

**DAVID THOMPSON REGIONAL
HEALTH AUTHORITY**

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2003
And
AUDITORS' REPORT**



AUDITORS' REPORT

**TO THE MEMBERS OF THE
DAVID THOMPSON REGIONAL HEALTH AUTHORITY
AND THE MINISTER OF HEALTH**

We have audited the statement of financial position of the David Thompson Regional Health Authority ("the Authority") as at March 31, 2003 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2003 and the results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 25, 2003
Red Deer, Alberta

[Original Signed]
Chartered Accountants

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David Thompson Regional Health Authority
 Statement of Financial Position
 March 31, 2003
 (thousands of dollars)

David Thompson Regional Health Authority
 Management's Responsibility for Financial Reporting
 March 31, 2003

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles and the Financial Directives issued by Alberta Health and Wellness, and of necessity include some amounts that are based on estimates and judgements.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded. The Authority has established a code of ethics and corporate directives, which require communication of the code to employees.

The Authority members carry out their responsibility for the financial statements through the Governance Committee. This Committee meets with management and the external auditor, Cuthbertson Sandall, Chartered Accountants, to discuss and review financial matters, and recommends the financial statements to the David Thompson Regional Health Authority Board for approval. The external auditor has full and free access to the Governance Committee.

The external auditor, Cuthbertson Sandall, Chartered Accountants, provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian Generally Accepted Auditing Standards and includes tests and other procedures, which allow them to report on the fairness of the financial statements prepared by management.

[Original Signed]
 Chief Executive Officer

[Original Signed]
 Vice President & Chief Operating Officer
 Corporate Services

	2003	2002
Assets		
Current:		
Cash and temporary investments (Note 3)	37,740	39,926
Accounts receivable	2,459	2,976
Contributions receivable	1,466	2,548
Inventories	2,977	2,899
Prepaid expenses	1,016	858
	<u>45,658</u>	<u>49,207</u>
Non-current cash and accounts receivable (Note 4)	27,472	67,056
Capital assets (Note 5)	142,199	111,054
Other assets (Note 6)	5,385	434
	<u>220,714</u>	<u>227,751</u>
Liabilities and Net Assets		
Current:		
Accounts payable	22,389	16,731
Accrued vacation pay	9,892	9,764
Current portion of deferred contributions (Note 7)	2,955	4,625
Current portion of long-term debt (Note 9)	47	59
	<u>35,283</u>	<u>31,179</u>
Deferred contributions (Note 7)	24,451	24,716
Deferred capital contributions (Note 8)	8,379	42,340
Long-term debt (Note 9)	614	660
Unamortized external capital contributions (Note 10)	124,853	96,242
	<u>193,580</u>	<u>195,137</u>
Net assets:		
Unrestricted	1,574	1,499
Internally restricted (Note 11)	9,300	17,447
Investment in capital assets	16,260	13,668
	<u>27,134</u>	<u>32,614</u>
	<u>220,714</u>	<u>227,751</u>

The accompanying notes and schedules are part of these financial statements.
 Approved on behalf of the David Thompson Regional Health Authority:

[Original Signed]
 Chairperson

[Original Signed]
 Board Member

David Thompson Regional Health Authority
Statement of Operations
For the Year Ended March 31, 2003
(thousands of dollars)

	2003		2002
	Budget (Note 12)	Actual	Actual
Revenues			
Alberta Health and Wellness contributions (Note 13)	214,185	215,550	199,575
Other government contributions (Note 14)	3,182	3,939	3,387
Fees and charges (Note 15)	13,468	13,094	12,393
Net ancillary operations (Note 16)	431	296	596
Donations	900	722	1,053
Investment and other income (Note 17)	4,627	4,012	5,915
Amortization of external capital contributions (Note 10)	7,259	6,932	6,702
	<u>244,052</u>	<u>244,545</u>	<u>229,621</u>
Expenses (Schedule 1)			
Facility based inpatient acute services	65,272	63,890	60,222
Facility based emergency and outpatient services	15,937	15,848	14,041
Facility based continuing care services	29,037	28,889	27,627
Community and home based services	12,415	12,577	11,580
Diagnostic and therapeutic services	50,241	52,035	47,401
Promotion, prevention and protection services	9,228	8,663	7,913
Administration (Note 18)	10,926	10,655	10,422
Information technology	4,417	3,468	3,136
Support services (Note 19)	48,402	49,263	45,596
Amortization of facilities and improvements	4,731	4,737	4,660
	<u>250,606</u>	<u>250,025</u>	<u>232,598</u>
Deficiency of revenues over expenses	<u>(6,554)</u>	<u>(5,480)</u>	<u>(2,977)</u>

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	2003				2002	
	Unrestricted	Internally Restricted (Note 11)	Invested in Capital Assets	Total	Total	Total
Deficiency of revenues over expenses	(5,480)	-	-	-	-	(2,977)
Capital assets purchased with internal funds	(537)	(4,377)	4,914	-	-	-
Amortization on internally funded capital assets	2,380	-	(2,380)	-	-	-
Repayment of long-term debt used to fund capital assets	(58)	-	58	-	-	-
Net change	(3,695)	(4,377)	2,592	(5,480)	(2,977)	(2,977)
Transfer to (from) internally restricted	3,770	(3,770)	-	-	-	-
Balance at beginning of year	1,499	17,447	13,668	32,614	35,591	32,614
End of year	<u>1,574</u>	<u>9,300</u>	<u>16,260</u>	<u>27,134</u>	<u>27,134</u>	<u>32,614</u>

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David Thompson Regional Health Authority
Statement of Changes in Net Assets
For the Year Ended March 31, 2003
(thousands of dollars)

David Thompson Regional Health Authority
Statement of Cash Flows
For the Year Ended March 31, 2003
(thousands of dollars)

	2003		2002
	Budget	Actual	Actual
Cash generated from (used by):			
Operating activities			
Deficiency of revenues over expenses	(6,554)	(5,480)	(2,977)
Non-cash transactions:			
Amortization of capital equipment - internally funded	2,140	1,739	1,570
Amortization of capital equipment - externally funded	2,099	2,642	2,392
Amortization of facilities and improvements	4,760	4,737	4,660
Amortization of external capital contributions	(6,859)	(6,932)	(6,702)
Loss on disposal of capital equipment	-	136	58
	(4,414)	(3,158)	(999)
Changes in non-cash working capital accounts	(293)	5,479	7,138
Cash generated from operations	(4,707)	2,321	6,139
Investing activities			
Purchase of capital assets:			
Internally funded	(2,877)	(4,914)	(2,742)
Externally funded equipment	(490)	(4,627)	(3,843)
Externally funded facilities and improvements	(37,700)	(30,925)	(5,267)
Proceeds on sale of capital assets	-	66	-
Increase in other assets	(14,865)	(4,951)	(90)
Cash used by investing activities	(55,932)	(45,351)	(11,942)
Financing activities			
Allocations from (to) non-current cash and accounts receivable (Note 4)	7,340	39,584	(59,645)
Decrease (increase) in deferred contributions	21,000	(265)	21,431
Capital contributions received (Note 8)	25,850	1,583	47,324
Principal payments on long-term debt	(92)	(58)	(211)
Cash generated from financing activities	54,098	40,844	8,899
Increase (decrease) in cash and temporary investments	(6,541)	(2,186)	3,096
Cash and temporary investments, beginning of year	39,926	39,926	36,830
Cash and temporary investments, end of year	33,385	37,740	39,926

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David Thompson Regional Health Authority
Notes to the Financial Statements
For the Year Ended March 31, 2003

Note 1 Authority, Purpose and Operations

The David Thompson Regional Health Authority ("the Authority") was established on June 24, 1994 under the authority of the Regional Health Authorities Act, Chapter R-10, revised Statutes of Alberta 2000. The Authority is a registered charity under the Income Tax Act and is exempt from payment of income tax.

The Authority is responsible for the delivery of appropriate, accessible and affordable health services in the region. This responsibility includes operating programs designed to promote, protect, maintain, restore and enhance physical and mental wellbeing.

The Authority operates the following facilities and sites:

Bashaw Health Centre	Red Deer Nursing Home
Bentley Care Centre	Red Deer Regional Hospital Centre
Dr. Richard Parsons Care Centre	Rimbey Hospital and Care Centre
Innisfail Health Centre	Rocky Mountain House Hospital and Care Centre
Lacombe Hospital and Care Centre	Sundre Hospital and Care Centre
Olds Hospital and Care Centre	Valley Park Manor
Ponoka Hospital and Care Centre	
Eckville Community Health Centre	Red Deer Community Health Centres
Elnora Community Health Centre	Rimbey Community Health Centre
Lacombe Community Health Centre	Rocky Mountain House Community Health Centre
Olds Community Health Centre	Sundre Community Health Centre
Ponoka Community Health Centre	Sylvan Lake Community Health Centre

These financial statements do not include the assets, liabilities and operations of any voluntary or private facilities providing health services in the region, except to the extent disclosed in Note 20(b).

Note 2 Significant Accounting Policies and Reporting Practices

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles and the reporting requirements of Financial Directive 20 issued by Alberta Health and Wellness. Following are the significant accounting policies:

a) Basis of Presentation

These financial statements are prepared on a consolidated basis and include the accounts of the facilities and sites disclosed in Note 1 but do not include the accounts of the David Thompson Health Region Foundation.

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Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) These financial statements have been prepared using the deferral method, the key elements of which are:

- (i) Unrestricted operating grants and other contributions are recognized as revenue in the year when received or receivable.
- (ii) Externally restricted non-capital contributions are recognized as revenue in the year when related expenses are incurred.
- (iii) Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing externally funded capital assets are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.
- (iv) Restricted contributions to purchase capital assets which will not be amortized are recorded as direct increases to net assets.
- (v) Unrestricted investment income is recognized in the year it is earned.
- (vi) Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as a direct increase to net assets, or deferred and recognized as revenue in the year the related expenses are incurred.
- (vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

(c) Full cost

The Authority accounts for all costs and revenues related to services carried out for which it is responsible.

The fair value of costs of services is recorded. The fair value transactions consist of the following:

- (i) Revenues earned by contracted health service operators from Ministry of Health designated fees and charges are recorded as fees and charges of the Authority. An equivalent amount is recorded as contracted health service operator expense of the Authority.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Full cost (continued)

- (ii) Alberta Health and Wellness payments directly to contracted health service operators for health programs are recorded as revenues and an equivalent amount recorded as program expenses as these payments represent part of the cost of the Authority's health programs.
- (iii) The fair value for the use of non-acute care facilities not owned by the Authority and provided to the Authority at zero or nominal rent is recorded as other government contributions and as program expense.
- (iv) Other assets, supplies and service contributions that would otherwise have been purchased are recorded as revenues and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. Volunteers contribute a significant amount of time each year to assist the Authority in carrying out its programs and services. However, contributed services of volunteers are not recognized as revenues and expenses in these financial statements because fair value cannot be reasonably determined.

(d) Employee Future Benefits

The Authority participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for the Authority's participating employees, based on years of service and earnings.

Sufficient information is not available to record the Authority's transactions using the accounting recommendations for defined benefit pension plans. The Authority therefore uses the accounting recommendations for defined contribution pension plans whereby the pension costs included in the financial statements comprise the employer's contributions for its employees during the year. The contributions are based on rates which are expected to provide benefits payable under the pension plan. The Authority does not record its portion of the plan's deficit or surplus.

The Authority fully accrues its obligations for employee non-pension future benefits.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(e) Investments

Temporary investments and marketable securities are recorded at the lower of cost or market value.

(f) Financial Instruments

The carrying value of cash and temporary investments, accounts receivable, accounts payable and accrued vacation pay approximates their fair value because of the short-term maturity of these items.

The carrying value of long-term debt approximates its fair value because the interest rates approximate market value.

(g) Inventories

Inventories are valued at the lower of cost or net realizable value where cost is determined on an average cost basis.

(h) Capital Assets

Capital assets and construction projects in progress are recorded at cost. Capital assets costing less than \$5,000 are expensed.

Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	<u>Useful Life</u>
Buildings	40 years
Land improvements	20 years
Building service equipment	20 years
Equipment	5-20 years
Asset development costs	3 years

Capital construction projects in progress are not amortized until the project is complete.

Leases transferring substantially all of the benefits and risks of ownership of capital assets to the Authority are accounted for as acquisitions of capital assets financed by long-term obligations.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(i) Measurement Uncertainty

The financial statements by their nature contain estimates and are subject to measurement uncertainty. The amounts recorded for amortization of capital assets and amortization of external capital contributions are based on estimates of the useful life of related assets. Actual results could differ from these estimates. Also, the Authority is currently included in the Goods and Services (GST) free list of Alberta Government entities and therefore does not record or pay GST on purchased supplies and services. This situation could change in future if the Authority ceases to be part of the GST free list of Alberta Government.

Note 3 Cash and Temporary Investments

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Cash	15,256	48,336
Marketable securities, at market	5,497	-
Temporary investments	<u>44,459</u>	<u>35,527</u>
	65,212	83,863
Less non-current cash (Note 4)	<u>(27,472)</u>	<u>(43,937)</u>
	<u>37,740</u>	<u>39,926</u>

Temporary investments are comprised of money market mutual fund units and interest bearing investments, which accrue investment income at current market rates.

Marketable securities comprise publicly traded equities. Risk is minimized by prudent security selection and sector rotation through independent investment counsel.

Note 4 Non-current Cash and Accounts Receivable

Non-current cash and accounts receivable are represented by the following:

	2003	2002
	(thousands of dollars)	
Cash		
Externally restricted donations for capital purposes	588	45
Externally restricted grants for major redevelopment project	7,287	37,860
Externally restricted grants for capital purposes	19,597	6,032
	27,472	43,937
Accounts receivable		
Externally restricted grants for capital purposes	-	23,119
	27,472	67,056

Note 5 Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(thousands of dollars)			
Land	3,510	-	3,510	3,510
Land improvements	2,530	1,600	930	995
Buildings and service equipment	164,352	92,235	72,117	76,652
Equipment	64,842	36,778	28,064	22,477
Asset development costs	516	516	-	-
Capital projects in progress	37,578	-	37,578	7,420
	273,328	131,129	142,199	111,054

Capital assets have been funded from the following sources:

	2003	2002
	(thousands of dollars)	
Short-term debt	425	425
Long-term debt (Note 9)	661	719
Unamortized external capital contributions (Note 10)	124,853	96,242
Net assets invested in capital assets	16,260	13,668
	142,199	111,054

Note 6 Other Assets

	2003	2002
	(thousands of dollars)	
Energy conservation program	-	49
Loans receivable - Continuum Healthcare Corp.	327	358
- Voluntary health service providers	5,031	-
Mineral rights	24	24
Cooperative's shares	3	3
	5,385	434

Loans Receivable:

The Authority has a forgivable loan with Continuum Healthcare Corporation initiated under the Health Aging Partnership Initiative. During the year \$31,150 was forgiven under the terms of that agreement.

The Authority signed contracts with two voluntary health service providers under the Long Term Care Partnership Initiative (P3) and Health Aging Partnership Initiative (HAPI) to construct and operate three continuing care facilities and two assisted living facilities. During the year, the Authority loaned \$5,030,935 under those initiatives related to the construction of those facilities. Under the terms of the agreements, the Authority will loan the voluntary health service providers a maximum of \$22,897,885 which will be forgiven or repaid over a term of 30 years commencing on the date of completion of each of the facilities.

Note 7 Deferred Contributions

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Amounts received:		
Alberta Health and Wellness contributions	401	514
Other government contributions	1,696	29,372
Interest income	447	-
Amounts transferred to deferred capital contributions (Note 8)	(48)	(915)
Amounts recognized as revenue:		
Alberta Health and Wellness contributions	(1,363)	(3,217)
Investment and other income	(401)	(64)
Other government contributions	<u>(2,667)</u>	<u>(2,676)</u>
Change during the year	(1,935)	23,014
Balance, beginning of year	<u>29,341</u>	<u>6,327</u>
Balance, end of year	27,406	29,341
Less current portion	<u>(2,955)</u>	<u>(4,625)</u>
	<u>24,451</u>	<u>24,716</u>

Note 7 Deferred Contributions (continued)

Unspent amounts at end of year are restricted for the following purposes:

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Non-current		
Healthy Aging Partnership Initiative and Long term care partnership	<u>24,451</u>	<u>24,716</u>
Current		
Alberta Infrastructure renovation projects	1,023	2,023
Case costing	38	74
Continuing Care Initiative	113	210
Enhancement to Electronic Delivery to Physicians	100	-
Hobemma Indian Health Services	90	-
Human Resource Strategic	282	513
Nurse Practitioner	265	465
Nurse Practitioner - AMA	7	7
O'Chiese Health	40	39
Other	225	474
Persons with Development Disabilities	105	2
Specialist On Call	128	338
Sunchild Health	33	53
Young Family Wellness	<u>506</u>	<u>427</u>
	<u>2,955</u>	<u>4,625</u>
	<u>27,406</u>	<u>29,341</u>

Note 8 Deferred Capital Contributions

The deferred capital contribution balance represents amounts accounted for in accordance with the accounting policy described in Note 2(b)(iii).

	2003	2002
	(thousands of dollars)	
Amounts received:		
Restricted other government contributions	670	46,498
Amounts transferred from deferred contributions (Note 7)	48	915
Donations restricted for capital purposes	864	661
	<u>1,582</u>	<u>48,074</u>
Amounts recognized as revenue:		
Alberta Health and Wellness contributions	-	(322)
Other government contributions	-	(428)
	<u>1,582</u>	<u>47,324</u>
Transferred to:		
Unamortized external capital contributions (Note 10)	(35,543)	(9,110)
Change during the year	(33,961)	38,214
Balance, beginning of year	<u>42,340</u>	<u>4,126</u>
Balance, end of year	<u><u>8,379</u></u>	<u><u>42,340</u></u>

The balance at the end of the year is restricted for the following purposes:

	2003	2002
	(thousands of dollars)	
Equipment replacement	642	3,988
Major redevelopment project	7,287	37,860
Betterment of capital assets	450	492
	<u>8,379</u>	<u>42,340</u>

Note 9 Long-term Debt

	2003	2002
	(thousands of dollars)	
Bank loan, due in monthly installments of \$6,827 including interest at 5.49%. Secured by a general assignment of book debts, maturing November 1, 2003.	661	705
Bank loan	-	14
	<u>661</u>	<u>719</u>
Less current portion	(47)	(59)
Long-term portion	<u><u>614</u></u>	<u><u>660</u></u>
Future principal payments are estimated as follows:		
2004	47	
2005	49	
2006	52	
2007	55	
2008 and thereafter	458	
	<u><u>661</u></u>	

Note 10 Unamortized External Capital Contributions

Unamortized external capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2(b)(iii). The balance at the end of the year represents the external capital contributions that will be recognized as revenue in future years.

	2003	2002
	(thousands of dollars)	
Balance, beginning of year	96,242	93,834
Add: Amounts transferred from deferred capital contributions (Note 8)	35,543	9,110
Less: Amounts recognized as revenue	<u>(6,932)</u>	<u>(6,702)</u>
Balance, end of year	<u>124,853</u>	<u>96,242</u>

Note 11 Internally Restricted Net Assets

The Authority has internally restricted the following amounts for:

	2003	2002
	(thousands of dollars)	
Board established reserves:		
Funding reserve	1,276	5,394
Other reserves	800	527
Reserve for future equipment replacement	<u>3,724</u>	<u>5,714</u>
	5,800	11,635
Authority designated for specific communities	<u>3,500</u>	<u>5,812</u>
	<u>9,300</u>	<u>17,447</u>

Note 12 Budget

	Approved Budget (1)	Adjustments (2)	Reported Budget
	(thousands of dollars)		
Revenues			
Alberta Health and Wellness contributions	211,994	2,191	214,185
Other government contributions	2,240	942	3,182
Fees and charges	13,941	(473)	13,468
Net ancillary operations	444	(13)	431
Donations	900	-	900
Investment and other income	2,978	1,649	4,627
Amortization of external capital contributions	<u>6,859</u>	<u>400</u>	<u>7,259</u>
	<u>239,356</u>	<u>4,696</u>	<u>244,052</u>
Expenses			
Facility based inpatient services	61,579	3,693	65,272
Facility based emergency and outpatient services	17,575	(1,638)	15,937
Facility based continuing care services	28,574	463	29,037
Community and home based services	12,428	(13)	12,415
Diagnostic and therapeutic services	48,496	1,745	50,241
Promotion, prevention and protection services	8,573	655	9,228
Administration	11,169	(243)	10,926
Support services	48,662	(260)	48,402
Information technology	4,123	294	4,417
Amortization of facilities and improvements	<u>4,731</u>	<u>-</u>	<u>4,731</u>
	<u>245,910</u>	<u>4,696</u>	<u>250,606</u>
Excess of expenses over revenue	<u>(6,554)</u>	<u>-</u>	<u>(6,554)</u>

- (1) The approved budget amounts were part of the annual Business Plan approved by the Board of the Authority on May 1, 2002 and subsequently approved by the Minister of Health and Wellness.

Note 12 Budget (continued)

(2) Adjustments

Classification Adjustments

The Business Plan submitted to Alberta Health and Wellness included significant budget allocations based on management estimates. The budget was subsequently adjusted for actual allocations as they became known.

Projects

The budget was adjusted for project funding and expenditures not previously contemplated in the business plans submitted.

Note 13 Alberta Health and Wellness Contributions

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Unrestricted contributions	210,293	195,852
Restricted contributions	5,069	3,535
Restricted contributions made by Alberta Health and Wellness directly to contracted health service operators for capital upgrade	<u>188</u>	<u>188</u>
	<u>215,550</u>	<u>199,575</u>

Note 14 Other Government Contributions

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Alberta Infrastructure	1,698	1,467
Healthy Aging Partnership Initiatives	712	415
Fair value of rent for non-acute care facilities used by the Authority	157	149
Other contributions	<u>1,372</u>	<u>1,356</u>
	<u>3,939</u>	<u>3,387</u>

David Thompson Regional Health Authority
Notes to the Financial Statements
For the Year Ended March 31, 2003

David Thompson Regional Health Authority
Notes to the Financial Statements
For the Year Ended March 31, 2003

Note 15 Fees and Charges

	2003	2002
	(thousands of dollars)	
Acute Care		
Non-entitled revenue – inpatients	1,309	1,109
Non-entitled revenue – outpatients	617	674
Preferred accommodation	233	243
Other	15	13
Continuing Care		
Accommodation charges	7,934	7,481
Other	72	52
Home care fees	3	5
Federal government	231	189
Workers Compensation Board (WCB)	1,673	1,632
Fair value adjustments	1,007	995
	<u>13,094</u>	<u>12,393</u>

Note 16 Net Ancillary Operations

	2003								2002	
	(thousands of dollars)									
	Non-patient Food Services Operations	Laundry Operations	Lab Services	Parking Operations	TV Telephone	David Thompson Dispensary	Other	Total	Total	Total
Revenues										
Revenues	753	56	386	852	93	468	12	2,620	2,808	
Expenses										
Other expenses	714	36	379	639	54	494	-	2,316	2,199	
Amortization	1	-	7	-	-	-	-	8	13	
	<u>715</u>	<u>36</u>	<u>386</u>	<u>639</u>	<u>54</u>	<u>494</u>	<u>-</u>	<u>2,324</u>	<u>2,212</u>	
Excess (deficiency) of revenues over direct expenses, 2003	<u>38</u>	<u>20</u>	<u>-</u>	<u>213</u>	<u>39</u>	<u>(26)</u>	<u>12</u>	<u>296</u>	<u>596</u>	
Excess (deficiency) of revenues over direct expenses, 2002	<u>86</u>	<u>74</u>	<u>-</u>	<u>399</u>	<u>55</u>	<u>(38)</u>	<u>20</u>	<u>596</u>	<u>596</u>	

Note 17 Investment and Other Income

	2003	2002
	(thousands of dollars)	
Unrestricted investment income	672	1,550
Other income	3,340	4,365
	<u>4,012</u>	<u>5,915</u>

Other income is comprised of various revenue and expense recoveries external to the Authority.

Note 18 Administration

	2003	2002
	(thousands of dollars)	
General administration	4,896	4,923
Finance	3,061	2,962
Human resources	2,698	2,537
	<u>10,655</u>	<u>10,422</u>

Note 19 Support Services

	2003	2002
	(thousands of dollars)	
Bio-medical engineering	404	325
Building maintenance, operations and security	12,750	10,611
Case management administration	856	731
Communications	815	843
Education	2,204	2,225
Housekeeping	6,931	6,446
Laundry and linen	2,635	2,739
Materials management	4,307	4,090
Patient food services	8,777	8,538
Patient health records	4,471	4,437
Patient registration	1,525	1,445
Patient internal transportation	3,137	2,756
Volunteer services	451	410
	<u>49,263</u>	<u>45,596</u>

Note 20 Related Parties

(a) Controlled Foundations

The Authority controls the David Thompson Health Region Foundation which was formerly the Red Deer Regional Hospital Centre Foundation (the "Foundation"). This control is a result of the Authority having significant economic interest in the Foundation and the purpose of the Foundation is integrated with the Authority. However, the Foundation is not consolidated in these financial statements.

Financial information for the Foundation is as follows:

	2003	2002
	(thousands of dollars)	
Total assets	5,359	4,567
Total liabilities	<u>(1,263)</u>	<u>(1,077)</u>
Net assets	<u>4,096</u>	<u>3,490</u>
Revenues	1,809	1,735
Contributions to the Authority plus operating expenses	<u>(1,204)</u>	<u>(1,219)</u>
Excess of revenues over expenses	<u>605</u>	<u>516</u>

Contributions Received by the Authority		Resources Held by the Foundation	
Year ended March 31,		As at March 31, 2003	
2003	2002	Externally Restricted	Unrestricted
(thousands of dollars)			
<u>726</u>	<u>877</u>	<u>2,444</u>	<u>1,652</u>

The Foundation's financial statements were prepared using the restricted fund method of accounting.

Note 20 Related Parties (continued)

(a) Controlled Foundations (continued)

Contributions include externally restricted amounts for equipment, programs, research and education for the Red Deer Regional Hospital Centre.

The value of administrative support provided to the Foundation and the accounts receivable from the Foundation at year-end are as follows:

Administrative Support		Accounts Receivable	
Year ended March 31,		As at March 31, 2003	
2003	2002	Externally Restricted	Unrestricted
(thousands of dollars)			
10	10	47	45

Note 20 Related Parties (continued)

(b) Health Service Operators

The Authority contracts with health service operators to provide health services in the Region. The health service operators and the amount of the contracted health services for the year are as follows:

	2003			2002	
	(thousands of dollars)				
	Direct Authority Funding	Alberta Health Funding	Approved Patient Fees and Charges	Total	Total
DKML/Provincial Laboratories	4,123	-	-	4,123	3,743
Northcott Care Centre	2,510	188	721	3,419	3,405
St. Mary's Health Care Centre	1,418	-	286	1,704	1,646
Private physiotherapy clinics	1,253	-	-	1,253	1,256
Other	368	-	-	368	344
	<u>9,672</u>	<u>188</u>	<u>1,007</u>	<u>10,867</u>	<u>10,394</u>

The Authority views the relationships with these health service operators as ones where an economic interest exists. The Authority transfers significant resources to these organizations. These organizations are required to perform functions on behalf of the reporting organization that are integral to the Authority achieving its objectives.

The expenses related to these activities have been recorded as follows:

	2003	2002
	(thousands of dollars)	
Northcott Care Centre and St. Mary's Health Care Centre		
Facility based continuing care services	2,549	2,513
Diagnostic and therapeutic services	497	486
Administration	576	570
Support services	<u>1,501</u>	<u>1,482</u>
	5,123	5,051
All other operators		
Community and home based services	212	144
Promotion, protection and prevention	156	189
Diagnostic and therapeutic services	<u>5,376</u>	<u>5,010</u>
	<u>10,867</u>	<u>10,394</u>

Note 20 Related Parties (continued)

(c) Province of Alberta

The Authority is established under the Regional Health Authorities Act. Two thirds of the board members of the Authority are elected. The Minister of Health and Wellness appoints the remaining board members. Transactions between the Authority and the Provincial Government/Alberta Health and Wellness are disclosed in the Statement of Operations and in notes 7, 8, 13 and 14 to the financial statements.

(d) Health Authorities

The Authority shares a common relationship with other health authorities by way of its relationship with the province of Alberta. Transactions between the Authority and other health authorities are reported in the statement of operations and Note 20(b) to the financial statements.

Note 21 Pension Costs

The Authority participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the Authority's annual contributions payable of \$5,192,168 for the year ended March 31, 2003 (2002, \$4,527,642).

At December 31, 2002, the Local Authorities Pension Plan reported a deficit of \$444,980,000 (2001 surplus \$634,960,000).

Note 22 Comparative Figures

Certain comparative figures have been reclassified to conform with the current year presentation.

Note 23 Boundary Change

On December 19, 2002 the Minister of Health and Wellness announced that the number of Regional Health Authorities would be reduced from seventeen to nine effective April 1, 2003. As a result, part of the assets and liabilities of Health Authority 5 and East Central Regional Health Authority #7 will be transferred to the Authority at carrying value. The assets and liabilities of the Bashaw Health Centre will be transferred from the Authority to East Central Regional Health Authority #7 at carrying value. As well, all of the assets and liabilities of the Crossroads Regional Health Authority #9 will be transferred to the Authority at carrying value.

In addition, the assets and liabilities representing the geographic distribution of mental health services of the Alberta Mental Health Board will be transferred to the Authority on April 1, 2003 at carrying value.

Note 24 Operating Deficit

The Authority is prohibited by Section 2.9(2) of the Regional Health Authorities Regulation from incurring an annual operating deficit. The Authority incurred an operating deficit of \$5,480,000 for the year ended March 31, 2003 (2002; \$2,977,000). In accordance with Section 2.9(3) of the Regulation, the Authority used previously accumulated internally restricted net assets to offset the deficit.

David Thompson Regional Health Authority
Schedule of Salaries, Honoraria, Benefits, Allowances and Severance
For the Year Ended March 31, 2003
(thousands of dollars)

	2003				2002				
	Number of Individuals (A)	Salaries & Honoraria (B)	Benefits and Allowances (C)	Severance (D)	Total (E)	Number of Individuals (A)	Salaries, Honoraria & Benefits (B)	Severance (C)	Total (E)
Adhering Board Compensation									
RIA Thompson									
Graham, J. - Provincial business	12	29	-	-	29	12	29	-	29
RIA Board Members									
Crossley, R.	1	-	-	-	-	1	-	-	-
Dawe, M.	1	-	-	-	-	1	-	-	-
Foster, R. D.	1	-	-	-	-	1	-	-	-
Glover, R.	1	-	-	-	-	1	-	-	-
Gillespie, E. S.	10	-	-	-	-	10	-	-	-
King, R.	10	-	-	-	-	10	-	-	-
Lal, S.	1	-	-	-	-	1	-	-	-
McIntyre, D.	1	-	-	-	-	1	-	-	-
Mulligan, B.	1	-	-	-	-	1	-	-	-
Nesley, W.	1	-	-	-	-	1	-	-	-
O'Brien, P.	1	-	-	-	-	1	-	-	-
Robson, P.	7	-	-	-	-	7	-	-	-
Stankovic, D.	1	-	-	-	-	1	-	-	-
Thompson, R.	1	-	-	-	-	1	-	-	-
Ungerud, D.	8	-	-	-	-	8	-	-	-
Vanburen, G.	8	-	-	-	-	8	-	-	-
Total honorees	154	-	-	-	154	154	145	-	145
Staff									
Chief Executive Officer	1	198	22	220	220	1	210	-	210
Management persons reporting to the CEO	140	140	17	157	157	140	146	-	146
Ss, Vice-President - Client care operations	1	140	17	157	157	1	146	-	146
Ss, Vice-President - Client care operations	1	140	17	157	157	1	146	-	146
Vice President - Continuing care	100	127	16	143	143	100	135	-	135
Vice President - Corporate support services	100	127	16	143	143	100	135	-	135
Vice President - Corporate planning & facility support services	100	127	16	143	143	100	135	-	135
Vice President - Medical	100	227	16	223	223	100	223	-	223
Other management persons reporting to those above	700	1,088	119	1,207	1,207	700	1,149	-	1,149
Other management persons reporting to those above	3105	2,888	416	3,304	3,312	30,53	2,938	67	3,025
Medical fees not included above (final interpretation fees)	116,611	7,953	1,480	9,433	9,545	106,79	8,688	26	8,714
Medical fees not included above (final interpretation fees)	6,81	1,732	107	1,839	1,839	6,53	1,629	-	1,629
Regulated nurses not included above	1,062,33	6,124	10,847	72,101	72,110	1,068,57	67,460	-	67,460
Other health technical and professional services (e.g. 2003 \$48, avg. 2002 \$43)	801,93	23,652	\$,012	30,664	30,664	490,44	24,274	2	28,256
Unregulated health service providers	344,41	10,039	1,837	11,876	11,892	353,19	11,435	-	11,435
Other staff (e.g. 2003 \$34, avg. 2001 \$32)	878,09	34,300	6,691	41,081	41,230	1,007,60	38,439	11	38,420
Total staff	3,048,24	144,971	28,500	171,480	171,814	3,008,65	160,022	106	160,138
Total honorees and staff	184,125	184,971	28,500	171,634	171,888	160,137	160,137	106	160,310

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Schedule 1

David Thompson Regional Health Authority
Schedule of Expenses by Object
For the Year Ended March 31, 2003
(thousands of dollars)

	Budget	2003	2002
Salaries, benefits, allowances and severance (Schedule 2)	170,481	171,968	160,258
Contracts with health service operators (Note 20(b))	9,283	10,867	10,394
Drugs, medical and surgical supplies	12,161	13,195	11,978
Consulting services and interpretation fees	15,824	15,985	13,724
Interest on long-term debt	37	37	44
Other	35,966	31,043	29,732
Amortization:			
Capital equipment - internally funded	2,197	1,875	1,628
Capital equipment - externally funded	2,099	2,642	2,392
Facilities and improvements	4,858	4,737	4,660
	<u>252,906</u>	<u>252,349</u>	<u>234,810</u>
Less amount reported in ancillary operations (Note 16)	<u>(2,300)</u>	<u>(2,324)</u>	<u>(2,212)</u>
	<u>250,606</u>	<u>250,025</u>	<u>232,598</u>
Other expenses are comprised of:			
		2003	2002
Building and equipment maintenance		6,619	5,932
Diagnostic and therapeutic supplies		3,207	3,008
Dietary supplies		2,863	2,846
Equipment purchases (non capital)		595	1,675
Healthy Aging Partnership Agreement grants		712	415
Patient transportation and staff travel		4,617	4,200
Utilities		4,517	3,413
Various		7,913	8,243
		<u>31,043</u>	<u>29,732</u>

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Schedule 2 (continued)

David Thompson Regional Health Authority
 Schedule of Salaries, Honoraria, Benefits, Allowances and Severance
 For the Year Ended March 31, 2003

(1) Full time equivalent (FTE) has been determined in annual hours as follows:

Management persons reporting to the CEO	2,022.75
Other management	2,022.75 All other
	1,794.00 Community Health
Regulated nurses	1,921.48 Registered nurses
	2,022.75 Licensed Practical Nurses
	1,794.00 Community Health Nurses
Other technical health and professional	2,022.75 All other
	1,794.00 Community Health
Unregulated health service providers	2,022.75 All other
	1,794.00 All other
Other staff	2,022.75 All other
	1,794.00 Community Health

Total actual discrete number of individuals employed: 4,365 (2002: 4,386)

- (2) Salaries include regular base pay, overtime, lump sum payments, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation.
- (3) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, Employment Insurance, workers compensation, car benefits and allowances and tuition.
- (4) Severance includes:

All monies paid directly or on behalf of an employee upon termination which have not been included in salaries and benefits.

