

**East Central Regional
Health Authority 7**

Financial Statements

March 31, 2003

EAST CENTRAL REGIONAL HEALTH AUTHORITY 7

FINANCIAL STATEMENTS

MARCH 31, 2003

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The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

EAST CENTRAL REGIONAL HEALTH AUTHORITY 7
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
FINANCIAL STATEMENTS
MARCH 31, 2003

AUDITOR'S REPORT

To the Members of the East Central Health and the
Minister of Health and Wellness

I have audited the statement of financial position of the East Central Regional Health Authority 7 ("the Authority") as at March 31, 2003 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my 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 its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed by Fred J. Dunn, FCA] FCA
Auditor General

Edmonton, Alberta
June 10, 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 judgments.

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 Committee of the Whole. This Committee meets with management and the Auditor General to discuss and review financial matters, and recommends the financial statements to the East Central Regional Health Authority 7 Board for approval. The Auditor General has full and free access to the Committee of the Whole.

The Auditor General provides an independent audit of the financial statements. His examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow him to report on the fairness of the financial statements prepared by management.

[Original Signed]

Steve Petz
President and
Chief Executive Officer

[Original Signed]

Norm Petherbridge, CA
Chief Financial Officer

EAST CENTRAL REGIONAL HEALTH AUTHORITY 7
STATEMENT OF FINANCIAL POSITION

March 31, 2003
(thousands of dollars)

	2003	2002
<u>ASSETS</u>		
Current:		
Cash and temporary investments (Note 3)	\$ 16,772	\$ 20,063
Accounts receivable	1,657	3,498
Contributions receivable	738	668
Inventories	545	532
	<u>19,712</u>	<u>24,761</u>
Non-current cash and investments (Note 3)	15,857	19,605
Capital assets (Note 4)	85,882	74,862
TOTAL ASSETS	<u>\$ 121,451</u>	<u>\$ 119,228</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts payable and accrued liabilities	\$ 9,492	\$ 10,573
Accrued vacation pay	4,610	4,803
Deferred contributions (Note 5)	3,069	2,857
	<u>17,171</u>	<u>18,233</u>
Deferred contributions (Note 5)	853	1,012
Deferred capital contributions (Note 6)	15,004	18,593
Unamortized external capital contributions (Note 7)	82,098	71,229
	<u>115,126</u>	<u>109,067</u>
Net assets:		
Unrestricted	2,541	6,528
Investment in capital assets	3,784	3,633
	<u>6,325</u>	<u>10,161</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 121,451</u>	<u>\$ 119,228</u>

EAST CENTRAL REGIONAL HEALTH AUTHORITY 7
STATEMENT OF OPERATIONS

March 31, 2003
(thousands of dollars)

	2003	2002
	<u>Budget</u>	<u>Actual</u>
	(Note 8)	<u>Actual</u>
Revenue		
Alberta Health and Wellness contributions (Note 9)	\$ 132,774	\$ 132,049
Other government contributions (Note 10)	4,787	3,662
Fees and charges (Note 11)	11,882	12,952
Ancillary operations, net (Note 12)	24	11
Donations	-	348
Investment and other revenue (Note 13)	1,744	1,252
Amortization of external capital contributions, health operations (Note 7)	3,988	4,367
TOTAL REVENUE	<u>155,199</u>	<u>154,641</u>
Expenses (Schedule 1)		
Facility-based inpatient acute care services	28,399	28,630
Facility-based emergency and outpatient services	5,066	5,759
Facility-based continuing care services	30,175	29,907
Community and home-based services	15,627	15,139
Diagnostic and therapeutic services	22,511	22,216
Promotion, prevention and protection services	4,920	4,969
Research and education	56	55
Administration (Note 14)	10,230	10,153
Information technology	2,112	2,309
Support services (Note 15)	36,731	36,340
Amortization of facilities and improvements	3,243	3,276
TOTAL EXPENSES	<u>159,070</u>	<u>158,753</u>
Deficiency of revenue over expenses	<u>\$ (3,871)</u>	<u>\$ (4,112)</u>
		<u>\$ (1,599)</u>

EAST CENTRAL REGIONAL HEALTH AUTHORITY 7
STATEMENT OF CHANGES IN NET ASSETS

March 31, 2003
(thousands of dollars)

	2003			2002
	Unrestricted	Invested in Capital Assets	Total	Total
Deficiency of revenue over expenses	\$ (4,112)	\$ -	\$ (4,112)	\$ (1,599)
Capital assets purchased with internal funds	(475)	475	-	-
Contributed land	-	276	276	-
Amortization on internally funded capital assets:				
capital equipment	597	(597)	-	-
facilities and improvements	3	(3)	-	-
Transfer of capital grant	-	-	-	(5)
Net change	(3,987)	151	(3,836)	(1,604)
Balance at beginning of year	6,528	3,633	10,161	11,765
Balance at end of year	<u>\$ 2,541</u>	<u>\$ 3,784</u>	<u>\$ 6,325</u>	<u>\$ 10,161</u>

EAST CENTRAL REGIONAL HEALTH AUTHORITY 7
STATEMENT OF CASH FLOWS

March 31, 2003
(thousands of dollars)

	2003		2002
	Budget	Actual	Actual
Cash generated from (used by):			
Operating activities:			
Deficiency of revenue over expenses	\$ (3,871)	\$ (4,112)	\$ (1,599)
Non-cash transactions:			
Amortization of capital equipment:			
internally funded	402	597	609
externally funded	744	1,094	789
Amortization of facilities and improvements	3,244	3,276	3,069
Amortization of external capital contributions	(3,990)	(4,367)	(3,859)
Gain on disposal of capital equipment	-	(1)	(20)
	(3,471)	(3,513)	(1,011)
Changes in non-cash working capital accounts	(2,061)	696	3,671
Cash generated from (used by) operations	<u>(5,532)</u>	<u>(2,817)</u>	<u>2,660</u>
Investing activities:			
Purchase of capital assets:			
internally funded	(1,037)	(475)	(473)
externally funded - land:	-	(276)	-
externally funded (Note 6):			
equipment	-	(2,736)	(2,110)
facilities and improvements	(8,000)	(9,040)	-
work in progress	-	(3,460)	(508)
Proceeds on sale of capital assets	-	1	31
Capital assets transferred	-	-	1,164
Decrease (increase) in allocations to non-current cash	8,908	3,748	(14,620)
Cash used by investing activities	<u>(129)</u>	<u>(12,238)</u>	<u>(16,516)</u>
Financing activities:			
(Decrease) increase in non-current deferred contributions (Note 5)	(908)	(159)	105
Capital contributions received (Note 6)	-	11,923	17,133
Capital assets transferred	-	-	(1,164)
Cash generated from (used by) financing activities	<u>(908)</u>	<u>11,764</u>	<u>16,074</u>
(Decrease) increase in cash and temporary investments	(6,569)	(3,291)	2,218
Cash and temporary investments, beginning of year	20,487	20,063	17,845
Cash and temporary investments, end of year	<u>\$ 13,918</u>	<u>\$ 16,772</u>	<u>\$ 20,063</u>

EAST CENTRAL REGIONAL HEALTH AUTHORITY 7

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2003
(thousands of dollars)

Note 1 Authority, Purpose and Operations

The East Central Regional Health Authority 7 (the "Authority") was established on June 24, 1994 under the authority of the Regional Health Authorities Act, Chapter R-10, and Revised Statutes of Alberta 2000. The Authority is exempt from the payment of income tax and is a registered charity under the Income Tax Act.

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 operations of the Authority include the following facilities and sites:

- Camrose Community Health Services
- Castor Community Health Services
- Consort Community Health Services
- Consort Health Centre
- Coronation Community Health Services
- Coronation Health Centre
- Daysland Health Centre
- Galahad Health Centre
- Hardisty Health Centre
- Islay Health Centre
- Kitscoty Community Health Services
- Provost Community Health Services
- Provost Health Centre
- Sedgewick Community Health Services
- Stettler Community Health Services
- Stettler Health Centre
- Tofield Community Health Services
- Tofield Health Centre
- Vermilion Community Health Services
- Vermilion Health Centre
- Viking Community Health Services
- Viking Health Centre
- Wainwright Community Health Services
- Wainwright 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. Information on these facilities is disclosed in Note 16(d).

Note 2 Significant Accounting Policies and Reporting Practices

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the reporting requirements of Financial Directive 20 issued by Alberta Health and Wellness and include the following significant accounting policies:

(a) Basis of Presentation

- (1) These financial statements do not include the assets, liabilities nor operations of the foundations described in Note 16(b), which are controlled by the Authority.
- (2) 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 they become receivable.
 - (ii) Externally restricted non-capital contributions are deferred and 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) Endowments and 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 restrictions, recorded as a direct increase to net assets, or is 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 and goods and services would have otherwise been purchased.

(b) 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. Fair value transactions consist of the following:

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

Note 2 Significant Accounting Policies and Reporting Practices (continued)

- (b) Full Cost (continued)
- (ii) Payments from Alberta Health and Wellness directly to contracted health service operators are recorded as revenue and an equivalent amount is recorded as program expenses as these payments represent part of the cost of the Authority's health programs.
 - (iii) The fair value for use of acute care facilities not owned by the Authority is recorded as revenue from other government contributions or donations, and also as program expense, since contract payments from the Authority do not include an amount for use of these facilities.
 - (iv) 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 expenses.
 - (v) Other assets, supplies and service contributions that would otherwise have been purchased are recorded as revenue 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, the value of volunteers' contributed services is not recognized as revenue and expenses in the financial statements because fair value cannot be reasonably determined.
- (c) 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.
- Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.
- Pension costs in the financial statements comprise the amount of employer contributions required for its employees during the year, 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.
- (d) Investments
- Non-current investments are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the period to maturity. The cost of disposal is determined on the average cost basis. Gains or losses realized on disposal are recognized in the period of disposal.
- Where there has been a loss in the value of an investment other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

- (e) Financial Instruments
- The carrying value of cash and temporary investments, accounts receivable, contributions receivable, non-current cash and investments, accounts payable and accrued liabilities approximates their fair value because of the short-term maturity of these items.
- (f) Financial Instruments (continued)
- Income and financial returns are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur when another party fails to perform according to terms of the contract. Price risk comprises interest rate risk and market risk. Interest rate risk relates to the possibility that investments will change in value with future fluctuations in market interest rates. Market risk relates to the possibility that investments will change in value due to future fluctuations in market prices.
- (g) Inventories
- Inventories are valued at the lower of cost (moving average) or net realizable value.
- (h) Capital Assets
- Capital assets and construction and technology projects in progress are recorded at cost. Capital assets with unit costs 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> |
| Land improvements | 10-20 years |
| Buildings and improvements | 20-40 years |
| Furniture and equipment | 5-20 years |
- Construction and technology projects in progress are not amortized until the project is complete.
- Leases transferring substantially all of the benefits and risks of capital asset ownership to the Authority are accounted for as capital asset acquisitions financed by restricted external contributions.
- (i) Trust Funds Received by the Authority for Non-owned Facilities
- The Authority receives trust funds from Alberta Infrastructure that are to be paid to operators of non-owned facilities for capital purposes or facility repairs. These amounts are not reflected in these financial statements but are disclosed in Note 18.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(j) 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 the related assets. Actual results could differ significantly 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 the future if the Authority ceases to be part of the GST free list of Alberta Government.

Note 3 Cash and Temporary Investments

	2003	2002
Cash	\$ 17,734	\$ 23,256
Fixed income investments	9,310	14,005
Equities	5,585	2,407
	<u>\$ 32,629</u>	<u>\$ 39,668</u>
Market value of cash and temporary investments		
Cash	\$ 17,734	\$ 23,256
Fixed income investments	9,476	13,861
Equities	5,339	2,730
	<u>\$ 32,549</u>	<u>\$ 39,847</u>
Classified as:		
Current	\$ 16,772	\$ 20,063
Non-current	15,857	19,605
	<u>\$ 32,629</u>	<u>\$ 39,668</u>

- (a) To earn optimal financial returns at an acceptable level of risk, management has established a policy asset mix of 5% to 20% for cash and cash equivalents, 50% to 80% for fixed-income instruments and 15% to 35% for equities. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints on fixed-income and equity instruments.
- (b) Publicly traded fixed-income instruments are managed with the objective of providing optimal returns while maintaining maximum security of capital. Return is optimized within risk constraints on the portfolio by management of duration and issuer mix.

Fixed-income securities, such as bonds, have an average effective yield of 5.8% per annum for securities maturing between 1 and 49 years. As at March 31, 2003, the securities have the following term structure based on par:

1 to 5 years	38%
6 to 10 years	24%
Over 10 years	38%

Note 3 Cash and Temporary Investments (continued)

- (c) Equities comprise publicly traded equities. Risk is reduced by prudent security selection and sector rotation.

Non-current cash and investments represent the following:

	2003	2002
Externally restricted for:		
Healthy Aging Partnership Initiatives (Note 5)	\$ 853	\$ 1,012
Camrose continuing care capital project (Note 6)	14,932	18,420
Externally restricted for capital acquisitions (Note 6)	72	173
	<u>\$ 15,857</u>	<u>\$ 19,605</u>

Note 4 Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,343	\$ -	\$ 1,343	\$ 1,067
Land improvements	3,477	2,348	1,129	1,039
Buildings and improvements	125,067	53,642	71,425	65,751
Furniture and equipment	29,610	21,592	8,018	6,478
Construction and technology projects in progress	3,967	-	3,967	527
	<u>\$ 163,464</u>	<u>\$ 77,582</u>	<u>\$ 85,882</u>	<u>\$ 74,862</u>
Leased capital assets included above are as follows:				
Land	\$ 276	\$ -	\$ 276	\$ -
Land improvements	208	7	201	-
Buildings and improvements	8,832	223	8,609	-
Furniture and equipment	1,678	68	1,610	-
	<u>\$ 10,994</u>	<u>\$ 298</u>	<u>\$ 10,696</u>	<u>\$ -</u>

The assets under capital lease pertain to the transfer of assets from St. Mary's Hospital, Camrose and Killam General Hospital to Alberta Infrastructure. Alberta Infrastructure subsequently leased these assets to the Authority.

Capital assets have been funded from the following sources:

	2003	2002
Externally funded (unamortized external capital contributions)	\$ 82,098	\$ 71,229
Internally funded (invested in capital assets)	3,784	3,633
	<u>\$ 85,882</u>	<u>\$ 74,862</u>

Note 5 Deferred Contributions

	2003	2002
Amounts received from:		
Alberta Health and Wellness	\$ 3,203	\$ 3,131
Other government:		
Alberta Infrastructure	1,302	2,339
Other	171	92
Donors	-	5
Interest on externally restricted contributions	22	108
Amounts recognized as revenue:		
Alberta Health and Wellness (Note 9)	(2,816)	(2,637)
Other government (Note 10)	(1,801)	(706)
Donations	-	(5)
Investment and other revenue	(39)	-
Unexpended amounts returned	(28)	(73)
Amounts transferred from deferred capital contributions (Note 6)	39	5
Change during the year	53	2,259
Balance, beginning of year	3,869	1,610
Balance, end of year	<u>\$ 3,922</u>	<u>\$ 3,869</u>
Change during the year comprises:		
Current	\$ 212	\$ 2,154
Non-current	(159)	105
	<u>\$ 53</u>	<u>\$ 2,259</u>
Unspent amounts at end of year restricted for the following purposes:		
Current:		
Alberta Health and Wellness:		
Early childhood development	\$ 186	\$ 214
Physician on-call programs	401	179
Ambulatory care systems development	-	83
Action for Health children's initiatives	84	63
Telehealth operating grants	38	-
System transition	241	-
Privacy & security project	143	-
Other Government:		
Capital upgrading projects	1,921	2,273
Cervical cancer screening program	12	40
Tobacco reduction grant	38	-
Minor equipment grant	5	5
	3,069	2,857
Long-term:		
Healthy Aging Partnership Initiatives	853	1,012
	<u>\$ 3,922</u>	<u>\$ 3,869</u>

Note 6 Deferred Capital Contributions

Deferred capital contributions represent amounts accounted for in accordance with accounting policy described in Note 2(a)(2)(iii).

	2003	2002
Amounts received:		
Restricted other government contributions	\$ 11,779	\$ 16,730
Donations restricted for capital purposes	183	289
Interest earned on deferred capital contributions	-	119
	11,962	17,138
Amounts transferred to deferred non-capital contributions (Note 5)	(39)	(5)
	11,923	17,133
Transferred to:		
Unrestricted net assets	(276)	-
Unamortized external capital contributions (Note 7)	(15,236)	(2,618)
Change during the year	(3,589)	14,515
Balance, beginning of year	18,593	4,078
Balance, end of year	<u>\$ 15,004</u>	<u>\$ 18,593</u>
Balance at end of the year is restricted for the following purposes:		
Externally restricted for capital acquisitions: (Note 3)		
Information technology project (pharmacy)	\$ -	\$ 45
Equipment replacement	69	125
Telehealth equipment	3	3
	72	173
Camrose continuing care capital project (Note 3)	14,932	18,420
	<u>\$ 15,004</u>	<u>\$ 18,593</u>

Note 7 Unamortized External Capital Contributions

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

	2003	2002
Balance, beginning of year	\$ 71,229	\$ 73,634
Add amounts transferred from		
deferred capital contributions (Note 6)	15,236	2,618
Boundary realignment - capital asset transfer	-	(1,164)
Less amounts recognized as revenue:		
Health operations	(4,367)	(3,857)
Ancillary operations (Note 12)	-	(2)
Balance, end of year	<u>\$ 82,098</u>	<u>\$ 71,229</u>

Note 8 Budget

The budget was approved by the Authority on April 26, 2002 and approved by the Minister of Health & Wellness.

Note 9 Alberta Health and Wellness Contributions

	2003	2002
Unrestricted contributions	\$ 129,074	\$ 125,122
Transfers from deferred contributions (Note 5)	2,816	2,637
Capital upgrade	159	159
	<u>\$ 132,049</u>	<u>\$ 127,918</u>

Note 10 Other Government Contributions

	2003	2002
Transfers from deferred contributions (Note 5):		
Alberta Infrastructure	\$ 1,654	\$ 645
Others	147	61
	1,801	706
Fair value of rent less rent charges for non-acute care facilities used by the Authority	423	354
Fair value for use of non-owned acute care facilities	1,438	2,117
	<u>\$ 3,662</u>	<u>\$ 3,177</u>

Note 11 Fees and Charges

	2003	2002
Acute care		
Non-entitled revenue - inpatients	\$ 970	\$ 788
Non-entitled revenue - outpatients	899	894
Preferred accommodation	28	23
Continuing care		
Non-entitled revenue	21	19
Accommodation charges	8,537	7,723
Preferred accommodation	1,916	1,742
Federal government	160	154
Workers Compensation Board (WCB)	351	259
Food permit fees	70	-
	<u>\$ 12,952</u>	<u>\$ 11,602</u>

Note 12 Ancillary Operations

	2003			2002	
	Non-Patient Food Services Operations	Assisted Living Projects	Other Operations	Total	Total
Revenue					
Revenue	\$ 637	\$ 174	\$ 104	\$ 915	\$ 912
Amortization of deferred capital contributions (Note 7)	-	-	-	-	2
	<u>637</u>	<u>174</u>	<u>104</u>	<u>915</u>	<u>914</u>
Expenses					
Other expenses	634	227	39	900	869
Amortization	4	-	-	4	3
	<u>638</u>	<u>227</u>	<u>39</u>	<u>904</u>	<u>872</u>
Excess (deficiency) of revenue over expenses 2002/2003	<u>\$ (1)</u>	<u>\$ (53)</u>	<u>\$ 65</u>	<u>\$ 11</u>	
Excess (deficiency) of revenue over expenses 2001/2002	<u>\$ -</u>	<u>\$ (13)</u>	<u>\$ 55</u>		<u>\$ 42</u>

Note 13 Investment and Other Revenue

	2003	2002
Investment revenue	\$ 410	\$ 401
Refund of natural gas charges	-	315
Other revenue	842	1,299
	<u>\$ 1,252</u>	<u>\$ 2,015</u>

Investment income comprises interest, dividends, amortization of discount and premiums, and net gains on disposal of investments.

Other revenue comprises charges for laundry services to continuing care clients, home care fees, recoveries of supplies from outpatient services, and various miscellaneous services.

Note 14 Administration

	2003	2002
General administration	\$ 3,679	\$ 3,402
Finance	1,018	990
Personnel	1,022	1,180
Administration - contract operators (Note 16(d))	4,434	4,132
	<u>\$ 10,153</u>	<u>\$ 9,704</u>

Note 15 Support Services

	2003	2002
Building maintenance, operations and security	\$ 8,297	\$ 6,515
Education	613	807
Housekeeping	2,484	2,369
Laundry and linen	1,111	1,228
Materiels management	1,126	1,109
Patient food services	4,411	4,245
Patient health records	1,412	1,363
Patient registration	736	722
Patient transportation	1,637	1,631
Support services - contract operators (Note 16(d))	14,513	13,236
	<u>\$ 36,340</u>	<u>\$ 33,225</u>

Note 16 Related Parties

(a) Province of Alberta

The Authority was established under the Regional Health Authorities Act. Two-thirds of the members of the Authority were elected. The Minister of Health and Wellness appointed the remaining members. The Authority is economically dependent upon the Ministry of Health and Wellness since the viability of its on-going operations depends on contributions from the Ministry. Transactions between the Authority and the Province are disclosed in the statement of operations and notes 5, 6, 9 and 10 to the financial statements.

(b) Foundations

The following controlled foundations are not consolidated in these financial statements:

(i) Viking Health Foundation

The Viking Health Foundation was established under the authorization of the Minister of Health on June 27, 1997. Representation on its Board consists of 11 members appointed by the Authority. The Viking Health Foundation was created to solicit funds from the public in order to assist the Authority in achieving its health goals for the residents of the Viking community.

	2003 (unaudited)	2002 (audited)
Total assets	\$ 1,771	\$ 1,751
Total liabilities	(70)	(35)
Net assets	<u>\$ 1,701</u>	<u>\$ 1,716</u>
Revenues	\$ 176	\$ 167
Expenses	(174)	(178)
Excess (deficiency) of revenues over expenses	<u>\$ 2</u>	<u>\$ (11)</u>

The resources of the Foundation amounting to \$1,610 (2002 - \$1,608) have been restricted by the donors for the exclusive use of the Viking community.

The Viking Health Foundation prepared financial statements using the restricted fund method.

Note 16 Related Parties (continued)

(b) Foundations (continued)

(ii) Stettler Health Services Foundation

The Stettler Health Services Foundation was established under the authorization of the Minister of Health on June 9, 1998. Representation on its Board consists of 11 members appointed by the Authority. The Stettler Health Services Foundation was created to solicit funds from the public in order to assist the Authority in achieving its health goals for the residents of the Stettler community.

	2003 (unaudited)	2002 (audited)
Total assets	\$ 582	\$ 582
Total liabilities	(39)	(39)
Net assets	<u>\$ 543</u>	<u>\$ 543</u>
Revenues	\$ 64	\$ 63
Expenses	(64)	(75)
Excess (deficiency) of revenues over expenses	<u>\$ -</u>	<u>\$ (12)</u>

The resources of the Foundation amounting to \$511 (2002 - \$511) have been restricted by the donors for the exclusive use of the Stettler community.

The Stettler Health Services Foundation prepared financial statements using the restricted fund method.

	Contributions Received by the Authority		Resources held by the Foundation	
	Year ended March 31,		At March 31, 2003	
	2003	2002	Externally Restricted	Unrestricted
Viking Health Foundation	\$ 62	\$ 62	\$ -	\$ 1,610
Stettler Health Services Foundation	54	71	33	511
	<u>\$ 116</u>	<u>\$ 133</u>	<u>\$ 33</u>	<u>\$ 2,121</u>

Note 16 Related Parties (continued)

(c) Other Foundations

The Authority has economic interest in the following foundations:

	Contributions Received by the Authority		Resources held by the Foundation	
	Year ended March 31,		At March 31, 2003	
	2003	2002	Externally Restricted	Unrestricted
Daysland General Hospital Foundation	\$ 49	\$ 14	\$ -	\$ 121
Wainwright & District Community Health Foundation	51	60	70	487
Coronation & District Health Care Complex Foundation	13	13	-	21
Consort Hospital Foundation	2	2	-	39
	<u>\$ 115</u>	<u>\$ 89</u>	<u>\$ 70</u>	<u>\$ 668</u>

Contributions include externally restricted amounts for equipment, programs, research, and education for the specific communities supported by the foundations.

The Board of the Authority is permitted to appoint one representative to the Board of directors of each foundation. These foundations were established to solicit funds from the public in order to assist the Authority in achieving its health goals for the residents of each community.

No administrative support was provided to the foundations referred to in (b) and (c) above.

Amounts due from (payable to) the foundations at year-end are as follows:

	2003	2002
Viking Health Foundation	\$ 23	\$ 23
Stettler Health Services Foundation	(4)	11
	<u>\$ 19</u>	<u>\$ 34</u>

Note 16 Related Parties (continued)

(d) Voluntary and Private Health Service Operators

The Authority contracts with voluntary and private health service operators to provide health services in the Region. The Authority has an economic interest in the organizations listed above as they perform significant functions on behalf of the Authority that are integral to the Authority achieving its health goals and objectives. The health service operators and the amount of the contracted health services for the year are as follows:

	2003			2002	
	Direct Authority Funding	Approved Patient Fees and Charges	Full Cost Adjustments	Total	Total
Economic interest:					
St Mary's Hospital, Camrose	\$ 15,887	\$ 263	\$ 863	\$ 17,013	\$ 17,509
The Bethany Group, Camrose	15,595	3,205	-	18,800	17,401
Prairie North Health Region (Lloydminster)	11,520	1,679	310	13,509	12,705
Killam General Hospital Corporation	3,457	552	32	4,041	3,814
Our Lady of the Rosary, Castor	2,647	250	233	3,130	2,933
Other providers:					
Laboratory Contracts	2,395	-	-	2,395	2,279
Extencare (Canada) Inc.	2,028	678	159	2,865	2,616
Lloydminster Public School District	25	-	-	25	25
Lloydminster Catholic School Division	7	-	-	7	7
Lloydminster Early Intervention Program	73	-	-	73	73
Wainwright Association for Community Living	29	-	-	29	32
City of Lloydminster	5	-	-	5	5
	<u>\$ 53,668</u>	<u>\$ 6,627</u>	<u>\$ 1,597</u>	<u>\$ 61,892</u>	<u>\$ 59,399</u>
Reported in the following expense categories:					
Facility-based inpatient acute care services				\$ 12,467	\$ 13,158
Facility-based emergency and outpatient services				2,430	2,273
Facility-based continuing care services				16,271	15,347
Community and home-based services				1,638	1,623
Diagnostic and therapeutic services				9,830	9,330
Promotion, prevention and protection services				269	262
Administration (Note 14)				4,434	4,132
Information technology				40	38
Support services (Note 15)				14,513	13,236
				<u>\$ 61,892</u>	<u>\$ 59,399</u>

Note 17 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 \$2,232 for the year ended March 31, 2003 (2002 - \$2,042).

At December 31, 2002, the Local Authorities Pension Plan reported an actuarial deficiency of \$444,980 (2001 - surplus of \$634,960).

Note 18 Trust Funds

The Authority receives funds in trust from Alberta Health and Wellness and Alberta Infrastructure for non-owned facilities for capital purposes and facility repairs. In addition, the Authority is providing fiscal management of funds received in trust from Alberta Health and Wellness for the Continuing Care Information and Accountability project and the Alzheimer's Dementia project. These amounts are not included in the operations, assets or liabilities reported in these financial statements.

During the year the Authority received \$2,546 (2002 - \$5,809) and disbursed \$2,838 (2002 - \$1,901) for the above noted items. The balance of funds held by the Authority is \$7,679 (2002 - \$7,971).

Note 19 Commitments

The Authority contracts on an ongoing basis with voluntary and private health service operators to provide health services (Note 16 (d)). The Authority has contracted for services in the year ending March 31, 2004 similar to those provided by these operators in 2003.

In order to manage its exposure to the volatility in the electrical industry, the Board has entered into a four year contract, expiring December 31, 2004, to purchase electrical energy at a fixed price of \$9.265 per MWh. Based on 2003 consumption, the annual costs for the year ending March 31, 2004 are expected to be \$1,618.

Note 20 Boundary Realignment

On December 19, 2002, the Minister of Health and Wellness announced that the number of Regional Health Authorities will be reduced to nine, effective April 1, 2003.

Pursuant to Ministerial Orders 14, 15 and 24 of 2003, dated March 28, 2003, effective April 1, 2003, a portion of the specified assets and liabilities Lakeland Regional Health Authority and David Thompson Regional Health Authority are transferred to East Central Regional Health Authority 7, which becomes Region 5. Also, a portion of the specified assets and liabilities of East Central Regional Health Authority 7 are transferred to David Thompson Regional Health Authority, which becomes Region 4.

The assets and liabilities are to be distributed at carrying value by the transferor authorities on the basis of their location in, or relationship to the programs provided in, the geographical areas transferred.

The remaining surplus or insufficiency of net assets of Lakeland Regional Health Authority, which is disestablished under Ministerial Order 24, is to be pooled with surpluses and insufficiencies of the other disestablished regional health authorities and the aggregate surplus or insufficiency allocated to the continuing regional health authorities on a defined population basis.

The allocation of the aggregate surplus or insufficiency of net assets to Region 5 at April 1, 2003, has yet to be determined.

Note 21 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 \$4,112 for the year ended March 31, 2003. In accordance with Section 2.9(3) of the regulation, the Authority used previously accumulated unrestricted net assets to offset the deficit.

Note 22 Comparative Figures

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

Note 23 Approval of Financial Statements

These financial statements have been approved by the Authority.

Schedule 1

EAST CENTRAL REGIONAL HEALTH AUTHORITY 7
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	2003		2002
	Budget	Actual	Actual
Salaries, benefits, allowances and severance (Schedule 2)	\$ 65,914	\$ 65,795	\$ 62,036
Contracts with health service operators (Note 16 (d))	62,444	61,892	59,399
Drugs, gases, medical and surgical supplies	2,327	2,543	2,507
Consulting services	7,162	6,743	6,585
Other	17,744	17,718	16,415
Amortization			
Capital equipment - internally funded (net of gains/losses)	402	596	608
Capital equipment - externally funded (net of gains/losses)	744	1,094	770
Facilities and improvements	3,244	3,276	3,069
	<u>159,981</u>	<u>159,657</u>	<u>151,389</u>
Less amounts reported in ancillary operations (Note 12)	(911)	(904)	(872)
	<u>\$ 159,070</u>	<u>\$ 158,753</u>	<u>\$ 150,517</u>

EAST CENTRAL REGIONAL HEALTH AUTHORITY¹
SCHEDULE OF SALARIES, HONORARIA, BENEFITS, ALLOWANCES AND SEVERANCE
FOR THE YEAR ENDING MARCH 31, 2002
(thousands of dollars)

	2001				2002			
	Number of Individuals	Salaries and Honoraria ²	Benefits and Allowances ³	Sub-total	Number of Individuals	Salaries, Benefits & Allowances ³	Severance ⁴	Total
Authority/Board Compensation								
Chair - E. Andersen	1	32	-	32	1	19	-	19
M. Arnold (April 2000 - November 2001)	-	-	-	-	1	8	-	8
G. Bergman	1	8	-	8	1	7	-	7
H. Christman (commencing November 2001)	1	11	-	11	1	4	-	4
R. Crocker	1	10	-	10	1	9	-	9
N. Dennis	1	5	-	5	1	9	-	9
R. Dusek (April 2000 - November 2001)	1	5	-	5	1	5	-	5
G. Galena (commencing November 2001)	1	5	-	5	1	4	-	4
K. Griffiths (April 2000 - November 2001)	1	7	-	7	1	5	-	5
P. Gulik (commencing November 2001)	1	7	-	7	1	5	-	5
J. Hains (April 2000 - November 2001)	-	-	-	-	1	7	-	7
L. Heintzman (April 2000 - November 2001)	-	-	-	-	1	5	-	5
J. Hunter	1	6	-	6	1	7	-	7
R. Bradson	1	13	-	13	1	9	-	9
L. Johnson	1	8	-	8	1	8	-	8
C. Mastel (commencing November 2001)	1	7	-	7	1	3	-	3
B. Sussinger (April 2000 - November 2001)	1	7	-	7	1	5	-	5
M. Schreiber	1	7	-	7	1	8	-	8
Schboard - Board Members	12	119	-	119	18	127	-	127

Schedule 2

EAST CENTRAL REGIONAL HEALTH AUTHORITY¹
SCHEDULE OF SALARIES, HONORARIA, BENEFITS, ALLOWANCES AND SEVERANCE
FOR THE YEAR ENDING MARCH 31, 2002
(thousands of dollars)

	2001				2002			
	Number of FTEs ¹	Salaries and Honoraria ²	Benefits and Allowances ³	Sub-total	Number of Individuals	Salaries, Benefits & Allowances ³	Severance ⁴	Total
Staff								
Chief Executive Officer ⁴	1.0	167	21	188	-	187	-	187
Management persons reporting to the CEO:								
Vice President - Health Services	1.1	126	15	141	-	141	-	128
Vice President - Medical Services	0.7	130	12	162	-	162	-	146
Director - Communications	0.6	46	8	54	-	54	-	-
Chief Corporate Services Officer	1.0	106	15	121	-	118	-	118
Chief Human Resources Officer	1.0	106	15	121	-	121	-	121
Chief Financial Officer	0.9	105	15	120	-	121	-	121
Other management persons reporting to those above (avg 2003 \$39, avg 2002 \$91 excluding severance)	16.3	1,423	209	1,632	-	1,601	-	1,601
Other management	49.9	3,734	582	4,316	-	511	-	4,174
Regulated nurses not included above (avg 2003 \$67, avg 2002 \$62 excluding severance)	395.9	22,642	3,759	26,401	-	24,642	-	24,642
Other health technical and professionals (avg 2003 \$57, avg 2002 \$53 excluding severance)	168.9	8,322	1,363	9,685	1	8,910	-	8,910
Unregulated health service providers (avg 2003 \$34, avg 2002 \$31 excluding severance)	247.4	7,046	1,297	8,343	1	7,862	-	7,862
Other staff (avg 2003 \$39, avg 2002 \$37 excluding severance)	365.8	12,021	2,358	14,379	-	13,877	22	13,899
Schboard - Staff	1,290.7	55,994	9,669	65,663	2	61,887	22	61,909
Total		\$ 56,113	\$ 9,669	\$ 65,782		\$ 62,014	\$ 22	\$ 62,036

Schedule 2 (continued)

EAST CENTRAL REGIONAL HEALTH AUTHORITY 7

**SCHEDULE OF SALARIES, HONORARIA BENEFITS,
ALLOWANCES AND SEVERANCE**

FOR THE YEAR ENDED MARCH 31, 2003

- (1) Full time equivalent (FTE) has been determined as follows:
 - (a) For those employees governed by the AUPE Community Health Services collective agreement a FTE is defined as 1,827 hours per annum.
 - (b) For those employees governed by the UNA collective agreement, a FTE is defined as 1,921 hours per annum.
 - (c) For all other employees a FTE is defined as 2,023 hours per annum.Total actual discrete number of individuals employed: 1,880 (2002 - 1,921).
- (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 included 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 and tuition.
- (4) The Chief Executive Officer is provided with an automobile; no dollar amount is included under benefits and allowances.
- (5) Severance includes:

All monies paid directly or on behalf of an employee upon termination which are not included in salaries and benefits; and forgiveness of debt; future payments in the amount of \$nil on existing contracts between the Authority and the employees for services that no longer will be provided by the employees; continued payment for Authority share of benefits identified in 3 above, that will continue to be paid and outplacement training and counseling, office space and administrative support.
- (6) The total amount is reported in Schedule 1.

