvements	40 years
Highways and Roads	20-40 years
Bridges	60 years
Dams and Water Management Structures	25-80 years

*Liabilities*

Liabilities include all financial claims payable by the Ministry at the fiscal year end. They include accrued pension benefits for the Natural Resources Conservation Board and the Alberta Special Waste Management Corporation. Similar accruals have not been made for the Department of Environmental Protection and the Environmental Protection and Enhancement Fund as these amounts are reflected in the financial statements of the Treasury Department on their behalf.

Due to General Revenues is the difference at fiscal year end between the value of assets and liabilities held by the Department of Environmental Protection.

*Net Contribution from General Revenues*

Since revenues generated by the Department of Environmental Protection are less than the expenses, additional funding is provided from General Revenues of the Province. Net contributions to the Department from General Revenues together with the revenues reported by the Department provide the total funding for the Department's expenses.

**c) Change in Accounting Policy**

Effective April 1, 1996, valuation adjustments that were previously reported in the financial statements of Treasury on behalf of the Ministry, are reported by the Ministry in the Consolidated Statement of Revenues and Expenses. Net Operating Results from Continuing Operations decreased and Net Contributions from General Revenues increased by \$394 (1997 - Net Operating Results increased and Net Contributions from General Revenues decreased by \$3,191) as a result of this change.

Effective April 1, 1996, the Ministry reports liabilities associated with vacation entitlements. These liabilities were previously reported in the financial statements of Treasury. Accounts Payable and Accrued Liabilities has increased and Due to General Revenues has decreased by \$12,945 (1997 \$13,676) as a result of this change.

Effective April 1, 1997, the Ministry has reported land lease revenues on the accrual basis of accounting. Previously, land lease revenues were reported in the year in which they became due.

## Note 4

### Discontinued Operations

#### a) *Forest Resource Improvement Program (FRIP)*

On July 8, 1997, management of the Environmental Protection and Enhancement Fund decided to discontinue the operations of FRIP. Consequently, the activities of FRIP ceased and all assets and liabilities of the Program were transferred to the Forest Resource Improvement Association of Alberta (FRIAA) on September 1, 1997. In 1997, FRIAA was established as a Delegated Administrative Organization for the enhancement of forest resources.

The income from discontinued operations has been reported separately in these financial statements and is as follows:

	1998	1997
Revenue and Expense to July 8, 1997		
Timber Royalties and Interest	\$ 1,547	\$ 23,530
Expenses	(156)	(3,102)
	<u>1,391</u>	<u>20,428</u>
Loss from July 8, 1997 to Disposal Date	(3,435)	-
Net Operating Income (Loss) to Year End	<u>(2,044)</u>	<u>20,428</u>
Transfer to FRIAA	(29,441)	-
Net Income (Loss) from Discontinued Operations	<u><u>\$ (31,485)</u></u>	<u><u>\$ 20,428</u></u>

Loss from July 8, 1997 to disposal date includes revenue of \$208 for timber royalties, and \$310 of interest income.

*Note 4*  
*Discontinued Operations*  
 - continued

*b) Tire Recycling Management Board (TRMB)*

Effective October 15, 1996, the Tire Recycling and Management Regulation, Alberta Regulation 206/96, repealed Alberta Regulation 249/92 and transferred the responsibilities of the Board to the Tire Recycling Management Association of Alberta ("TRMA"). The regulation required all cash and securities held in an amount equal to the surplus of the Tire Recycling Management Fund to be transferred to the Environmental Protection and Enhancement Fund. All other assets, liabilities and obligations were transferred to the TRMA established as a management board within the meaning of section 168(ff) of the *Environmental Protection and Enhancement Act*.

The results of operations for the six and one half months ended October 14, 1996 were as follows:

	1997
Revenue	\$ 5,506
Expenses	<u>6,065</u>
Deficiency of Revenue Over Expense	\$ (559)
Transfers to the Environmental Protection and Enhancement Fund and the TRMA	<u>(20,007)</u>
Net Loss from Discontinued Operations	<u><u>\$ (20,566)</u></u>

*Note 4*  
*Discontinued Operations*  
 - continued

*c) Fish and Wildlife Trust Fund*

Effective March 31, 1997, the Alberta Conservation Association Delegated Authority Regulation, Alberta Regulation 38/97, repealed Alberta Regulation 277/85 and transferred the responsibilities of the Fund to the Alberta Conservation Association ("ACA"). The regulation required all cash and securities, in an amount equal to the accumulated net revenue of the Fish and Wildlife Trust Fund as at the end of March 31, 1997, be transferred to the ACA. All other property, assets, liabilities and obligations of the Fish and Wildlife Trust Fund became the property, assets, liabilities and obligations of the ACA in so far as they related to the functions delegated to the ACA under Alberta Regulation 38/97.

The results of operations for the year ended March 31, 1997 were as follows:

	1997
Revenue	\$ 9,172
Expenses	<u>9,801</u>
Deficiency of Revenue over Expense	\$ (629)
Transfers to the Alberta Conservation Association, April 1, 1997	<u>(7,556)</u>
Net Loss from Discontinued Operations	<u><u>\$ (8,185)</u></u>

*Note 4*  
*Discontinued Operations*  
*- continued*

*d) Pine Ridge Forest Nursery*

On June 25, 1996, the Standing Policy Committee approved a plan to discontinue the operations of Pine Ridge Forest Nursery. The 1996-97 financial statements included an estimate for the expected loss on the discontinuance of these operations. On July 17, 1997, the bareroot and container seedling production and the seed plant divisions of Pine Ridge Forest Nursery were taken over by a private operator.

The results of operations for the year ended March 31, 1998 were as follows:

	1998	1997
Revenue and Expense to June 25, 1996	\$ -	\$ 19
Revenue and Expense June 26, 1996 to March 31, 1998	131	-
Recovery of Amortization on Assets Transferred Back to the Province	-	1,399
Provision for Discontinuance to Disposal Date	-	(641)
Gain on Sale of Assets	407	-
Consolidating Adjustments	(239)	(984)
Net Income (Loss) from Discontinued Operations	<u>\$ 299</u>	<u>\$ (207)</u>



*Note 4*  
*Discontinued Operations*  
*- continued*

*e) Alberta Special Waste Management Corporation (ASWMC)*

The cost of discontinuance on the ASWMC Statement of Revenue, Expense and Deficit for the 1998 and 1997 years includes estimates of the revenue and expense until the complete discontinuance of operations of ASWMC.

The Statement of Revenue, Expense and Deficit for the year ended March 31, 1998 is as follows:

	1998	1997
Operating Revenue	\$ 131	\$ 296
Operating Expense	<u>219</u>	<u>674</u>
Deficiency of Revenue Over Expense Before the Following:	(88)	(378)
Cost of Discontinuance	(24)	762
Provision for Future Removal and Site Restoration	<u>(800)</u>	<u>(775)</u>
Deficiency of Revenue Over Expense for the Year	(912)	(391)
Deficit at Beginning of Year	<u>(7,496)</u>	<u>(7,105)</u>
Deficit at End of Year	<u>\$ (8,408)</u>	<u>\$ (7,496)</u>

*f) Summary of Net Operating Results from Discontinued Operations*

	1998	1997
Forest Resource Improvement Program	\$ (31,485)	\$ 20,428
Tire Recycling Management Board	-	(20,566)
Fish and Wildlife Trust Fund	-	(8,185)
Pine Ridge Forest Nursery	299	(207)
Alberta Special Waste Management Corporation	<u>(24)</u>	<u>762</u>
	<u>\$ (31,210)</u>	<u>\$ (7,768)</u>

## Note 5

### Cash

\$216,814 (1997 \$117,662) of cash consists of investment in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is being managed by Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high-quality short-term and mid-term fixed income securities with a maximum term of five years. Due to the short-term nature of the CCITF investments, carrying value approximates fair value.

	1998	1997
<b>CCITF</b>		
Environmental Protection and Enhancement Fund	\$ 213,793	\$ 114,323
Alberta Special Waste Management Corporation	1,870	2,238
Natural Resources Conservation Board	1,151	1,101
Total Cash in CCITF	<u>\$ 216,814</u>	<u>\$ 117,662</u>
Department of Environmental Protection	10,116	6,339
Total Cash	<u>\$ 226,930</u>	<u>\$ 124,001</u>

## Note 6

### Accounts Receivable

	1998		1997	
	Gross Amount	Allowance For Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	<u>\$40,576</u>	<u>\$4,957</u>	<u>\$35,619</u>	<u>\$43,887</u>

Accounts receivable are unsecured and interest bearing.

## Note 7

### Inventories

	1998	1997
Seedlings Ready for Planting or Sale	\$ 2,244	\$ 2,159
Seed Inventory	146	157
Materials	-	537
Seedlings in Work-In-Progress Inventory	1,221	1,020
Real Estate Held for Resale	2,268	2,962
	<u>\$ 5,879</u>	<u>\$ 6,835</u>

## Note 8

### Capital Assets

	1998		1997	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
General Capital Assets:				
Land	\$133,059	\$ -	\$133,059	\$133,259
Buildings	123,937	51,199	72,738	80,881
Equipment	26,904	23,171	3,733	5,371
Computer Hardware and Software	16,172	8,589	7,583	6,629
Other	15,914	9,773	6,141	6,937
Infrastructure Assets:				
Land Improvements	136,953	49,805	87,148	94,551
Highways and Roads	52,233	26,861	25,372	98,608
Bridges	2,397	445	1,952	1,777
Dams and Water Management Structures	874,529	141,682	732,847	745,565
	<u>\$1,382,098</u>	<u>\$311,525</u>	<u>\$1,070,573</u>	<u>\$1,173,578</u>

*Note 8*  
*Capital Assets*  
*- continued*

Land includes land acquired for parks and recreation, building sites, infrastructure and other program use.

Equipment includes office equipment, lab equipment, vehicles, heavy equipment, mobile equipment and fire protection equipment.

Other includes ski lifts.

Land improvements include park development.

Highways and roads consist of original pavement, roadbed, drainage works and traffic control devices within provincial parks.

Dams and water management structures include dams, reservoirs, weirs, canals, dykes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

Changes to capital assets were as follows:

	1998	1997
Net Book Value at Beginning of Year	\$ 1,173,578	\$ 1,187,402
Capital Assets Acquired	7,254	9,986
Disposals and Write-Downs	(7,911)	(6,882)
Adjustment in Revolving Fund to Conform to Department policy	(762)	-
Adjustment Transactions	(28)	-
Transfer to Inventories Held for Resale	-	(2,961)
Transfers from (to) Other Government Entities	(74,161)	15,019
Amortization	(27,397)	(28,986)
Net Book Value at End of Year	<u>\$ 1,070,573</u>	<u>\$ 1,173,578</u>

## *Note 9*

### Obligation For Cell Monitoring And Remediation

Alberta Special Waste Management Corporation (ASWMC) has the responsibility to maintain the integrity of landfill cells at the Swan Hills treatment facility. The obligation was originally established by BOVAR and ASWMC at \$1,000 which was the estimated costs of any required future cell monitoring, repair or replacement. The recorded obligation of \$1,057 (1997 \$1,105) is the current provision for future estimated costs.

The obligation was originally jointly fully funded by BOVAR and ASWMC, however, under the terms of the Definitive Agreement in November 1995, ASWMC received all funding and assumed all financial liabilities related to cell monitoring and remediation.

## *Note 10*

### Provision For Future Removal And Site Restoration

ASWMC continues to be responsible for all site remediation that may be required upon closure of the Swan Hills waste treatment plant. An agreement with the Province of Alberta requires ASWMC to restore the property to stated reclaimed standards.

In March 1995, a consultant's preliminary report indicated that the estimated cost of decontaminating the area tested was approximately \$100. The consultant further estimated that the cost of decommissioning the plant could range from \$31,000 to \$57,000. \$42,000 is considered a reasonable estimate of the decommissioning cost, representing the mid-point of the range after deducting the plant's estimated salvage value.

The \$9,750 (1997 \$8,950) accumulated provision for future removal and site restoration on the balance sheet represents the net present value of the \$42,000 estimate for decommissioning and the \$100 for decontamination remediation, assuming an eighteen year remaining operating life for the plant and using a discount rate of 8.98%. Because assumptions can change, as can the decontamination or decommissioning methods used, these costs could increase or decrease by a material amount.

*Note 11*

## Net Assets

Funds retained in the Ministry represent the net assets generated by the Funds and Agencies and the net liability position of the Department of Environmental Protection.

	1998	1997
Department of Environmental Protection	\$ (1,269)	\$ -
Environmental Protection Revolving Fund	-	4,022
Environmental Protection and Enhancement Fund	150,000	190,629
Natural Resources Conservation Board	1,216	1,186
Alberta Special Waste Management Corporation	-	(94)
	<u>\$ 149,947</u>	<u>\$ 195,743</u>

*Note 12*

## Commitments

The Ministry has commitments to outside organizations with respect to contracts entered into before March 31, 1998, amounting to \$11,996 (1997 \$9,633). These commitments will become expenses of the Ministry when the terms of the contract are met.

	1998	1997
Construction Contracts	\$ 1,204	\$ 2,339
Service Contracts	10,792	7,294
	<u>11,996</u>	<u>9,633</u>

As well, the Ministry is committed to outside organizations with respect to long-term lease agreements amounting to \$742 (1997 \$738). The aggregate amounts payable for the unexpired terms of these leases are as follows:

1998-99	\$	213
1999-2000		213
2000-01		132
2001-02		79
2002-03		72
Thereafter		33
Total	\$	<u>742</u>

Under the terms of grant programs, the Ministry is committed to fund \$2,763 (1997 \$4,989). These commitments relate to the Waste Management and Assistance Program and Water Management and Erosion Control Program.

## *Note 13*

### Contingencies

At March 31, 1998 the Ministry was named as the defendant in various legal actions. The total claimed in specific legal actions amounts to approximately \$17,903 (1997 \$9,771).

Alberta Special Waste Management Corporation was named defendant in a lawsuit and received a claim in the amount of \$700 for alleged breach of a certain lease agreement. The claim was settled for an amount of \$163 and was accounted for in the current year.

## *Note 14*

### Related Party Transactions

The Ministry's revenue includes \$243 (1997 \$444) from other Government of Alberta departments, agencies or funds.

The Ministry's supplies and services expenses include \$4,954 (1997 \$3,078) to various other Government of Alberta departments, agencies or funds and \$0 (1997 \$100) as a grant to the Alberta Energy and Utilities Board during the fiscal year. In addition, the Ministry paid Payment Systems Corporation (PSC), a joint venture partially owned by the Province of Alberta, \$467 (1997 \$567) for computer processing.

Accommodation costs of \$18,104 (1997 \$20,168) were paid by Public Works, Supply and Services on behalf of the Ministry. Legal, telecommunications, personnel and certain financial costs were provided by other government entities at no cost to the Ministry.

Accounts receivable include \$1 (1997 \$87) from other Alberta Government ministries.

Accounts payable and accrued liabilities include \$0 (1997 \$544) to other Alberta Government ministries.

## Note 15

### Trust Funds Under Administration

The Ministry administers funds consisting of 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 financial statements.

Trust funds under administration are as follows:

	1998	1997
General Trust	\$ 7,957	\$ 7,897
Environmental Protection Security Fund	1,212	1,788
Junior Forest Ranger Program	28	54
	<u>\$ 9,197</u>	<u>\$ 9,739</u>



*Note 16*

## Adjustment to Net Assets

On March 31, 1998, the assets and liabilities of the Environmental Protection Revolving Fund were transferred to the Department of Environmental Protection. Prior to this transfer, adjustments were made to accounts for these assets and liabilities in accordance with the accounting policies of the Department of Environmental Protection. The effect of these adjustments to the assets and liabilities of the Environmental Protection Revolving Fund was as follows:

	1998
Inventories Held for Consumption	\$ (163)
Obligation Under Capital Leases	137
Capital Assets	\$ (762)
	<u>\$ (788)</u>

*Note 17*

## Uncertainty Due To The 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. Government computer programs that have date sensitive software may recognize a date using "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. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failures that could affect the ability to conduct some government operations.

The Ministry of Environmental Protection is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the Ministry'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 material adverse effect on the Ministry's financial condition. Despite the Ministry's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the Ministry of Environmental Protection, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

## Note 18

### Payments Under Agreement

The Department has entered into agreements to deliver programs on behalf of BC Hydro and the Western Grain Transition Payments Program. These programs and services are fully funded by BC Hydro and the Federal Government respectively. Expenses incurred under these agreements are made by the Department under authority of the *Financial Administration Act*, Section 29.1.

Total amounts paid under agreements to date are as follows:

	1998	1997
BC Hydro	\$ 1,500	\$ 1,500
Western Grain Transition Payments Program	\$ 978	\$ 843

## Note 19

### Approval Of Financial Statements

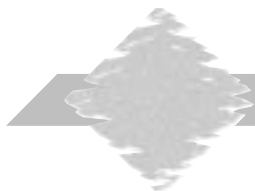
The financial statements were approved by the Senior Financial Officer and the Deputy Minister.



Financial Information - Ministry of Environmental Protection  
Schedule to the Consolidated Financial Statements  
Expense Detail by Object  
for the Year Ended March 31, 1998  
(in thousands)

Schedule 1

	1998	
	Budget	Actual
Salaries, Wages and Employee Benefits	\$ 149,859	\$ 137,229
Supplies and Services	114,403	117,058
Grants	17,476	48,671
Financial Transactions and Other	85	912
Amortization of Capital Assets	29,003	27,328
Total Expenses	<u>310,826</u>	<u>331,198</u>
Discontinued Operations	-	(33,276)
Total Continuing Expenses	<u>\$ 310,826</u>	<u>\$ 297,922</u>



Financial Information - Ministry of Environmental Protection  
 Schedule to the Consolidated Financial Statements  
 Comparison of Capital by Element to Authorized Budget  
 for the Year Ended March 31, 1998  
 (in thousands)

Schedule 2

	1997-98		1996-97
	Authorized Budget	Actual Capital	Actual Capital
<b>Voted Capital</b>			
<b>Ministry Support Services</b>			
<b>Total Program 1</b>	\$ 23	\$ 13	\$ 72
<b>Environmental Regulatory Service</b>			
2.1 Provincial Operations			
Total Sub-program	533	544	1,130
2.2 Regional Operations			
Total Sub-program	-	-	-
2.3 Amortization of Capital Investment			
Total Sub-program	-	-	-
<b>Total Program 2</b>	533	544	1,130
<b>Natural Resources Service</b>			
3.1 Resources Management			
Total Sub-program	788	662	3,402
3.2 Regional Operations			
Total Sub-program	3,543	3,469	2,081
3.3 Amortization of Capital Investment			
Total Sub-program	-	-	-
<b>Total Program 3</b>	4,331	4,131	5,483
<b>Corporate Management Service</b>			
<b>Total Program 4</b>	450	381	774
<b>Land and Forest Service</b>			
<b>Total Program 5</b>	1,107	1,649	1,805
<b>Reporting Agencies</b>			
6.1 Administrative Appeal Services			
6.1.1 Environmental Appeal Board	-	-	-
Total Sub-program	-	-	-
6.2 Assistance to Natural Resources Conservation Board			
6.2.1 Natural Resources Conservation Board	-	-	-
Total Sub-program	-	-	-
<b>Total Program 6</b>	-	-	-
Total Voted Capital for Continuing Operations	6,444	6,718	9,264
Discontinued Operations (Note 4)	-	-	-
Total Voted Capital	6,444	6,718	9,264
<b>Statutory Capital</b>			
Total Statutory Capital	508	536	722
<b>TOTAL MINISTRY CAPITAL</b>	<u>\$ 6,952</u>	<u>\$ 7,254</u>	<u>\$ 9,986</u>



## Auditor's Report - Department of Environmental Protection

To the Minister of Environmental Protection

I have audited the statement of assets, liabilities and net liabilities of the Department of Environmental Protection as at March 31, 1998 and 1997 and the statements of revenues and expenses and changes in financial position for the years 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 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 Department is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 3. These accounting policies have been established by Alberta Treasury and are consistent across departments. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

The following accounting policies are exceptions from generally accepted accounting principles:

*Pension obligations*

Obligations to pension plans for current and former employees of the Department have not been recognized as a liability in the accompanying statement of assets, liabilities and net liabilities and consequently the annual change in the liability has not been recognized in the statement of revenues and expenses. In my view, on a basis of allocation similar to that used for Provincial agencies, an amount of approximately \$8.6 million due to pension plans at March 31, 1998 (1997 \$14.6 million) in the Department's capacity as employer, and which is reflected in the financial statements of the Department of Treasury, should be recognized as a liability in these financial statements. The effect of not recognizing the annual change in the liability is to overstate the Department's expenses for the year ended March 31, 1998 by approximately \$6 million (1997 \$7.7 million).

*Long-term disability benefits*

Unfunded accrued long-term disability benefits have not been recognized as a liability in the accompanying statement of assets, liabilities and net liabilities, and related expenses have not been recognized in the statement of revenues and expenses. During the year ended March 31, 1998, the liability for the benefits for all departments, which was recorded in the financial statements of the Department of Treasury, was fully funded. However, unfunded benefits for all departments that were recorded in the financial statements of the two Long-term Disability Benefit Funds have not been allocated. In my view, the Department's liabilities at March 31, 1998 are understated by approximately \$578,000 (1997 \$12.6 million) and expenses for the year ended March 31, 1998 are understated by approximately \$1.8 million (1997 \$1.5 million).

*Capitalization of assets*

Capital asset purchases under \$15,000 in the Department have been expensed in the year acquired and have not been recognized as an asset in the accompanying statement of assets, liabilities and net liabilities. Consequently, the annual amortization of these assets has not been recognized in the statement of revenues and expenses. In my view, an amount of approximately \$28.6 million (1997 \$14.9 million), representing the net book value of these assets as at March 31, 1998, should be recognized in these financial statements. The net effect of this understatement of assets is to overstate expenses for the year ended March 31, 1998 by approximately \$1.5 million (1997 \$2 million).

*Excluded direct costs*

Accommodation and certain other administrative costs incurred in the operation of the Department have not been included in expenses. These costs, estimated at \$17 million (1997 \$20 million) for accommodation only, are recorded by the departments that paid these expenses on behalf of the Department.

## Auditor's Report - Department of Environmental Protection

In my opinion, except for the effects of the matters discussed in the preceding sections, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



FCA  
Auditor General

Edmonton, Alberta  
May 22, 1998



Financial Information - Department of Environmental Protection

Statement of Revenues and Expenses  
for the Year Ended March 31, 1998  
(in thousands)

	1998		1997
	Budget (Schedule 3)	Actual	Actual
<b>Revenue (Schedules 1 and 2)</b>			
Transfer to Environmental Protection and Enhancement Fund	\$ (40,088)	\$ (108,007)	\$ (87,917)
Transfer from Environmental Protection and Enhancement Fund	-	111,863	-
Transfers from Government of Canada	1,217	13,341	1,449
Fees, Permits and Licenses	88,885	142,959	135,858
Investment Income	550	352	433
Other Revenue	5,604	11,178	6,497
	<u>56,168</u>	<u>171,686</u>	<u>56,320</u>
<b>Expense</b>			
Voted (Schedules 2, 4 and 7)			
Ministry Support Services	6,986	9,862	7,152
Environmental Regulatory Service	29,305	29,668	28,845
Natural Resources Service	116,566	117,197	120,697
Corporate Management Service	28,947	28,752	31,081
Land and Forest Service	88,403	88,722	86,460
Natural Resources Conservation Board	1,379	879	1,005
Environmental Appeal Board	471	594	508
	<u>272,057</u>	<u>275,674</u>	<u>275,748</u>
<b>Valuation Adjustments</b>			
Provision for Doubtful Accounts	(237)	339	(1,022)
Provision for Vacation Pay	-	(951)	(2,071)
Deficit of Alberta Special Waste Management Corporation	-	1,006	(98)
	<u>(237)</u>	<u>394</u>	<u>(3,191)</u>
<b>Losses (Gains)</b>			
Disposal of Capital Assets	968	(2,556)	(130)
Write-down of Capital Assets	-	6,501	-
Write-down of Inventory Held for Resale	-	351	-
Dissolution of Revolving Fund	-	(576)	-
	<u>968</u>	<u>3,720</u>	<u>(130)</u>
	<u>272,788</u>	<u>279,788</u>	<u>272,427</u>
Net Operating Results	<u>(216,620)</u>	<u>(108,102)</u>	<u>(216,107)</u>
Net Contribution from General Revenues (Note 7)	<u>216,620</u>	<u>106,833</u>	<u>216,107</u>
Net Gain (Loss)	<u>\$ 0</u>	<u>\$ (1,269)</u>	<u>\$ -</u>


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

Financial Information - Department of Environmental Protection

Statement of Changes in Financial Position  
for the Year Ended March 31, 1998  
(in thousands)

	1998	1997
<b>Operating Transactions</b>		
Net Operating Results	\$ (108,102)	\$ (216,107)
Non-Cash Items Included in Net Operating Results:		
Amortization	26,635	27,412
Gain on Disposal of Capital Assets	(2,556)	(130)
Loss on Write-down of Capital Assets	6,501	-
Valuation Adjustments	394	(3,191)
	<u>(77,128)</u>	<u>(192,016)</u>
Increase in Accounts Receivable	(92,070)	(10,454)
Decrease (Increase) in Advances	12	(4)
Increase in Inventories Held for Resale	(1,749)	(2,961)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(30,987)	54,306
Increase (Decrease) in Unearned Revenue	12,400	(1,749)
Net Cash Used by Operations	<u>(189,522)</u>	<u>(152,878)</u>
Net Contribution from General Revenues	106,833	216,107
Cash Provided (Used) by Operating Transactions	<u>(82,689)</u>	<u>63,229</u>
<b>Investing Transactions</b>		
Purchase of Capital Assets (Schedule 5)	(6,718)	(9,264)
Proceeds from the Sale of Capital Assets	3,563	198
Transfer of Capital Assets from Revolving Fund	(1,364)	-
Transfer of Capital Assets to (from) Other Government Entities	74,161	(15,019)
Transfer of Capital Assets to Inventories Held for Resale	-	2,961
Cash Provided (Used) by Investing Transactions	<u>69,642</u>	<u>(21,124)</u>
Net Cash Provided (Used)	(13,047)	42,105
Due to General Revenues and Cash, Beginning of Year	(1,072,491)	(1,114,596)
Due to General Revenues and Cash, End of Year	<u>\$ (1,085,538)</u>	<u>\$ (1,072,491)</u>
Due to General Revenues and Cash Represented By:		
Due to General Revenues	\$ (1,095,654)	\$ (1,078,830)
Cash	10,116	6,339
	<u>\$ (1,085,538)</u>	<u>\$ (1,072,491)</u>

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



Financial Information - Department of Environmental Protection

Statement of Assets, Liabilities and Net Liabilities  
as at March 31, 1998  
(in thousands)

	1998	1997
<b>Assets</b>		
Cash	\$ 10,116	\$ 6,339
Accounts Receivable (Note 4)	125,031	33,300
Advances (Note 5)	204	216
Inventories Held for Resale	4,710	2,961
Capital Assets (Note 6)	<u>1,069,323</u>	<u>1,169,545</u>
	<u>\$ 1,209,384</u>	<u>\$ 1,212,361</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 81,517	\$ 112,449
Unearned Revenues	33,482	21,082
Due to General Revenues	<u>1,095,654</u>	<u>1,078,830</u>
	<u>1,210,653</u>	<u>1,212,361</u>
<b>Net Liabilities (Note 8)</b>	<u>\$ 1,269</u>	<u>\$ -</u>
Net Liabilities at Beginning of Year	\$ -	\$ -
Net Loss for the Year	<u>1,269</u>	<u>-</u>
Net Liabilities at End of Year	<u>\$ 1,269</u>	<u>\$ -</u>

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

## *Note 1*

### Authority

The Department of Environmental Protection (“Department”) operates under the authority of the *Government Organization Act*, Statutes of Alberta.

## *Note 2*

### Purpose

The purpose of the Department is the protection and enhancement of the environment and the management of Alberta’s renewable natural resources (air, land, water, forests, fish, wildlife and parks). The Department is committed to managing the environment in a way that protects and maintains the landscape and its diversity for the benefit of present and future generations. Future economic prosperity is supported by managing natural resources in a sustainable manner.

## *Note 3*

### Summary Of Significant Accounting Policies And Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting and Auditing Board (PSAAB) of the Canadian Institute of Chartered Accountants (CICA) are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the CICA, 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 PSAAB where it is considered appropriate.

*Note 3*  
*Summary Of Significant*  
*Accounting Policies And*  
*Reporting Practices*  
*- continued*

*a) Reporting Entity*

The reporting entity is the Department of Environmental Protection, which is part of the Ministry of Environmental Protection ("Ministry") and for which the Minister of Environmental Protection is accountable. Other entities reporting to the Minister include the Environmental Protection Revolving Fund, the Environmental Protection and Enhancement Fund, the Natural Resources Conservation Board and the Alberta Special Waste Management Corporation. The activities of these organizations are not included in these statements.

Since significant financial transactions of the Ministry are reported outside the Department financial statements, the Ministry financial statements provide a more comprehensive accounting of the financial position and results of the Ministry's operations. The Ministry Annual Report provides a more complete picture of the responsibilities for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund ("Fund"). The Provincial Treasurer administers the Fund. All revenues collected by the departments are deposited into the Fund and all disbursements made by the departments are paid from the Fund.

*b) 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. Dedicated revenues shown in Schedule 2 are included in revenue.

**Internal Government Transfers**

Transfers from other entities within the government reporting entity are classified as internal government transfers. Internal government transfers exclude the net contribution from General Revenues.

**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

*Note 3*  
*Summary Of Significant*  
*Accounting Policies And*  
*Reporting Practices*  
*- continued*

not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's expense budget is reduced. Conversely, if actual dedicated revenues exceed budget, the Department may, with the approval of Treasury Board, use the excess revenue to fund additional expenses of the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

### **Expenses**

Expenses represent the costs of resources consumed on the Department operations during the year. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service relating to prior years.

Certain expenses, primarily for office space, legal advice and banking services, incurred on behalf of the Department by other Ministries, are not reflected in the Statement of Revenues and Expenses.

### **Valuation Adjustments**

Valuation adjustments 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 and deficits of provincial agencies within the Ministry.

### **Assets**

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

Inventories, which consist of real estate held for resale, are recorded at the lower of cost and net realizable value.

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.

*Note 3**Summary Of Significant**Accounting Policies And**Reporting Practices**- continued*

The estimated useful lives of major asset categories are as follows:

Land	Infinite
Buildings	40 years
Equipment	3 - 10 years
Computer Hardware and Software	5 - 10 years
Other	20 years
Land Improvements	40 years
Highways and Roads	20 - 40 years
Bridges	60 years
Dams and Water Management Structures	25 - 80 years

The threshold for capitalizing new systems development is \$100 and the threshold for all other capital assets is \$15. Capital assets consist of assets acquired for cash, or as a result of transfers with other Government of Alberta entities. Assets acquired by right, such as Crown lands, are not included.

**Liabilities**

Liabilities include all financial claims payable by the Department at fiscal year end, except long-term disability benefits and certain pension benefits, which are reflected in the financial statements of the Treasury Department on behalf of all departments.

Due to General Revenues is the difference at fiscal year end between the value of assets held by the Department and its liabilities.

*c) Change in Accounting Policy*

Effective April 1, 1996, valuation adjustments that were previously reported in the financial statements of the Treasury Department on behalf of the Department, are reported by the Department in the Statement of Revenues and Expenses. Net operating results from continuing operations decreased and net contributions from General Revenues increased by \$394 (1997, net operating results increased and net contributions from General Revenues decreased by \$3,191) as a result of this change.

Effective April 1, 1996, the Department reports liabilities associated with vacation entitlements. These liabilities were previously reported in the financial statements of the Treasury Department. Accounts payable and accrued liabilities has increased and Due to General Revenues has decreased by \$12,945 (1997 \$13,676) as a result of this change.

Department of Environmental Protection  
 March 31, 1998  
 (in thousands)

Effective April 1, 1997, the Department reports land lease revenues on the accrual basis of accounting. Previously, land lease revenues were reported in the year in which they became due.

Effective April 1, 1997, cash held in bank accounts controlled by the Department that had been previously reported in the financial statements of Treasury Department on behalf of the Department, are now reported by the Department in the Statement of Assets, Liabilities and Net Liabilities. Cash and marketable securities increased as a result of this change.

### Note 4

#### Accounts Receivable

	1998		1997	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 129,748	\$ 4,957	\$ 124,791	\$ 33,244
Refunds from Suppliers	240	-	240	56
	<u>\$ 129,988</u>	<u>\$ 4,957</u>	<u>\$ 125,031</u>	<u>\$ 33,300</u>

Accounts receivable are unsecured and interest bearing.

### Note 5

#### Advances

	1998		1997	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Travel Advances	\$ 204	-	\$ 204	\$ 216



## Note 6

### Capital Assets

	1998		1997	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<b>General Capital Assets:</b>				
Land	\$ 132,905	\$ -	\$ 132,905	\$ 133,105
Buildings	122,617	50,836	71,781	79,814
Equipment	26,757	23,073	3,684	2,801
Computer Hardware and Software	15,980	8,485	7,495	6,387
Other	15,914	9,773	6,141	6,936
<b>Infrastructure Assets:</b>				
Land Improvements	136,953	49,805	87,148	94,551
Highways and Roads	52,233	26,861	25,372	98,608
Bridges	2,397	445	1,952	1,777
Dams and Water Management Structures	874,529	141,684	732,845	745,566
	<u>\$1,380,285</u>	<u>\$310,962</u>	<u>\$1,069,323</u>	<u>\$1,169,545</u>

Land includes land acquired for parks and recreation, building sites, infrastructure and other program use.

Equipment includes office equipment, lab equipment, vehicles, heavy equipment, mobile equipment and fire protection equipment.

Other includes ski lifts.

Land improvements include park development.

Highways and roads consist of original pavement, roadbed, drainage works and traffic control devices within provincial parks.

Dams and water management structures include dams, reservoirs, weirs, canals, dykes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

Department of Environmental Protection  
 March 31, 1998  
 (in thousands)

Changes to capital assets were as follows:

	1998	1997
Net Book Value at Beginning of Year	\$ 1,169,545	\$ 1,175,703
Capital Assets Acquired (Schedule 5)	6,718	9,264
Amortization	(26,635)	(27,412)
Adjustment Transactions	(28)	-
Disposals and Write-downs	(7,480)	(68)
Transfer to Inventories Held for Resale	-	(2,961)
Transfer from Revolving Fund	1,364	-
Transfers with Other Government Entities	(74,161)	15,019
Net Book Value at End of Year	<u>\$ 1,069,323</u>	<u>\$ 1,169,545</u>

## Note 7

### Net Contribution From General Revenues

Since revenues generated by the Department are less than the expenses of the Department, additional funding is provided from General Revenues of the Province. Net contributions to the Department from General Revenues together with the revenues reported by the Department, provided the total funding for the Department's expenses.

Net contribution from General Revenues is calculated as follows:

	1998	1997
Net Operating Results from Continuing Operations	\$ 108,102	\$ 216,107
Less: Total Actual Voted Expenses in Excess of Authorized Voted Expenses, Plus Shortfall of Dedicated Revenue.	(1,269)	-
	<u>\$ 106,833</u>	<u>\$ 216,107</u>

## Note 8

### Net Liabilities

The Department's total actual voted expenses have exceeded the total authorized voted expenses resulting in net liabilities of \$1,269 for the year ending March 31, 1998. In the year ending March 31, 1999, the Department will need to reduce its actual voted expenses below the amount authorized to compensate for the net liabilities.

## Note 9

### Commitments

The Department has commitments to outside organizations with respect to contracts entered into before March 31, 1998, amounting to \$11,996 (1997 \$9,633). These commitments will become expenses of the Department when the terms of the contract are met.

	1998	1997
Construction Contracts	\$ 1,204	\$ 2,339
Service Contracts	10,792	7,294
	<u>\$ 11,996</u>	<u>\$ 9,633</u>

As well, the Department is committed to outside organizations with respect to long-term lease agreements amounting to \$742 (1997 \$738). The aggregate amounts payable for the unexpired terms of these leases are as follows:

1998-99	\$ 213
1999-2000	213
2000-01	132
2001-02	79
2002-03	72
Thereafter	33
	<u>\$ 742</u>

Under the terms of grant programs, the Department is committed to fund \$2,763 (1997 \$4,939). These commitments relate to the Waste Management and Assistance Program and Water Management and Erosion Control Program.

## *Note 10*

### Contingencies

At March 31, 1998, the Department was named as the defendant in various legal actions. The total claimed in specific legal actions amounts to approximately \$17,903 (1997 \$9,771).

## *Note 11*

### Related Party Transactions

The Department's revenues include \$490 (1997 \$73) from the Environmental Protection Revolving Fund and \$111,863 (1997 \$0) from the Environmental Protection and Enhancement Fund.

Accounts receivable include \$0 (1997 \$73) from the Environmental Protection Revolving Fund, \$102,155 (1997 \$0) from the Environmental Protection and Enhancement Fund and \$0 (1997 \$40) from the Fish and Wildlife Trust Fund.

The Department's supplies and services expenses include \$8,593 (1997 \$10,786) from the Environmental Protection Revolving Fund. Grants include \$879 (1997 \$1,245) to Funds and Agencies within the Ministry.

Accounts payable and accrued liabilities include \$41,210 (1997 \$70,908) to Funds and Agencies within the Ministry and \$0 (1997 \$243) to other Alberta Government Departments.

The Department paid \$4,954 (1997 \$3,078) to various other Government of Alberta departments, agencies or funds for supplies and/or services and \$0 (1997 \$100) as a grant to the Alberta Energy and Utilities Board during the fiscal year. In addition, the Department paid directly to Payment Systems Corporation (PSC), a joint venture partially owned by the Province of Alberta, \$467 (1997 \$567) for computer processing. Any

Department of Environmental Protection  
March 31, 1998  
(in thousands)

amounts paid indirectly through Public Works, Supply and Services (PWSS) are not included in the amount.

Accommodation costs of \$17,049 (1997 \$20,092) were paid by PWSS on behalf of the Department. Legal, telecommunications, personnel, and certain financial costs were provided by other government organizations at no cost to the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Capital assets consisting of highways and roads owned by the Department were transferred to Alberta Transportation and Utilities at net book value on April 1, 1997. Capital assets owned by the Environmental Protection Revolving Fund were transferred to the Department at net book value on March 31, 1998. Due to general revenues was decreased by the net book value of the transfers. The amounts transferred comprise:

	1998
Equipment	\$ 1,364
Highways and Roads	(74,161)
	<u>\$ (72,797)</u>

## *Note 12*

### Trust Funds Under Administration

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.

Trust funds under administration are as follows:

	1998	1997
General Trust	\$ 7,957	\$ 7,897
Environmental Protection Security Fund	1,212	1,788
Junior Forest Ranger Program	28	54
	<u>\$ 9,197</u>	<u>\$ 9,739</u>

## Note 13

### Payments Under Agreement

The Department has entered agreements to deliver programs on behalf of BC Hydro and the Western Grain Transition Payments Program. These programs and services are fully funded by BC Hydro and the Federal Government respectively. Expenses incurred under these agreements are made by the Department under authority of the *Financial Administration Act*, Section 29.1.

Total amounts paid under agreements to date are as follows:

	1998	1997
BC Hydro	\$ 1,500	\$ 1,500
Western Grain Transition Payments Program	978	843

## Note 14

### Dissolution Of The Environmental Protection Revolving Fund

On March 2, 1998, management decided to discontinue the operations of the Environmental Protection Revolving Fund. Consequently, the activities of the Revolving Fund ceased at March 31, 1998, and the following current assets, capital assets and working capital were transferred to the Department:

Department of Environmental Protection  
March 31, 1998  
(in thousands)

	1998
Accounts receivable	\$ 6,046
Inventories	2,441
Accounts Payable	(1,383)
Non-cash Working Capital	<u>7,104</u>
Capital Assets	1,364
Unearned Revenue	<u>(12,695)</u>
	<u><u>\$ (4,227)</u></u>
Due from General Revenues at March 31, 1998	(7,921)
Surplus Returned to the Department	3,694
	<u><u>\$ (4,227)</u></u>

The non-cash portion of the advance from the General Revenue Fund in the amount of \$576 was repaid to and included in the revenue of the Department.

## *Note 15*

### Uncertainty Due To The 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. Government computer programs that have date sensitive software may recognize a date using "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. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some government operations.

The Department is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the Department'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 material adverse effect on the Department's financial condition. Despite the Department's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the Department, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

## *Note 16*

### Approval Of Financial Statements

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



Financial Information - Department of Environmental Protection

Schedule to the Financial Statements

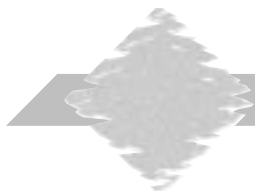
Revenues

for the Year Ended March 31, 1998

(in thousands)

Schedule 1

	1998		1997
	Budget	Actual	Actual
<b>Internal Government Transfers</b>			
Transfers to Environmental Protection and Enhancement Fund	\$ (40,088)	\$ (108,007)	\$ (87,917)
Transfer from Environmental Protection and Enhancement Fund	-	111,863	-
<b>Transfers from the Government of Canada</b>	1,217	13,341	1,449
<b>Fees, Permits and Licenses</b>			
Timber Royalties and Fees	53,800	103,207	97,643
Land and Grazing	23,800	29,307	26,930
Other	11,285	10,445	11,285
	<u>88,885</u>	<u>142,959</u>	<u>135,858</u>
<b>Investment Income</b>	550	352	433
<b>Other Revenue</b>			
Sale of Assets	3,500	2,903	2,143
Refunds of Expenditure	328	737	1,339
Other	1,776	7,538	3,015
	<u>5,604</u>	<u>11,178</u>	<u>6,497</u>
<b>Total Revenue</b>	<u>\$ 56,168</u>	<u>\$ 171,686</u>	<u>\$ 56,320</u>



Financial Information - Department of Environmental Protection

Schedule to the Financial Statements  
Dedicated Revenue Initiatives  
for the Year Ended March 31, 1998  
(in thousands)

Schedule 2

	1998		1997
	Budget	Actual	Actual
<b>Parks Firewood</b>			
Dedicated Revenue	\$ (300)	\$ (249)	\$ (349)
Expenses	<u>300</u>	<u>213</u>	<u>248</u>
Net Expense (Revenue)	<u>\$ -</u>	<u>\$ (36)</u>	<u>\$ (101)</u>

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 expense budget is reduced. Conversely, if actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses of the program.

The Parks Firewood dedicated revenue initiative relates to the collection of a \$2 fee from campground users, which is included in the base fee structure, for the cost of firewood supply at sites which do not have concessions or operating agreements.

**Note:** The dedicated revenues and expenses presented in this schedule are included in the Department's Statement of Revenues and Expenses.

Financial Information - Department of Environmental Protection

Schedule to the Financial Statements  
Budgets

for the Year Ended March 31, 1998

(in thousands)

Schedule 3

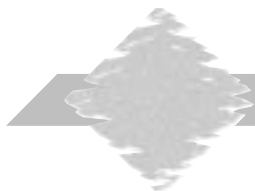
	1997-98				
	Estimates	Transfer of Responsibility	Budget	Voted Supplementary(c)	Authorized Budget
<b>Revenue</b>					
Transfer to Environmental Protection and Enhancement Fund	\$ (40,088)	\$ -	\$ (40,088)	\$ -	\$ (40,088)
Transfers from Government of Canada	1,217	-	1,217	-	1,217
Fees, Permits and Licenses	88,885	-	88,885	-	88,885
Investment Income	550	-	550	-	550
Other Revenue	5,604	-	5,604	-	5,604
	<u>56,168</u>	<u>-</u>	<u>56,168</u>	<u>-</u>	<u>56,168</u>
<b>Expense</b>					
<b>Voted Expenses(a)</b>					
Ministry Support Services	6,986	-	6,986	2,399	9,385
Environmental Regulatory Service	29,305	-	29,305	-	29,305
Natural Resources Service	116,566	-	116,566	-	116,566
Corporate Management Service	28,947	-	28,947	-	28,947
Land and Forest Service	88,403	-	88,403	-	88,403
Natural Resources Conservation Board	1,379	-	1,379	-	1,379
Environmental Appeal Board	471	-	471	-	471
	<u>272,057</u>	<u>-</u>	<u>272,057</u>	<u>2,399</u>	<u>274,456</u>
<b>Valuation adjustments(b)</b>					
Provision for Doubtful Accounts *	(237)	-	(237)	-	(237)
Provision for Vacation Pay	-	-	-	-	-
	<u>(237)</u>	<u>-</u>	<u>(237)</u>	<u>-</u>	<u>(237)</u>
<b>(Gains) Losses</b>					
Disposal of Capital Assets	968	-	968	-	968
Write-down of Capital Assets	-	-	-	-	-
Write-down of Inventory Held for Resale	-	-	-	-	-
Dissolution of Revolving Fund	-	-	-	-	-
	<u>968</u>	<u>-</u>	<u>968</u>	<u>-</u>	<u>968</u>
	<u>272,788</u>	<u>-</u>	<u>272,788</u>	<u>2,399</u>	<u>275,187</u>
Net Contribution from General Revenues	<u>\$ (216,620)</u>	<u>\$ -</u>	<u>\$ (216,620)</u>	<u>\$ (2,399)</u>	<u>\$ (219,019)</u>

\* Reallocated from Treasury

a) In the event that actual voted expenses exceed that budgeted, the Department will report net liabilities. In the subsequent year, the Department will need to reduce its actual voted expenses below the amount budgeted to compensate for the net liabilities.

b) In the event that actual statutory expenses, actual valuation adjustments and actual loss on disposal of capital assets exceed that budgeted, General Revenues will contribute enough funding to prevent net liabilities in the Department.

c) Government Estimates were approved on May 27, 1997 and Supplementary Estimates were approved on February 26, 1998. Treasury Board approval is pursuant to section 29(1.1) of the *Financial Administration Act*.



Financial Information - Department of Environmental Protection

Schedule to the Financial Statements  
Expense Detail by Object  
for the Year Ended March 31, 1998  
(in thousands)

Schedule 4

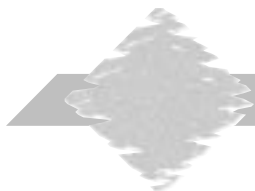
	1998		1997
	Budget	Actual	Actual
<b>Voted</b>			
Salaries, Wages and Employee Benefits (Schedule 6)	\$ 140,979	\$ 132,325	\$ 129,818
Supplies and Services	92,777	107,361	81,349
Grants	10,470	9,241	37,107
Financial Transactions and Other	85	112	62
Amortization of Capital Assets	27,746	26,635	27,412
Total Voted Expenses for Continuing Operations	<u>\$ 272,057</u>	<u>\$ 275,674</u>	<u>\$ 275,748</u>

Financial Information - Department of Environmental Protection

Schedule to the Financial Statements  
Purchase of Capital Assets  
for the Year Ended March 31, 1998  
(in thousands)

Schedule 5

	1997-98		1996-97
	Authorized Budget	Actual Capital	Actual Capital
<b>Voted Capital</b>			
<b>Ministry Support Services</b>			
1.0.1 Minister's Office	\$ -	\$ -	\$ -
1.0.2 Deputy Minister's Office	7	4	4
1.0.3 Financial Services	15	9	68
1.0.4 Communications	1	-	-
1.0.5 Standing Policy Committee on Sustainable Development and Environmental Protection	-	-	-
<b>Total Program 1</b>	<u>\$ 23</u>	<u>\$ 13</u>	<u>\$ 72</u>
<b>Environmental Regulatory Service</b>			
<b>2.1 Provincial Operations</b>			
2.1.1 Land Reclamation	-	-	23
2.1.2 Environmental Assessment and Waste Management Assistance	395	404	148
2.1.3 Air and Water Approvals	-	-	97
2.1.4 Chemicals Assessment and Management	138	140	647
2.1.5 Pollution Control	-	-	215
<b>Total Sub-program</b>	<u>533</u>	<u>544</u>	<u>1,130</u>
<b>2.2 Regional Operations</b>			
2.2.1 Northwest Boreal/Northern East Slopes	-	-	-
2.2.2 Northeast Boreal/Parkland	-	-	-
2.2.3 Southern East Slopes/Prairie	-	-	-
<b>Total Sub-program</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Program 2</b>	<u>533</u>	<u>544</u>	<u>1,130</u>
<b>Natural Resources Service</b>			
<b>3.1 Resources Management</b>			
3.1.1 Client and Licensing Services	202	204	193
3.1.2 Enforcement Field Services	-	-	-
3.1.3 Water Management	580	452	3,118
3.1.4 Wildlife Management	-	-	-
3.1.5 Fisheries Management	-	-	-
3.1.6 Recreation and Protected Areas	6	6	91
<b>Total Sub-program</b>	<u>788</u>	<u>662</u>	<u>3,402</u>
<b>3.2 Regional Operations</b>			
3.2.1 Northwest Boreal	471	575	245
3.2.2 Northeast Boreal	281	182	378
3.2.3 Northern East Slopes	210	215	94
3.2.4 Southern East Slopes	266	263	395
3.2.5 Parkland	1,200	1,189	324
3.2.6 Prairie	1,115	1,045	645
<b>Total Sub-program</b>	<u>3,543</u>	<u>3,469</u>	<u>2,081</u>
<b>Total Program 3</b>	<u>4,331</u>	<u>4,131</u>	<u>5,483</u>
<b>Corporate Management Service</b>			
<b>4.1 Corporate Management Service Operations</b>			
4.1.1 Research and Scientific Support	-	-	-
4.1.2 Strategic and Regional Support	60	59	20
4.1.3 Resource Data Division	237	228	296
4.1.4 Information Management	74	51	433
4.1.5 Human Resources	12	5	1
4.1.6 Special Places	-	-	-
<b>Total Sub-program</b>	<u>383</u>	<u>343</u>	<u>750</u>



Financial Information - Department of Environmental Protection

Schedule to the Financial Statements  
Purchase of Capital Assets  
for the Year Ended March 31, 1998  
(in thousands)

Schedule 5 - cont'd

	1997-98		1996-97
	Authorized Budget	Actual Capital	Actual Capital
<b>Voted Capital - cont'd</b>			
<b>4.2 Regional Operations</b>			
4.2.1 Northwest Boreal	\$ 31	\$ 11	\$ 24
4.2.2 Northeast Boreal	1	1	-
4.2.3 Northern East Slopes	1	1	-
4.2.4 Southern East Slopes	31	22	-
4.2.5 Parkland	1	1	-
4.2.6 Prairie	2	2	-
Total Sub-program	<u>67</u>	<u>38</u>	<u>24</u>
<b>Total Program 4</b>	<u>450</u>	<u>381</u>	<u>774</u>
<b>Land and Forest Service</b>			
<b>5.1 Provincial Operations</b>			
5.1.1 Program Support	60	39	241
5.1.2 Forest Management	468	362	586
5.1.3 Forest Protection	436	349	503
5.1.4 Land Administration	22	631	71
Total Sub-program	<u>986</u>	<u>1,381</u>	<u>1,401</u>
<b>5.2 Regional Operations</b>			
5.2.1 Northeast Boreal	22	22	54
5.2.2 Southern East Slopes	11	31	30
5.2.3 Northern East Slopes	22	41	85
5.2.4 Northwest Boreal	44	69	57
Total Sub-program	<u>99</u>	<u>163</u>	<u>226</u>
<b>5.3 Fire Suppression</b>			
5.3.1 Fire Suppression	22	105	178
Total Sub-program	<u>22</u>	<u>105</u>	<u>178</u>
<b>Total Program 5</b>	<u>1,107</u>	<u>1,649</u>	<u>1,805</u>
<b>Reporting Agencies</b>			
<b>6.1 Administrative Appeal Services</b>			
6.1.1 Environmental Appeal Board	-	-	-
Total Sub-program	<u>-</u>	<u>-</u>	<u>-</u>
<b>6.2 Assistance to Natural Resources Conservation Board</b>			
6.2.1 Natural Resources Conservation Board	-	-	-
Total Sub-program	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Program 6</b>	<u>-</u>	<u>-</u>	<u>-</u>
Total Voted Capital for Continuing Operations	<u>6,444</u>	<u>6,718</u>	<u>9,264</u>
Discontinued Operations (Note 4)	-	-	-
Total Voted Capital	<u>\$ 6,444</u>	<u>\$ 6,718</u>	<u>\$ 9,264</u>

Financial Information - Department of Environmental Protection<sup>(1)</sup>

Schedule to the Financial Statements  
Salary and Benefits Disclosure  
for the Year Ended March 31, 1998

Schedule 6

	1998			1997		
	# of Individuals <sup>(2)</sup>	Salary <sup>(3)</sup>	Benefits & Allowances <sup>(4)</sup>	Total	# of Individuals <sup>(2)</sup>	Total
<b>Senior Officials</b>						
Deputy Minister <sup>(5)</sup>	0.4	\$ 41,227	\$ 5,099	\$ 46,326	1	\$ 105,419
	0.6	63,549	16,986	80,535		
Executive Director of Finance <sup>(6)</sup>	0.7	64,668	39,338	104,006	1	103,344
	0.2	17,383	3,559	20,942		
Director, Human Resources Service <sup>(7)</sup>	0.1	4,738	417	5,155		
	0.3	25,556	4,083	29,639		
<b>Assistant Deputy Ministers</b>						
Environmental Regulatory Service <sup>(8)</sup>	0.7	66,152	26,034	92,186	1	102,848
	0.15	11,241	2,390	13,631		
	0.15	16,062	2,029	18,091		
Natural Resources Service <sup>(9)</sup>	0.4	36,489	5,737	42,226	1	109,214
	0.6	52,196	7,991	60,187		
Corporate Management Service <sup>(10)</sup>	0.3	23,786	4,205	27,991	1	108,215
	0.5	38,809	5,826	44,635		
	0.1	10,385	1,521	11,906		
Land and Forest Service <sup>(11)</sup>	1	96,105	24,437	120,542	1	109,926
<b>Other Managers</b>						
(Average: 1997/98 \$ 75,748; 1996/97 \$68,200)	237	14,810,237	3,142,063	17,952,300	263	17,936,708
<b>Other salaried staff</b>						
(Average: 1997/98 \$ 46,159; 1996/97 \$43,255)	2,032	79,783,377	14,011,579	93,794,956	2,221	96,068,290
Non-Salaried Staff <sup>(12)</sup>		17,121,704	2,738,041	19,859,745		15,173,909
<b>Total (Schedule 4)</b>	<b>2,275.20</b>	<b>\$ 112,283,664</b>	<b>\$ 20,041,335</b>	<b>\$ 132,324,999</b>	<b>2,490</b>	<b>\$ 129,817,873</b>

<sup>(1)</sup> Department of Environmental Protection salary and benefits disclosure includes amounts paid to employees funded by:

- a) the voted appropriations of the Department
- b) the Environmental Protection Revolving Fund
- c) various trust funds:
  - Environmental Protection and Enhancement Fund
  - Environmental Protection Security Fund\*
  - Environmental Protection General Trust\*
  - Renewable Sector General Trust\*
  - Timber Berths and Permits General Trust\*

\* No manpower costs



Schedule to the Financial Statements  
Salary and Benefits Disclosure  
for the Year Ended March 31, 1998

Schedule 6 - cont'd

- d) various boards, commissions and advisory councils reporting to the Minister of Environmental Protection  
Non-salaried staff does not include payments of \$1,171,507 (1997 \$1,120,216) to firefighters. The 1996-97 disclosure did not include the \$1,120,216 in the salary figure, only as a note to the schedule.
- (2) The number of individuals is the weighted average of employees paid during the year.
- (3) Amounts for the salary include gross salary, overtime, retroactive pay, achievement bonus awards and shift differential. Honorarium or other fees paid to members of boards, commissions or advisory councils are also included.
- (4) Amounts shown include employer contributions for pension plans, unemployment insurance, Worker's Compensation Board, health care plans, Extended Benefits Plan, life insurance, dental plans, disability insurance, vacation payouts, payments for tuition and professional membership fees.
- (5) The Deputy Minister retired August 31, 1997. The benefits and allowances portion of the 1997-98 disclosure includes a vacation supplement of \$133, a vacation payout of \$2,816 and a professional membership fee of \$109. An Acting Deputy Minister was appointed August 11, 1997. The appointment became permanent November 19, 1997. The salary portion of the 1997-98 disclosure includes a \$2,893 achievement bonus award. The benefits and allowances portion of the 1997-98 disclosure includes a vacation supplement of \$1,916 and a vacation payout of \$5,747. The Deputy Minister is provided an automobile. No estimated value has been included with the benefits and allowances portion of the 1997-98 disclosure.
- (6) The Executive Director of Finance retired December 19, 1997. The benefits and allowances portion of the 1997-98 disclosure includes a vacation supplement of \$1,905, a vacation payout of \$29,435 and tuition of \$2,521. An Acting Executive Director of Finance was appointed December 20, 1997 to March 22, 1998. The Executive Director of Finance was appointed March 23, 1998.
- (7) The Director, Human Resource Services became part of Executive Committee effective January 1, 1998. The salary portion of the 1997-98 disclosure for the Director, Human Resource Services includes a \$3,965 achievement bonus award.
- (8) Due to reorganization, Environmental Regulatory Service became Environmental Service effective December 16, 1997. The change reflected the Service's broader mandate of managing environmental issues. Certain aspects of the Strategic and Regional Support division of Corporate Management Service were moved to the Environmental Service to assist in fulfilling its broader mandate. The Assistant Deputy Minister of Environmental Service retired December 31, 1997. The benefits and allowances portion of the 1997-98 disclosure includes a \$1,731 vacation supplement, a \$13,159 vacation payout and a \$155 membership fee. An Acting Assistant Deputy Minister was appointed from January 1, 1998 to February 25, 1998. An Assistant Deputy Minister, Environmental Service was appointed February 26, 1998. The salary portion of the 1997-98 disclosure includes a \$4,372 achievement bonus award.
- (9) The Assistant Deputy Minister, Natural Resources Service was appointed Acting Deputy Minister effective July 11, 1997 and was permanently appointed Deputy Minister effective November 19, 1997. An Acting Deputy Minister, Natural Resources Service was appointed July 11, 1997 and permanently appointed effective February 26, 1998. The salary portion of the 1997-98 disclosure includes a \$4,372 achievement bonus award. The benefits and allowances portion of the 1997-98 disclosure includes a \$348 membership fee.
- (10) The Assistant Deputy Minister, Corporate Management Service, left the department on July 9, 1997. Acting Deputy Ministers were appointed from July 10, 1997 to August 31, 1997 and September 1, 1997 to February 25, 1998. The Corporate Management Service was amalgamated with Environmental Service effective February 26, 1998.
- (11) The salary portion of the 1997-98 disclosure for the Assistant Deputy Minister, Land and Forest Service includes a \$4,629 achievement bonus award. The benefits and allowances portion of the 1997-98 disclosure includes a vacation supplement payout of \$3,117, a vacation payout of \$6,122 and a \$500 professional membership fee.
- (12) Non-salaried staff are employees paid by the hour and are not eligible for employer contributions to benefit plans. Environmental Protection employs a large number of seasonal staff in Forestry and Parks.

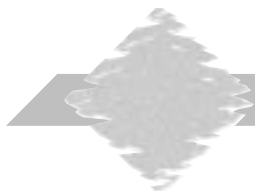


Financial Information - Department of Environmental Protection

Schedule to the Financial Statements  
 Comparison of Expenses by Element to Authorized Budget  
 for the Year Ended March 31, 1998  
 (in thousands)

Schedule 7

Expense	1997-98		
	Authorized Budget	Actual Expense	Unexpended (Over Expended)
<b>Voted Expenses</b>			
<b>Ministry Support Services</b>			
1.0.1 Minister's Office	\$ 386	\$ 356	\$ 30
1.0.2 Deputy Minister's Office	691	882	(191)
1.0.3 Financial Services	5,185	5,516	(331)
1.0.4 Communications	620	605	15
1.0.5 Standing Policy Committee on Sustainable Development and Environmental Protection	76	71	5
1.0.6 Achievement Award	2,399	2,399	-
1.0.7 Amortization of Capital Investment	28	33	(5)
<b>Total Program 1</b>	<u>9,385</u>	<u>9,862</u>	<u>(477)</u>
<b>Environmental Regulatory Service</b>			
<b>2.1 Provincial Operations</b>			
2.1.1 Land Reclamation	2,042	2,152	(110)
2.1.2 Environmental Assessment and Waste Management Assistance	6,987	6,977	10
2.1.3 Air and Water Approvals	2,846	2,878	(32)
2.1.4 Chemicals Assessment and Management	8,218	7,889	329
2.1.5 Pollution Control	2,008	2,048	(40)
Total Sub-program	<u>22,101</u>	<u>21,944</u>	<u>157</u>
<b>2.2 Regional Operations</b>			
2.2.1 Northwest Boreal/Northern East Slopes	978	1,309	(331)
2.2.2 Northeast Boreal/Parkland	1,964	1,729	235
2.2.3 Southern East Slopes/Prairie	3,826	4,358	(532)
Total Sub-program	<u>6,768</u>	<u>7,396</u>	<u>(628)</u>
<b>2.3 Amortization of Capital Investment</b>			
2.3.1 Amortization of Capital Investment	436	328	108
Total Sub-program	<u>436</u>	<u>328</u>	<u>108</u>
<b>Total Program 2</b>	<u>29,305</u>	<u>29,668</u>	<u>(363)</u>
<b>Natural Resources Service</b>			
<b>3.1 Resources Management</b>			
3.1.1 Client and Licensing Services	7,301	7,584	(283)
3.1.2 Enforcement Field Services	1,485	1,481	4
3.1.3 Water Management	14,156	14,330	(174)
3.1.4 Wildlife Management	1,326	1,354	(28)
3.1.5 Fisheries Management	2,636	2,668	(32)
3.1.6 Recreation and Protected Areas	2,088	2,231	(143)
Total Sub-program	<u>28,992</u>	<u>29,648</u>	<u>(656)</u>
<b>3.2 Regional Operations</b>			
3.2.1 Northwest Boreal	9,158	9,060	98
3.2.2 Northeast Boreal	8,656	8,843	(187)
3.2.3 Northern East Slopes	4,940	5,218	(278)
3.2.4 Southern East Slopes	14,119	14,477	(358)
3.2.5 Parkland	8,337	8,319	18
3.2.6 Prairie	16,737	16,877	(140)
Total Sub-program	<u>61,947</u>	<u>62,794</u>	<u>(847)</u>
<b>3.3 Amortization of Capital Investment</b>			
3.3.1 Amortization of Capital Investment	25,627	24,755	872
Total Sub-program	<u>25,627</u>	<u>24,755</u>	<u>872</u>
<b>Total Program 3</b>	<u>116,566</u>	<u>117,197</u>	<u>(631)</u>



Financial Information - Department of Environmental Protection

Schedule to the Financial Statements  
 Comparison of Expenses by Element to Authorized Budget  
 for the Year Ended March 31, 1998  
 (in thousands)

Schedule 7 - cont'd

	1997-98		
	Authorized Budget	Actual Expense	Unexpended (Over Expended)
<b>Voted Expense - cont'd</b>			
<b>4.1 Corporate Management Service Operations</b>			
4.1.1 Research and Scientific Support	\$ 2,250	\$ 2,250	\$ 0
4.1.2 Strategic and Regional Support	3,431	3,476	(45)
4.1.3 Resource Data Division	7,728	7,504	224
4.1.4 Information Management	7,439	7,401	38
4.1.5 Human Resources	1,883	1,992	(109)
4.1.6 Special Places	750	805	(55)
Total Sub-program	23,481	23,428	53
<b>4.2 Regional Operations</b>			
4.2.1 Northwest Boreal	800	720	80
4.2.2 Northeast Boreal	778	810	(32)
4.2.3 Northern East Slopes	734	614	120
4.2.4 Southern East Slopes	905	889	16
4.2.5 Parkland	719	747	(28)
4.2.6 Prairie	1,141	1,124	17
Total Sub-program	5,077	4,904	173
<b>4.3 Amortization of Capital Investment</b>			
4.3.1 Amortization of Capital Investment	389	420	(31)
Total Sub-program	389	420	(31)
<b>Total Program 4</b>	<b>28,947</b>	<b>28,752</b>	<b>195</b>
<b>Land and Forest Service</b>			
<b>5.1 Provincial Operations</b>			
5.1.1 Program Support	5,086	4,161	925
5.1.2 Forest Management	6,978	8,313	(1,335)
5.1.3 Forest Protection	6,542	6,170	372
5.1.4 Land Administration	4,258	4,650	(392)
Total Sub-program	22,864	23,294	(430)
<b>5.2 Regional Operations</b>			
5.2.1 Northeast Boreal	4,747	4,842	(95)
5.2.2 Southern East Slopes	5,854	6,021	(167)
5.2.3 Northern East Slopes	5,214	5,509	(295)
5.2.4 Northwest Boreal	10,278	11,299	(1,021)
Total Sub-program	26,093	27,671	(1,578)
<b>5.3 Fire Suppression</b>			
5.3.1 Fire Suppression	38,180	36,657	1,523
Total Sub-program	38,180	36,657	1,523
<b>5.4 Amortization of Capital Investment</b>			
5.4.1 Amortization of Capital Investment	1,266	1,100	166
Total Sub-program	1,266	1,100	166
<b>Total Program 5</b>	<b>88,403</b>	<b>88,722</b>	<b>(319)</b>
<b>Reporting Agencies</b>			
<b>6.1 Administrative Appeal Services</b>			
6.1.1 Environmental Appeal Board	471	594	(123)
Total Sub-program	471	594	(123)
<b>6.2 Assistance to Natural Resources Conservation Board</b>			
6.2.1 Natural Resources Conservation Board	1,379	879	500
Total Sub-program	1,379	879	500
<b>Total Program 6</b>	<b>1,850</b>	<b>1,473</b>	<b>377</b>
<b>Total Voted Expenses</b>	<b>274,456</b>	<b>275,674</b>	<b>(1,218)</b>



## Auditor's Report - Environmental Protection Revolving Fund

To the Minister of Environmental Protection

I have audited the statement of assets and liabilities of the Environmental Protection Revolving Fund as at March 31, 1998 and the statements of operations and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund'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 Fund is required to follow corporate government accounting policies and reporting practices. These accounting policies have been established by Alberta Treasury and are consistent across ministries, departments and other related entities. With certain exceptions, the basis of accounting is in the accordance with generally accepted accounting principles. My reservation of opinion in the following section identifies exceptions from generally accepted accounting principles that arise from following the accounting policies established by government.

*Excluded Costs*

As disclosed in Note 12, accommodation and certain other administration costs incurred in the operation of the Revolving Fund have not been included in expenses. These costs, estimated at \$1.8 million, are recorded by the departments that paid the expenses on behalf of the Fund.

*Recovery of Amortization in the Sale of Pine Ridge Forest Nursery Assets*

In 1996-97, when estimating the expected loss on the discontinued operations of the Pine Ridge Forest Nursery, no provision was made for the recovery of the amortization of the capital assets to be sold. A recovery of amortization of \$342,571 for these capital assets was recorded in 1997-98. As a result, the loss on discontinued operations for the year ended March 31, 1997 has been overstated by \$342,571, and the

## Auditor's Report - Environmental Protection Revolving Fund

income from discontinued operations for the year ended March 31, 1998 has been overstated by \$342,571.

In my opinion, except for the effect of the matters discussed in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Fund 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.

I also report that the deficits or surpluses associated with each of the following components, which previously operated as parts of other revolving funds, were transferred without legislative authority on April 1, 1994 to the Environmental Protection Revolving Fund.

- From the Forestry, Lands and Wildlife Revolving Fund
  - Land Information Alberta;
  - Provincial Grazing Reserves Livestock Supplies; and
  - Information Resource Management.

- From the Tourism, Parks and Recreation Revolving Fund
  - Parks Brochures and Publications.

In addition, on April 1, 1995 the deficits of the Provincial Grazing Reserves Livestock Supplies and Land Information Alberta components were transferred without legislative authority to the Agriculture, Food and Rural Development Revolving Fund and the General Revenue Fund, respectively.

The Forestry, Lands and Wildlife Revolving Fund and the Tourism, Parks and Recreation Revolving Fund both operated under the authority of Section 21.1 of the *Financial Administration Act*. The Agriculture, Food and Rural Development Revolving Fund also operates under the authority of this Section. However, the Section does not provide for transfers of deficits or surpluses between funds, and accordingly, the transfers from those funds are without proper legislative authority. The non-compliance occurred because the legislation does not contemplate the possibility that such transfers might be necessary. In my opinion, there was no inappropriate use of public money.

*Peter Valente*

FCA  
Auditor General

Edmonton, Alberta  
May 22, 1998

Financial Information - Environmental Protection Revolving Fund

Statement of Assets and Liabilities  
as at March 31, 1998  
(in thousands)

	1998	1997
<b>Assets</b>		
Current		
Accounts Receivable (Note 3)	\$ -	\$ 9,888
Inventories (Note 4)	-	4,181
	<u>-</u>	<u>14,069</u>
Advances to Department (Note 8)	-	3,631
Capital Assets (Note 5)	-	2,708
	<u>\$ -</u>	<u>\$ 20,408</u>
<b>Liabilities and Surplus</b>		
Current		
Accounts Payable	\$ -	\$ 3,134
Current Portion of Lease Obligation (Note 7)	-	69
	<u>-</u>	<u>3,203</u>
Unearned Revenue	-	13,020
Long-Term Obligation Under Capital Lease (Note 7)	-	163
Surplus (Note 1)	-	4,022
	<u>\$ -</u>	<u>\$ 20,408</u>


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

Financial Information - Environmental Protection Revolving Fund

Statement of Operations and Surplus  
for the Year Ended March 31, 1998  
(in thousands)

	1998	1997
	Budget (Note 13)	Actual (Schedule 1)
		Actual
<b>Revenue</b>		
Sales		\$ 1,670
Less Cost of Goods Sold		(528)
Gross Profit on Sales		1,142
Service Revenue		15,906
	\$ 25,860	17,048
		\$ 1,643
		(494)
		1,149
		23,824
		24,973
<b>Expense</b>		
Professional, Technical and Labor		4,412
Repair and Maintenance		2,712
Manpower		2,692
Fuel		2,113
Equipment Rentals		2,095
Seedlings and Storage		1,324
Office Supplies		753
Amortization of Capital Assets		597
Damaged and Obsolete Goods		135
Communications		75
Other		69
Data Processing		55
Travel		52
Freight and Postage		40
Bad Debts		31
Shop		15
Advertising and Promotion		12
	25,367	17,182
Income (Loss) from Operations	493	(134)
Gain (Loss) on Disposal of Equipment	-	295
Income from Continuing Operations	\$ 493	161
Income (Loss) from Discontinued Operations (Note 10)		299
Net Income for the Year		460
Surplus at Beginning of Year		4,022
Adjustment of Assets and Liabilities to Conform to Department Accounting Policy (Note 9)		(788)
Surplus Returned to the Department of Environmental Protection		(3,694)
Surplus at End of Year		\$ -
		23,618
		1,355
		1,600
		(207)
		1,393
		2,629
		-
		-
		\$ 4,022

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



Financial Information - Environmental Protection Revolving Fund

Statement of Changes in Financial Position  
for the Year Ended March 31, 1998  
(in thousands)

	1998	1997
<b>Operating Activities</b>		
Income from Continuing Operations	\$ 161	\$ 1,600
Non-Cash Items:		
Amortization of Capital Assets	666	1,468
Gain on Disposal of Capital Assets	(280)	(270)
	<u>547</u>	<u>2,798</u>
Decrease (Increase) in Accounts Receivable	3,841	(3,400)
Decrease (Increase) in Inventories	1,577	(864)
Decrease In Prepaid Expenses	-	323
Increase (Decrease) in Accounts Payable	(1,751)	1,466
Decrease in Current Portion of Lease Obligation	(11)	(29)
	<u>4,203</u>	<u>294</u>
Income (Loss) from Discontinued Operations (Note 10)	299	(207)
	<u>4,502</u>	<u>87</u>
<b>Investing Activities</b>		
Proceeds from Disposal of Capital Assets	392	501
Purchase of Capital Assets	(512)	(597)
Transfer of Capital Assets to the Department	316	6,535
	<u>196</u>	<u>6,439</u>
<b>Financing Activities</b>		
Increase (Decrease) in Unearned Revenue	(325)	3,296
Increase (Decrease) in Long-term Obligation Under Capital Lease	(83)	163
Decrease in Non-cash Portion of the Advance to the Department (Note 8)	(841)	(8,036)
	<u>(1,249)</u>	<u>(4,577)</u>
<b>Transfers to the Department (Note 1)</b>		
Non-cash Working Capital	7,104	-
Capital Assets	1,364	-
Unearned Revenue	(12,695)	-
Non-cash Portion of the Advance to the Department	(576)	-
Surplus	(3,694)	-
	<u>(8,497)</u>	<u>-</u>
Increase (Decrease) in Advances to the Department	(5,048)	1,949
Cash Advance to the Department at Beginning of Year	5,048	3,099
Cash Advance to the Department at End of Year	<u>\$ -</u>	<u>\$ 5,048</u>

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



*Note 1***Authority and Purpose**

The Environmental Protection Revolving Fund ("Fund") operated under the authority of the *Environmental Protection and Enhancement Act*, Chapter E 13.3, Statutes of Alberta 1992.

The Fund comprised the following components:

- Equipment, Material and Supply;
- Environmental Training Centre;
- Reforestation Services;
- Corporate Management Services;
- Parks, Brochures and Publications; and
- Pine Ridge Forest Nursery (discontinued July 1997).

The purpose of the Fund was to deliver services and programs under the administration of the Minister of Environmental Protection. Revenue was used to purchase land, buildings, equipment, machinery, services, supplies, materials or stock that was provided or used for the purposes of the Fund.

On March 2, 1998, management of the Department of Environmental Protection ("Department") decided to discontinue the operations of the Fund. Consequently, the activities of the Fund ceased at March 31, 1998 and the following current assets, capital assets and working capital were transferred to the Department:

Accounts Receivable (Note 3)	\$ 6,046
Inventories (Note 4)	2,441
Accounts Payable	(1,383)
Non-cash Working Capital	<u>7,104</u>
Capital Assets (Note 5)	1,364
Unearned Revenue	<u>(12,695)</u>
	<u>(4,227)</u>
Due from the Department at March 31, 1998 (Note 8)	(7,921)
Surplus Returned to the Department	3,694
	<u>\$ (4,227)</u>

## *Note 2*

### Significant Accounting Policies and Reporting Practices

#### *a) General*

The Fund ceased operations on March 31, 1998. The Department and the Fund were under common management but some of the accounting policies of the Fund were not the same as the accounting policies of the Department. The significant accounting policies of the Fund were adjusted to conform to those of the Department prior to transferring the assets and liabilities to the Department.

#### *b) Inventories and Work-in-Progress*

Inventories were valued at the lower of cost or market value. Cost for all inventories was determined using the average cost method. The cost for the seedlings in work-in-progress inventory was comprised of all interim payments made to private nurseries to March 31, 1998. Market value was calculated on a replacement cost basis for inventories that were used in Fund activities. Market value for inventories that were for sale was based on net realizable value.

#### *c) Reforestation Revenue and Unearned Revenue*

Under the terms of certain forestry contracts, the Province receives levies from timber companies in exchange for reforestation services. In some cases, these services are provided as much as 14 years after the levy is received. Levies received by the Fund were initially recorded as unearned revenue when they were received and were subsequently recognized in the fiscal year in which the reforestation services were provided.

#### *d) Capital Assets and Amortization*

Capital assets were carried at cost less accumulated amortization. Amortization was provided on a straight-line basis over the following estimated useful lives of asset categories. The estimated useful lives of major asset categories were as follows:

Environmental Protection Revolving Fund  
 March 31, 1998  
 (in thousands)

Light Vehicles and Equipment	3 - 8 years
Data Processing Equipment	3 years
Office Equipment	2 - 10 years
Heavy Vehicles and Equipment	6 - 20 years
Buildings	25 - 40 years
Equipment under Capital Leases	Based on Lease Term

*e) Major overhauls*

Major overhauls, significantly extending the life or improving the service potential of equipment, were capitalized and amortized on a straight-line basis over the remaining useful life of the equipment.

**Note 3**

Accounts Receivable

	1998	1997
Environmental Protection and Enhancement Fund	\$ 1,184	\$ 2,106
Department of Environmental Protection	2,436	3,352
Provincial Government Departments	1	87
Other	2,425	4,343
	<u>6,046</u>	<u>9,888</u>
Transferred to the Department (Note 1)	(6,046)	\$ -
	<u>\$ -</u>	<u>\$ 9,888</u>

## Note 4

### Inventories

	1998	1997
Seedlings Ready for Planting or Sale	\$ 1,509	\$ 2,159
Seed Inventory	146	158
Materials	163	537
Seedlings in Work-In-Progress	786	1,327
	<u>2,604</u>	<u>4,181</u>
Adjustment to Conform to Department Accounting Policy (Note 9)	(163)	-
	<u>2,441</u>	<u>4,181</u>
Transferred to the Department (Note 1)	(2,441)	-
	<u>\$ -</u>	<u>\$ 4,181</u>

## Note 5

### Capital Assets

	1998			1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 109	\$ 34	\$ 75	\$ 77
Data Processing Equipment	502	406	96	123
Office Equipment	30	24	6	26
Heavy Vehicles and Equipment	5,749	4,693	1,056	1,426
Light Vehicles and Equipment	3,460	2,732	728	794
Equipment under Capital Lease	288	123	165	262
	<u>10,138</u>	<u>8,012</u>	<u>2,126</u>	<u>2,708</u>
Adjustment to Conform to Department Accounting Policy (Note 9)	(2,729)	(1,967)	(762)	-
Transferred to the Department (Note 1)	(7,409)	(6,045)	(1,364)	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,708</u>

*Note 6*

## Related Party Transactions

## Revenue

The Fund's revenue includes \$8,593 (1997 \$10,800) from the Department of Environmental Protection, \$61 (1997 \$5,200) from the Environmental Protection and Enhancement Fund and \$243 (1997 \$444) from other provincial government departments.

## Expenses

The Fund's expenses include purchases of \$1,700 (1997 \$2,100) from the Transportation Revolving Fund.

*Note 7*

## Obligation under Capital Leases

The Fund was committed to capital leases for two photocopiers. The initial terms for these leases were for three and five years at annual interest rates of 5.54% and 12.75% . The future minimum lease payments were as follows:

	Payment	Interest	Obligation
1998-99	\$ 72	\$ 15	\$ 57
1999-00	47	9	38
2000-01	47	5	42
Total	<u>\$ 166</u>	<u>\$ 29</u>	<u>\$ 137</u>
Adjustment to Conform to Department Accounting Policy (Note 9)			(137)
			<u>\$ -</u>

*Note 8*

## Advance to the Department

This advance, which was limited by legislation to a maximum \$25,000, was used in the daily operation of the Fund and was unsecured, non-interest bearing and had no specific terms of repayment. The advance consisted of:

	1998	1997
Cash Advance	\$ (8,497)	\$ (5,048)
Assets Originally Transferred to the Fund by the Department	<u>576</u> (7,921)	<u>1,417</u> (3,631)
Amount Repaid by the Department Upon Cessation of Operations	<u>7,921</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ (3,631)</u>

For purposes of the statement of changes in financial position, the non-cash portion of the advance was the assets originally transferred to the Fund by the Department.

*Note 9*

## Adjustments to Conform with the Accounting Policies of the Department

Prior to the transfer of the assets and liabilities of the Fund to the Department on March 31, 1998, adjustments were made to account for these assets and liabilities in accordance with the accounting policies of the Department. The effect of these adjustments to the assets and liabilities of the Fund was as follows:

Environmental Protection Revolving Fund  
March 31, 1998  
(in thousands)

Inventories Held for Consumption (Note 4)	\$ (163)
Obligation Under Capital Leases (Note 7)	137
Capital Assets (Note 5)	(762)
	\$ (788)

## *Note 10*

### Discontinued Operations

On June 25, 1996, the Standing Policy Committee approved a plan to discontinue the operations of Pine Ridge Forest Nursery. The prior year's financial statements included an estimate for the expected loss on the discontinuance of these operations. On July 17, 1997, the bareroot and container seedling production and the seed plant divisions of Pine Ridge Forest Nursery were taken over by a private operator. The income from discontinued operations reported in the current year represents the difference between the actual results and the provision for discontinuance made in the prior year.

## *Note 11*

### Salary and Benefits Disclosure

The Province's salary and benefit disclosure requirements are satisfied by disclosing salary and benefit costs borne by the Revolving Fund with those of the Department.

## *Note 12*

### Excluded Costs

Certain accommodation, equipment rental, basic office furnishing and administrative salary costs incurred in the administration of the Fund were borne by the Department and not reflected in these financial statements. The more significant of the costs amounted to \$1,800 (1997 \$2,700).

### *Note 13*

#### Budget Figures

The revenue and expense budget amounts disclosed in these financial statements agree with the 1997-98 Government Estimates.

### *Note 14*

#### Comparative Figures

Certain 1997 figures have been reclassified to conform to the 1998 presentation.

### *Note 15*

#### Approval of Financial Statements

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



Financial Information - Notes to the Financial Statements  
**Environmental Protection Revolving Fund**  
**Schedule of Operations and Surplus**  
**for the Year Ended March 31, 1998**

## Schedule 1

	Equipment, Material and Supply	Environmental Training Centre	Reforestation Services	Corporate Management Services	Parks, Brochures & Publications	Consolidating Adjustments	Total
Sales	\$ 40,499	\$ 4,948	\$ -	\$ 1,708,179	\$ 18,602	\$ (102,708)	\$ 1,669,520
Cost of Goods Sold	(55,782)	(2,927)	-	(462,024)	(6,775)	-	(527,508)
Gross Profit	(15,283)	2,021	-	1,246,155	11,827	(102,708)	1,142,012
Service Revenue							
Billing, Digital and Thematic	-	-	-	752,363	-	-	752,363
Rentals	6,503,257	-	-	-	-	(43,202)	6,460,055
Instructional	-	1,876,118	-	-	-	-	1,876,118
Reforestation	-	-	6,817,790	-	-	-	6,817,790
Total Revenue	\$ 6,487,974	\$ 1,878,139	\$ 6,817,790	\$ 1,998,518	\$ 11,827	\$ (145,910)	\$ 17,048,338

Financial Information - Notes to the Financial Statements  
**Environmental Protection Revolving Fund**  
**Schedule of Operations and Surplus**  
**for the Year Ended March 31, 1998**

Schedule I - cont'd

	Equipment, Material and Supply	Environmental Training Centre	Reforestation Services	Corporate Management Services	Parks, Brochures & Publications	Consolidating Adjustments	Total
Expense							
Professional, Technical and Labour	\$ -	\$ 364,141	\$ 3,834,625	\$ 209,842	\$ 4,070	\$ (223)	\$ 4,412,455
Repairs and Maintenance	2,625,720	3,363	14,727	67,970	470	-	2,712,250
Manpower	-	1,160,025	467,712	1,064,129	-	-	2,691,866
Fuel	2,114,916	-	-	-	-	(1,675)	2,113,241
Equipment Rentals	1,721,912	89,654	139,694	196,452	-	(53,013)	2,094,699
Seedlings and Storage	-	-	2,113,155	-	-	(789,558)	1,323,597
Office Supplies	3,200	373,589	86,880	288,933	-	-	752,602
Amortization	400,256	4,561	113,424	75,676	2,923	-	596,840
Provision for Damaged and Obsolete Goods	-	-	-	135,028	-	-	135,028
Communications	10,374	41,897	3,208	19,971	-	-	75,450
Other	38,521	(73,674)	1,198	171,719	6,433	(74,762)	69,435
Data Processing	-	23,750	1,192	29,754	-	-	54,696
Travel	-	30,070	19,383	2,301	-	-	51,754
Freight and Postage	-	13,966	15,489	10,413	-	-	39,868
Bad Debts	-	1,562	27,058	3,052	-	(272)	31,400
Shop	15,103	-	-	-	-	-	15,103
Advertising and Promotion	-	-	-	1,701	10,367	-	12,068
Total Expense	6,930,002	2,032,904	6,837,745	2,276,941	24,263	(919,503)	17,182,352
Income (Loss) from Operations	(442,028)	(154,765)	(19,955)	(278,423)	(12,436)	773,593	(134,014)
Gain on Disposal of Capital Assets	321,380	-	(25,500)	(492)	-	-	295,388
Income from Continuing Operations	(120,648)	(154,765)	(45,455)	(278,915)	(12,436)	773,593	161,374
Income from Discontinued Operations	-	-	299,134	-	-	-	299,134
Net Income (Loss) for the Year	(120,648)	(154,765)	253,679	(278,915)	(12,436)	773,593	460,508
Surplus (Deficit) at Beginning of Year	(149,002)	(6,894)	1,695,591	1,776,369	8,435	697,228	4,021,727
Adjustment of Assets and Liabilities to Conform to Department Accounting Policy (Note 9)	-	-	-	-	-	(787,884)	(787,884)
Surplus Returned to the Department of Environmental Protection	-	-	-	-	-	(3,694,351)	(3,694,351)
Surplus (Deficit) at End of Year	\$ (269,650)	\$ (161,659)	\$ 1,949,270	\$ 1,497,454	\$ (4,001)	\$ (3,011,414)	\$ -



Auditor's Report - Environmental Protection  
and Enhancement Fund

To the Minister of Environmental Protection

I have audited the statement of assets, liabilities and surplus of the Environmental Protection and Enhancement Fund as at March 31, 1998 and 1997 and the statements of operations and surplus and changes in financial position for the years then ended. These financial statements are the responsibility of the Fund'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.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



FCA  
Auditor General

Edmonton, Alberta  
May 22, 1998

Financial Information - Environmental Protection and Enhancement Fund

Statement of Assets, Liabilities and Surplus  
as at March 31, 1998  
(in thousands)

	1998	1997
<b>Assets</b>		
Current		
Cash (Note 3)	\$ 213,793	\$ 114,323
Accounts Receivable (Note 4)	53,923	79,235
Inventories (Note 5)	1,169	-
	<u>\$ 268,885</u>	<u>\$ 193,558</u>
<b>Liabilities and Surplus</b>		
Current		
Accounts Payable and Accrued Liabilities	\$ 118,885	\$ 2,929
Surplus (Note 6)	150,000	190,629
	<u>268,885</u>	<u>193,558</u>


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

Financial Information - Environmental Protection and Enhancement Fund

Statement of Operations and Surplus  
for the Year Ended March 31, 1998  
(in thousands)

	1998		1997
	Budget (Note 10)	Actual	Actual
<b>Revenue</b>			
Transfers from Department (Note 8)	\$ 31,458	\$ 108,007	\$ 87,917
Investment Income	3,453	5,937	2,847
Fees	630	704	750
Manning Diversified - Timber Supplemental Fees	515	593	560
Forest Resource Improvement Program (Note 7)	8,000	-	-
Transfer from Department - Firefighting	-	-	25,492
Tire Recycling Board	-	-	20,282
Miscellaneous	-	(3)	114
	<u>44,056</u>	<u>115,238</u>	<u>137,962</u>
<b>Expense (Schedule 1)</b>			
Foothills Model Forest	-	3,200	-
Network Centres of Excellence	-	2,300	-
Forest Development Research Program	540	549	630
Land Reclamation	190	25	30
Forest Resource Improvement Program (Note 7)	6,466	-	-
Natural Resources Emergency Program			
Forest Resource Advancement Program	10,000	3,974	5,396
Forest Fires	12,000	748	25,492
Insect and Disease Management	500	572	2,502
Emergency Spills and Cleanup	810	393	357
Intercept Feeding and Fencing	80	332	318
Drought/Flood Emergencies	2,000	309	709
Alberta Environmental Research Trust	-	117	-
Tire Recycling Board	-	-	20,282
Fish and Wildlife Trust Fund	-	-	4,847
	<u>32,586</u>	<u>12,519</u>	<u>60,563</u>
Net Income from Continuing Operations	<u>11,470</u>	<u>102,719</u>	<u>77,399</u>
Net Income (Loss) from Discontinued Operations (Note 7)		<u>(31,485)</u>	<u>20,428</u>
Net Income		<u>71,234</u>	<u>97,827</u>
Transfers to Department (Note 6)		<u>(111,863)</u>	<u>-</u>
Surplus at Beginning of Year		<u>190,629</u>	<u>92,802</u>
Surplus at End of Year		<u>\$ 150,000</u>	<u>\$ 190,629</u>

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



Financial Information - Environmental Protection and Enhancement Fund

Statement of Changes in Financial Position  
for the Year Ended March 31, 1998  
(in thousands)

	1998	1997
<b>Operating Activities</b>		
Net Income from Continuing Operations	\$ 102,719	\$ 77,399
Decrease (Increase) in Accounts Receivable	25,312	(39,268)
Increase in Inventories	(1,169)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	\$ 115,956	\$ (189)
	<u>242,818</u>	<u>37,942</u>
Discontinued Operations (Note 7)	(31,485)	20,428
	<u>211,333</u>	<u>58,370</u>
<b>Financing Activities</b>		
Transfer to Department (Note 6)	(111,863)	-
Net Cash Provided	<u>99,470</u>	<u>58,370</u>
Cash at Beginning of Year	114,323	55,953
Cash at End of Year	<u>\$ 213,793</u>	<u>\$ 114,323</u>

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

## *Note 1*

### Authority and Purpose

The Environmental Protection Enhancement Fund operates under the authority of the *Environmental Protection and Enhancement Act*, Chapter E 13.3 Statutes of Alberta 1992.

The Fund is comprised of the following components:

- Forest Development Research Program;
- Land Reclamation;
- Forest Resource Improvement Program (Discontinued September 1, 1997); and
- Natural Resources Emergency Program

The Environmental Protection and Enhancement Fund shall be used for the purposes of environmental protection and enhancement and emergencies with respect to any matter that is under the administration of the Minister.

## *Note 2*

### Significant Accounting Policies and Reporting Practices

#### Inventories and Work-in-Progress

Inventories are valued at the lower of cost or market value. Cost for all inventories is determined using the average cost method. The cost for the seedlings in work-in-progress inventory is comprised of all interim payments made to private nurseries to March 31, 1998. Market value is calculated on a replacement cost basis for inventories that are used in Fund activities.



*Note 3*

## Cash

Cash consists of investment in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is being managed by Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high-quality short-term and mid-term fixed income securities with a maximum term of five years. Due to the short-term nature of the CCITF investments, carrying value approximates fair value.

*Note 4*

## Accounts Receivable

	1998	1997
Department of Environmental Protection	\$ 53,797	\$ 66,149
Fish and Wildlife Trust Fund	-	5,500
Other	126	7,586
	<u>\$ 53,923</u>	<u>\$ 79,235</u>

*Note 5*

## Inventories

	1998	1997
Seedlings Ready for Planting	\$ 734	\$ -
Seedlings in Work in Progress	435	-
	<u>\$ 1,169</u>	<u>\$ -</u>

*Note 6*

## Surplus

The Surplus (Fund Equity) for the Fund is capped at \$150,000 as per Treasury Department directive.

*Note 7*

## Discontinued Operations

On July 8, 1997 management of the Fund decided to discontinue the operations of the Forest Resource Improvement Program. Consequently, on September 1, 1997 the activities of the Forest Resource Improvement Program ceased and the net assets (\$29,441) of the program were transferred to the Forest Resource Improvement Association of Alberta (FRIAA). FRIAA was established as the delegated administrative organization for the enhancement of forest resources.

The income from discontinued operations has been reported separately in these financial statements and is as follows:

	1998	1997
Revenue and Expense to July 8, 1997		
Timber Royalties and Interest	\$ 1,547	\$ 23,530
Expenses	(156)	(3,102)
	<u>1,391</u>	<u>20,428</u>
Loss from July 8, 1997 to Disposal Date	(3,435)	-
Net Operating Income (Loss) to Year End	<u>(2,044)</u>	<u>20,428</u>
Transfer to FRIAA	(29,441)	-
Net Income (Loss) from Discontinued Operations	<u>\$ (31,485)</u>	<u>\$ 20,428</u>

## Environmental Protection and Enhancement Fund

March 31, 1998

(in thousands)

Loss from July 8, 1997 to disposal date includes revenue of \$208 for timber royalties, and \$310 for interest income. The remaining net assets of these discontinued operations are as follows:

	1998	1997
Cash	\$ 55	\$ 17,924
Accounts Receivable	-	14,045
Total Assets	<u>\$ 55</u>	<u>\$ 31,969</u>
Accounts Payable	\$ 55	-
Fund Equity	-	31,969
Total Liabilities & Equity	<u>\$ 55</u>	<u>\$ 31,969</u>

## Note 8

### Related Party Transactions

The Fund's revenue includes \$108,007 (1997 \$87,929) from the Department of Environmental Protection. Subject to certain adjustments, this represents all revenue received by the Department that is in excess of the Department's base revenue of \$55,900.

Expenses include \$100 (1997 \$7,800) paid to the Environmental Protection Revolving Fund.

The accounts payable includes \$111,863 (1997 \$0) payable to Department of Environmental Protection, and \$0 (1997 \$2,100) payable to Environmental Protection Revolving Fund.

## *Note 9*

### Salary and Benefits Disclosure

The Province's salary and benefit disclosure requirements are satisfied by disclosing salary and benefit costs borne by the Fund with those of the Department of Environmental Protection.

## *Note 10*

### Budget Figures

The revenue and expenditure budget amounts disclosed in these financial statements agree with the 1997-98 Government Estimates.

## *Note 11*

### Approval of Financial Statements

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

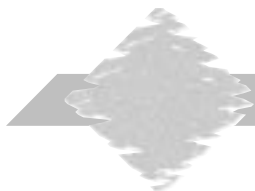
## *Note 12*

### Uncertainty Due to the 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. Government computer programs that have date sensitive software may recognize a date using "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. If not addressed, the effect on operations and financial reporting may range from minor errors to

significant systems failure that could affect the ability to conduct some government operations.

The Department of Environmental Protection (“Department”) is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the Fund’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 material adverse effect on the Fund’s financial condition. Despite the Department’s efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the Fund, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.



Financial Information - Environmental Protection and Enhancement Fund

Schedule to the Financial Statements  
Expense Detail by Object  
for the Year Ended March 31, 1998  
(in thousands)

	1998	1997
Salaries, Wages & Employee Benefits	\$ 394	\$ 4,795
Supplies and Services	5,972	29,820
Grants	39,704	3,921
Other	-	25,130
Less: Expenses for Discontinued Operations	(33,551)	(3,103)
Total Expenses for Continuing Operations	<u>\$ 12,519</u>	<u>\$ 60,563</u>



## Auditor's Report - Natural Resources Conservation Board

To the Members of the Natural Resources Conservation Board

I have audited the balance sheet of the Natural Resources Conservation Board as at March 31, 1998 and the statements of revenue, expense and operating surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Board'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 Board is required to follow the corporate government accounting policies and reporting practices established by Alberta Treasury, including the following policy that is an exception from generally accepted accounting principles. As disclosed in Note 8, accommodation and certain other administration costs incurred in the operation of the Board have not been included in expenses. These costs, estimated at \$130,000, are recorded by the departments that paid the expenses on behalf of the Board.


In my opinion, except for the effects of the matter discussed in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Board 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.

*Peter Valente*

FCA  
Auditor General

Edmonton, Alberta  
May 22, 1998





Financial Information - Natural Resources Conservation Board

Balance Sheet  
March 31, 1998

	1998	1997
<b>Assets</b>		
Current		
Cash (Note 3)	\$ 1,150,607	\$ 1,101,650
Accounts Receivable	39,915	14,006
	<u>\$ 1,190,522</u>	<u>\$ 1,115,656</u>
Capital Assets (Note 4)	139,286	181,228
	<u>\$ 1,329,808</u>	<u>\$ 1,296,884</u>
<b>Liabilities and Operating Surplus</b>		
Current		
Accounts Payable	\$ 79,582	\$ 55,764
Pension Liability (Note 5)	33,700	54,744
Accumulated Operating Surplus	1,216,526	1,186,376
	<u>\$ 1,329,808</u>	<u>\$ 1,296,884</u>


The accompanying notes are part of these financial statements.



Financial Information - Natural Resources Conservation Board  
Statement of Revenue, Expense and Operating Surplus  
For the Year Ended March 31, 1998

	1998		1997
	Budget (Note 6)	Actual	Actual
<b>Revenue</b>			
Grants from the Department of Environmental Protection	\$ 1,379,000	\$ 879,000	\$ 1,005,000
Other	3,000	109,977	1,742
Interest	60,000	68,271	83,273
	<u>\$ 1,442,000</u>	<u>1,057,248</u>	<u>1,090,015</u>
<b>Expense</b>			
Salaries and Employee Benefits (Note 7)	932,000	758,146	604,752
Achievement Bonus and Benefits (Note 7)	-	19,477	-
Transcripts and Office	156,915	74,652	31,473
Amortization of Capital Assets	69,000	66,104	31,637
Travel and Automobile	93,060	52,022	11,992
Consulting and Professional Fees	141,300	19,165	82,665
Technical Proficiency and Training (Note 7)	18,440	16,625	20,424
Telecommunications	14,800	12,758	10,848
Rent	7,560	4,613	720
Postage, Freight and Courier	5,175	2,537	1,490
Hosting and Promotion	1,200	999	1,260
Advertising	18,400	-	11,375
	<u>1,457,850</u>	<u>1,027,098</u>	<u>808,636</u>
Operating Surplus (Deficit) for the Year	<u>\$ (15,850)</u>	<u>30,150</u>	<u>281,379</u>
Operating Surplus at Beginning of Year		<u>1,186,376</u>	<u>904,997</u>
Operating Surplus at End of Year		<u>\$ 1,216,526</u>	<u>\$ 1,186,376</u>

The accompanying notes are part of these financial statements.



Financial Information - Natural Resources Conservation Board

Statement of Changes in Financial Position  
For the Year Ended March 31, 1998

	1998	1997
<b>Cash Provided By (Used In)</b>		
Operating Activities		
Operating Surplus	\$ 30,150	\$ 281,379
Non-cash Expense:		
Amortization	62,908	31,637
Loss on Disposal	3,196	-
Decrease in Pension Liability	(21,044)	(7,210)
	<u>\$ 75,210</u>	<u>\$ 305,806</u>
Change in Non-cash Working Capital		
Accounts Receivable	(25,909)	3,604
Accounts Payable	23,818	23,717
	<u>73,119</u>	<u>333,127</u>
Investing Activities		
Acquisition of Capital Assets	(24,162)	(122,955)
Net Increase in Cash	48,957	210,172
Cash at Beginning of Year	1,101,650	891,478
Cash at End of Year	<u>\$ 1,150,607</u>	<u>\$ 1,101,650</u>

The accompanying notes are part of these financial statements.

## *Note 1*

### Authority and Purpose

The Natural Resources Conservation Board ("Board") operates under the authority of the *Natural Resources Conservation Board Act*, chapter N-5.5, Statutes of Alberta 1990. The Board provides for an impartial process to review projects that will or may affect the natural resources of the Province of Alberta.

## *Note 2*

### Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles.

#### *a) Capital Assets*

Capital assets are recorded at cost less accumulated amortization. Assets are amortized over their estimated useful lives commencing in the month following acquisition, using the following annual rates and methods:

Computer Hardware	3 Year Straight Line
Computer Software	100% Straight Line
Office Equipment	20% Declining Balance
Office Furniture	20% Declining Balance

#### *b) Revenue Recognition*

Operating grants are recorded as revenue in the years for which they are approved.

#### *c) Pension Costs*

Pension cost comprises: the cost of pension benefits earned by employees during the year; interest on the Board's share of the unfunded pension liability; the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long-term; adjustments to the pension obligation recognized immediately if there is reasonable assurance that a gain or

loss has been realized; and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities. The net expense or recovery is included as part of salaries and benefits.

### *Note 3*

#### Cash

Cash includes \$1,150,507 (1997 \$1,101,550) invested in the Consolidated Cash Investment Trust Fund ("CCITF"). The CCITF is managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

### *Note 4*

#### Capital Assets

	1998			1997
	Cost	Accumulated Amortization	Net	Net
Computer Hardware	\$ 174,895	\$ 90,629	\$ 84,266	\$ 109,560
Computer Software	18,041	13,082	4,959	8,908
Office Equipment	32,123	17,411	14,712	18,746
Office Furniture	115,580	80,231	35,349	44,014
	<u>\$ 340,639</u>	<u>\$ 201,353</u>	<u>\$ 139,286</u>	<u>\$ 181,228</u>

## *Note 5*

### Pension Liability

All eligible employees of the Board, except the Chairman, are members of a defined contribution pension plan administered by the Board and managed by Mutual Life of Canada.

The Chairman is a member of the Management Employees Pension Plan which is a defined benefit plan. This plan will provide a pension based on length of service and earnings. The pension liability of the Board as at March 31, 1998 under this plan was estimated at \$33,700 (1997 \$54,744).

The total unfunded pension liability for this plan was determined by an actuarial valuation as at December 31, 1996 and extrapolated to March 31, 1998. The 1997 comparative amount was based on actuarial valuation as at December 31, 1994 and extrapolated to March 31, 1997.

The actuarial valuation was determined using the projected benefit method prorated on service. Assumptions used in the valuation were based on the Pension Board's best estimate of future events. The 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 and will be 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 in income immediately.

The Public Sector Pension Plans Act specifies the basis to determine the amount of the total unfunded liability for each plan that will be funded by employers. The Board's portion of the liability was based on the Board's percentage of the total pensionable payroll of all employees in each Plan.

## *Note 6*

### Budget

The 1997-98 budget was approved by the Board on May 28, 1997.

## Note 7

### Salaries and Benefits

	1998				1997	
	Number of Individuals <sup>(7)</sup>	Salary <sup>(1)</sup>	Benefits and Allowances <sup>(2)</sup>	Total	Number of Individuals	Total
Chairman of the Board <sup>(3)</sup>	1.0	\$ 98,838	\$ 20,635	\$ 119,473	1.0	\$ 110,665
Board Member	0.0	-	-	-	0.2	15,961
Executive Manager, Operations	0.5	40,908	13,648	54,556	1.0	93,125
Board Counsel	1.0	82,867	20,137	103,004	1.0	88,444
Other Managers (Average 1998 - \$84,337 1997 - \$70,671)	3.7	251,941	60,108	312,049	2.8	197,880
Other Full-time Staff (Average 1998 - \$40,681 1997 - \$36,922)	3.0	102,484	19,560	122,044	3.0	110,765
		<u>577,038</u>	<u>134,088</u>	<u>711,126</u>		<u>616,840</u>
Active Board Members <sup>(4)</sup>	0.8	96,580	-	96,580	0.1	7,650
Miscellaneous Adjustments <sup>(5)</sup>	-	-	(13,458)	(13,458)	-	686
		<u>\$ 673,618</u>	<u>\$ 120,630</u>	<u>\$ 794,248<sup>(6)</sup></u>		<u>\$ 625,176</u>

(1) Salary includes regular base pay, lump sum payments, achievement bonus awards and other direct cash remuneration.

(2) The Board's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan and Board pension contributions, Employment Insurance contributions, supplementary medical coverage, dental coverage, 24 hour medical benefits, group life insurance, accidental death and dismemberment insurance, long-term disability plan premiums, professional memberships, course fees and vacation pay payouts paid. The Board is a participant in the Alberta Energy and Utilities Board medical, dental and life insurance benefit plans.

(3) The chairman of the Board is provided with an automobile for which no amount is included in the benefits and allowances figure.

(4) Acting Board members are paid on the basis of contractual arrangements.

- <sup>(5)</sup> Miscellaneous adjustments include Workers' Compensation Board fees, decrease in the unfunded pension liability, pension fund administration fees and conference fees and expenses.
- <sup>(6)</sup> The total amount represents the cumulative total of Salaries and employee benefits (\$758,146), Achievement bonus and benefits (\$19,477) and Technical proficiency and training (\$16,625).
- <sup>(7)</sup> The number of individuals shown reflects a proration for individuals not employed for the whole year.

## *Note 8*

### Related Party Transactions

In addition to the grants received from the Department of Environmental Protection, the Board incurred expenses of \$22,727 (1997 \$28,733) for goods and services provided by other government departments and agencies.

### Expenses

Certain expenses, primarily for office space incurred on behalf of the Board by Public Works, Supply and Services, are not reflected in these statements. The Board has limited control over the location and costs related to the Board's offices. These decisions are primarily driven by the Department of Public Works, Supply and Services. These expenses amount to approximately \$130,212 for 1997-98.

## *Note 9*

### Approval of Financial Statements

These financial statements were approved by the Board.





Auditor's Report - Alberta Special Waste  
Management Corporation

To the Minister of Environmental Protection

I have audited the balance sheet of the Alberta Special Waste Management Corporation as at March 31, 1998 and the statements of revenue, expense and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation is required to follow the corporate government accounting policies and reporting practices established by Alberta Treasury, including the following policy that is an exception from generally accepted accounting principles. As disclosed in Note 2, accommodation and certain other administration costs incurred in the operation of the Corporation have not been included in expenses. These costs, estimated at \$45,000 for office accommodations only, are recorded by the departments that paid the expenses on behalf of the Corporation.

In my opinion, except for the effects of the matter discussed in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Corporation 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.



FCA  
Auditor General

Edmonton, Alberta  
May 22, 1998


Financial Information - Alberta Special Waste Management Corporation

Balance Sheet  
as at March 31, 1998  
(in thousands)

Note 3

	1998	1997
<b>Assets</b>		
Current		
Cash (Note 5)	\$ 1,870	\$ 2,238
Accounts Receivable	-	31
Prepaid Expenses	1	3
	<u>\$ 1,871</u>	<u>\$ 2,272</u>
Capital Assets (Note 6)	1,111	1,144
	<u>\$ 2,982</u>	<u>\$ 3,416</u>
<b>Liabilities and Deficit</b>		
Current Liabilities		
Accounts Payable and Accruals	\$ 127	\$ 311
Provision for Warehouse Site Restoration (Note 9(b))	431	500
	<u>558</u>	<u>811</u>
Pension Liability (Note 7)	25	46
Obligation for Cell Monitoring and Remediation (Note 4)	1,057	1,105
Provision for Future Removal and Site Restoration (Note 9(a))	9,750	8,950
Deficit	(8,408)	(7,496)
	<u>\$ 2,982</u>	<u>\$ 3,416</u>

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



Financial Information - Alberta Special Waste Management Corporation

Statement of Revenue, Expense and Deficit  
for the Year Ended March 31, 1998  
(in thousands)

Note 3

	1998	1997
<b>Operating Revenue</b>		
Interest Earnings	\$ 81	\$ 110
Rental Income	29	77
Gain on Decrease in Pension Liability	21	72
Income from Joint Venture (Note 3)	-	24
Other	-	13
	<u>131</u>	<u>296</u>
<b>Operating Expense</b>		
Operating and Administrative (Schedule 1)	<u>219</u>	<u>674</u>
<b>Deficiency of Revenue over Expense Before the Following:</b>	(88)	(378)
Revision of Estimated Costs of Discontinuance (Note 2(a))		
Reversal of Prior Year's Estimated Costs	45	807
Current Year's Estimated Costs	(69)	(45)
	<u>(24)</u>	<u>762</u>
Provision for Future Removal and Site Restoration (Note 9(a))	<u>(800)</u>	<u>(775)</u>
Deficiency of Revenue over Expense for the Year	(912)	(391)
Deficit at Beginning of Year	(7,496)	(7,105)
Deficit at End of Year	<u>\$ (8,408)</u>	<u>\$ (7,496)</u>

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

Financial Information - Alberta Special Waste Management Corporation

Statement of Changes in Financial Position  
for the Year Ended March 31, 1998

(in thousands)

	1998	1997
Deficiency of Revenue over Expense for the Year	\$ (912)	\$ (391)
Non-cash Items:		
Gain on Decrease in Pension Liability	(21)	(72)
Amortization (Schedule 1)	33	66
Provision for Future Removal and Site Restoration	800	775
	<u>(100)</u>	<u>378</u>
Decrease (Increase) in Accounts Receivable	31	(14)
Decrease in Prepaid Expenses	2	1
Decrease in Current Liabilities	(253)	(806)
Decrease in Obligation for Cell Monitoring	(48)	-
Decrease in Cash	<u>(368)</u>	<u>(441)</u>
Cash at Beginning of Year	2,238	2,679
Cash at End of Year	<u>\$ 1,870</u>	<u>\$ 2,238</u>

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

## Note 1

### Authority and Purpose

The Alberta Special Waste Management Corporation ("ASWMC") operates under the authority of the *Special Waste Management Act*, Chapter S-21.5, Statutes of Alberta 1982, as amended.

*The Special Waste Management Corporation Act Repeal Act* received royal assent on May 29, 1997 and upon its proclamation, the Crown in the right of Alberta will assume the rights, property and assets and be liable for the obligations and liabilities of ASWMC. Meanwhile the Corporation continues to monitor the activities of the Alberta Special Waste Management System for its continued financial interest in the operation.

## Note 2

### Significant Accounting Policies and Reporting Practices

#### a) *Discontinuance of Operations*

The estimated costs of discontinuance on the Statement of Revenue, Expense and Deficit for the 1997 and 1998 years includes estimates of the revenue and expense until the complete discontinuance of operations of ASWMC.

#### b) *Amortization*

On September 30, 1997, rental occupancy of the depreciable capital assets (i.e. the warehouse buildings) ceased. At that time, a program of property improvement commenced. From that date, amortization has not be taken; amortization will recommence when the properties are reconditioned.

#### c) *Pension Costs*

Pension costs comprises: the cost of pension benefits earned by employees during the year; interest on ASWMC's share of the unfunded pension liability; the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long-term; adjustments to the pension obligation recognized immediately if there is reasonable assurance that a gain or

loss has been realized; and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities. The net expense or recovery is included as part of salaries and group benefits expenses in the Schedule of Operating and Administrative Expense. Also see Note 7.

*d) Expenses*

Certain expenses, primarily for office space and secretarial support incurred on behalf of ASWMC by other Departments, are not reflected in these statements.

## *Note 3*

### Joint Venture Operations

*a) Background*

Until June 30, 1995, ASWMC owned a 40% interest in the Alberta Special Waste Management System Joint Venture ("Joint Venture") which treats and disposes of special waste at its facility near Swan Hills, Alberta. BOVAR (Swan Hills) Limited Partnership ("BOVAR") owned the other 60% and the Joint Venture was operated by Chem-Security (Alberta) Ltd., an indirect wholly-owned subsidiary of BOVAR.

With effect from July 1, 1995, 542936 Alberta Ltd., which was wholly-owned by ASWMC, assumed the rights and certain obligations of ASWMC with respect to the Joint Venture. Effective July 12, 1996, the shares of 542936 Alberta Ltd. were sold to BOVAR for a nominal amount. The Province was released from all obligations related to the Joint Venture, except for the obligation to reclaim the site (see Note 9 (a)) and cell monitoring (see Note 4).

*b) Revenue Sharing Formula*

Under the terms of the Definitive Agreement signed in November 1995, ASWMC shares in net income of the Joint Venture on a scale declining from 40% in 1996 to 10% in 1999 through 2003. Net income is calculated under a formula which excludes depreciation and amortization and provides for management fees and income taxes calculated on a rate applicable to an Alberta-based public company. For the year ended December 31, 1997, the Joint Venture recorded a negative net income. Therefore no amounts will be payable to ASWMC for operations of that period.

ASWMC also shares in the net proceeds from the sale of certain fixed assets on a scale declining from 100% in 1996 to 10% in 2003. There have been no disposals which would result in amounts payable under this agreement.

## *Note 4*

### Obligation for Cell Monitoring and Remediation

ASWMC has the responsibility to maintain the integrity of the landfill cells at the Swan Hills treatment facility. The obligation was originally established by BOVAR and ASWMC at \$1 million; it estimates the costs related to any required future cell monitoring, repair, or replacement. The obligation was originally jointly fully funded by BOVAR and ASWMC. Under the terms of the Definitive Agreement in November 1995, ASWMC received all funding and assumed all financial liabilities related to cell monitoring and remediation.

## *Note 5*

### Cash

Cash consists of investment in the Consolidated Cash Investment Trust Fund ("CCITF"). The CCITF is managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.



*Note 6*

## Capital Assets

	1998		1997	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(in thousands)			
Alberta Special Waste Treatment Centre:				
Land	\$ 74	\$ -	\$ 74	\$ 74
Warehouse Properties:				
Buildings	1,320	363	957	990
Land	80	-	80	80
	<u>\$ 1,474</u>	<u>\$ 363</u>	<u>\$ 1,111</u>	<u>\$ 1,144</u>

*Note 7*

## Pension Liability

ASWMC has participated with other employers in a defined benefit pension plan. This plan provides pensions for employees based on length of service and earnings.

ASWMC had an unfunded pension liability as at March 31 which was estimated as follows:

	1998	1997
	(in thousands)	
Management Employees Pension Plan	<u>\$ 25</u>	<u>\$ 46</u>

The total unfunded pension liability for the Management Employees Pension Plan was determined by actuarial valuations as at December 31, 1996 and extrapolated to March 31, 1998. The comparative figures for 1997 were determined by actuarial valuations at December 31, 1993 and extrapolated to March 31, 1997.

The actuarial valuations were determined using the projected benefit method prorated on service. Assumptions used in the valuations are based on each Pension Board's best estimate of future events. The plan's future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will be amortized over the expected average remaining service life of the employee group.

The *Public Sector Pension Plans Act* specifies the basis to determine the amount of the total unfunded liability for each plan which will be funded by employers. ASWMC's portion of these employers' liabilities was based on ASWMC's percentage of the total pensionable payroll of all employers. Upon the wind-up of ASWMC, its portion of the unfunded pension liability will be allocated to other employers in the plans.

## Note 8

### Staff Compensation

Salaries and related benefits paid to or on behalf of ASWMC staff for the year were as follows:

	1998				1997	
	Number of Individuals <sup>(1)</sup>	Salary <sup>(2)</sup>	Benefits and Allowances <sup>(3)</sup>	Total	Number of Individuals <sup>(1)</sup>	Total
Board Member <sup>(4)</sup>	-	\$ -	\$ -	\$ -	6	\$ 14,574
President and Chief Executive Officer <sup>(5)</sup>	1	-	-	-	1	-
Vice President, Finance and Chief Financial Officer	1	72,093	20,698	92,791	1	108,906
Other Staff <sup>(6)</sup>	-	-	-	-	1	22,348
		<u>\$ 72,093</u>	<u>\$ 20,698</u>	<u>\$ 92,791</u>		<u>\$ 145,828</u>

<sup>(1)</sup> Number of employees includes all employees whether employed for a full or partial year.

<sup>(2)</sup> Salary includes regular base pay.

<sup>(3)</sup> ASWMC's share of all employee benefits and contributions or payments made on behalf of employees including vacation pay, pension, health care, dental coverage, group life insurance, short- and long-term disability plan, professional memberships and tuition.

- (4) Term of appointment completed January 31, 1997.
- (5) Position became unpaid on December 31, 1994.
- (6) This staff position was abolished October 1996.

## *Note 9*

### Provision for Future Removal and Site Restoration

#### *a) Swan Hills Facility*

ASWMC continues to be responsible for all site remediation that may be required upon closure of the Swan Hills facility. An agreement with the Province of Alberta requires ASWMC to restore the property to stated reclaimed standards.

A consultant's preliminary report indicated that the estimated cost of decontaminating the area tested was approximately \$100,000. The consultant further estimated that the cost of decommissioning the plant could range from \$31 million to \$57 million. \$42 million is considered a reasonable estimate of the decommissioning cost, representing the mid-point of the range after deducting the plant's estimated salvage value.

The \$9,750,000 accumulated provision for future removal and site restoration on the balance sheet represents the net present value of the \$42 million estimate for decommissioning and the \$100,000 for decontamination remediation, assuming an 18 year remaining operating life for the plant and using a discount rate of 8.98%. Because assumptions can change, as can the decontamination or decommissioning methods used, these costs could decrease or increase by a material amount.

#### *b) Other*

In addition to the Swan Hills facility, ASWMC owns two adjacent warehouse properties in Nisku, Alberta which have been used as a transfer station and a storage location for various types of hazardous waste. A further provision of \$431,000 represents management's estimate of future costs of clean-up presently under way.

## *Note 10*

### Comparative Figures

Certain 1997 figures have been reclassified to conform to the 1998 presentation.

## *Note 11*

### Approval of Financial Statements

These financial statements were approved by management.

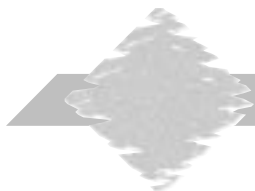
Financial Information - Alberta Special Waste Management Corporation

Schedule of Operating and Administrative Expense  
for the Year Ended March 31, 1998

(in thousands)

Schedule 1

	1998	1997
Salaries and Group Benefits	\$ 94	\$ 114
Warehousing	50	214
Professional Fees	36	216
Amortization of Capital Assets	33	66
Office Expenses	3	8
Advertising and Promotion	3	2
Staff Travel	2	2
Swan Hills Off-site Services	(3)	12
Miscellaneous	1	4
Employee Severance Plans	-	20
Members' Honoraria and Expenses	-	16
	<u>\$ 219</u>	<u>\$ 674</u>



Statement of Remissions, Compromises and Write-Offs  
for the Year Ended March 31, 1998  
(Unaudited)

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Remissions under Section 26 of the <i>Financial Administration Act</i> :		\$ 0.00
Compromises under Section 27 of the <i>Financial Administration Act</i> :		
Other Accounts Receivable:		
<i>Environmental Protection and Enhancement Act</i>	\$ 17,870.99	
Total Compromises		<u>17,870.99</u>
Write-offs:		
Departmental Accounts Receivable	83,956.20	
Total Write-offs		<u>83,956.20</u>
Total Remissions, Compromises and Write-offs		<u><u>\$ 101,827.19</u></u>



# Ministry Annual Reports

Alphabetical List of Entities' Financial Information in Ministry  
Annual Reports

## Entities Included in the Consolidated Government Reporting Entity

### *Ministry, Department, Fund or Agency*

Agriculture Financial Services Corporation  
Agriculture, Food and Rural Development Revolving Fund  
Alberta Agricultural Research Institute  
Alberta Alcohol and Drug Abuse Commission  
Alberta Dairy Control Board  
Alberta Energy and Utilities Board  
Alberta Foundation for the Arts  
Alberta Gaming and Liquor Commission  
Alberta Heritage Foundation for Medical Research  
Endowment Fund  
Alberta Heritage Savings Trust Fund  
Alberta Heritage Scholarship Fund  
Alberta Insurance Council  
Alberta Intermodal Services Ltd.  
Alberta Motion Picture Development Corporation  
Alberta Municipal Financing Corporation  
Alberta Oil Sands Technology and Research Authority  
Alberta Opportunity Company  
Alberta Pensions Administration Corporation  
Alberta Petroleum Marketing Commission  
Alberta Research Council  
Alberta Risk Management Fund  
Alberta School Foundation Fund  
Alberta Science and Research Authority  
Alberta Securities Commission  
Alberta Social Housing Corporation  
Alberta Special Waste Management Corporation  
Alberta Sport, Recreation, Parks and Wildlife Foundation  
Alberta Treasury Branches  
ATB Investment Services Inc.  
Chembiomed Ltd. (in liquidation)

### *Ministry Annual Report*

Agriculture, Food and Rural Development  
Agriculture, Food and Rural Development  
Agriculture, Food and Rural Development  
Community Development  
Agriculture, Food and Rural Development  
Energy  
Community Development  
Economic Development  
Treasury  
Treasury  
Treasury  
Treasury  
Economic Development  
Treasury  
Energy  
Economic Development  
Treasury  
Energy  
Science, Research and Information Technology  
Treasury  
Education  
Science, Research and Information Technology  
Treasury  
Municipal Affairs  
Environmental Protection  
Community Development  
Treasury  
Treasury  
Treasury

Entities Included in the Consolidated Government  
Reporting Entity - cont'd

<i>Ministry, Department, Fund or Agency</i>	<i>Ministry Annual Report</i>
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Community Development	Community Development
Department of Economic Development	Economic Development
Department of Education	Education
Department of Energy	Energy
Department of Environmental Protection	Environmental Protection
Department of Family and Social Services	Family and Social Services
Department of Justice	Justice
Department of Municipal Affairs	Municipal Affairs
Department of Public Works, Supply and Services	Public Works, Supply and Services
Department of Science, Research and Information Technology	Science, Research and Information Technology
Department of Transportation and Utilities	Transportation and Utilities
Department of Treasury	Treasury
Economic Development and Tourism Revolving Fund	Economic Development
Education Revolving Fund	Education
Environmental Protection and Enhancement Fund	Environmental Protection
Environmental Protection Revolving Fund	Environmental Protection
475342 Alberta Ltd. (in liquidation)	Treasury
Gainers Inc.	Treasury
Gas Alberta Operating Fund	Transportation and Utilities
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Livestock Patrons' Assurance Fund	Agriculture, Food and Rural Development
Lottery Fund	Economic Development
Ministry of Advanced Education and Career Development <sup>1</sup>	Advanced Education and Career Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Community Development	Community Development
Ministry of Economic Development	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environmental Protection	Environmental Protection
Ministry of Executive Council <sup>1</sup>	Executive Council
Ministry of Family and Social Services	Family and Social Services
Ministry of Health <sup>1</sup>	Health



Entities Included in the Consolidated Government  
Reporting Entity - cont'd

<i>Ministry, Department, Fund or Agency</i>	<i>Ministry Annual Report</i>
Ministry of Intergovernmental and Aboriginal Affairs	Intergovernmental and Aboriginal Affairs
Ministry of Justice	Justice
Ministry of Labour <sup>1</sup>	Labour
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Public Works, Supply and Services	Public Works, Supply and Services
Ministry of Science, Research and Information Technology	Science, Research and Information Technology
Ministry of Transportation and Utilities	Transportation and Utilities
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environmental Protection
NFI Finance, Inc. (in liquidation)	Treasury
Persons with Developmental Disabilities Foundation	Family and Social Services
Public Works, Supply and Services Revolving Fund	Public Works, Supply and Services
S C Financial Ltd.	Treasury
Science and Research Fund	Science, Research and Information Technology
The Alberta Government Telephones Commission	Treasury
The Alberta Historical Resources Foundation	Community Development
The Government House Foundation	Community Development
The Wild Rose Foundation	Community Development
Transportation Revolving Fund	Transportation and Utilities
Treasury Revolving Fund	Treasury
Utility Companies Income Tax Rebates Fund	Treasury
Victims of Crime Fund	Justice

<sup>1</sup> Ministry includes only the department so separate department information is not necessary

Entities Not Included in the Consolidated Government  
Reporting Entity

*Fund or Agency**Ministry Annual Report*

Alberta Cancer Board	Health
Alberta Heritage Foundation for Medical Research	Science, Research and Information Technology
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Benefit Fund-Bargaining Unit	Advanced Education and Career Development
Long-Term Disability Benefit Fund-Management, Opted Out and Excluded	Advanced Education and Career Development
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Provincial Mental Health Advisory Board	Health
Public Post Secondary Institutions	Advanced Education and Career Development
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health
School Boards	Education
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Labour



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