

## Peace Country Health

Financial Statements  
March 31, 2007

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

PEACE COUNTRY HEALTH  
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING  
FINANCIAL STATEMENTS  
March 31, 2007

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 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 Audit Committee This Committee meets with management, the external auditor and the Auditor General of Alberta, to discuss and review financial matters, and recommends the financial statements to the Peace Country Health Board for approval. The Auditor General of Alberta has full and free access to the Audit Committee.

The Auditor General of Alberta 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]

Shawn Terlson  
*President and Chief Executive Officer/Acting Chief Financial Officer*

Auditor's Report

To the Members of Peace Country Health  
and the Minister of Health and Wellness

I have audited the statement of financial position of Peace Country Health (the Authority) as at March 31, 2007 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, 2007 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]

Auditor General

Edmonton, Alberta  
June 28, 2007

**Peace Country Health**  
Statement of Financial Position  
March 31, 2007

(in thousands of dollars)

	2007 \$	2006 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash (note 4)	7,138	22,639
Accounts receivable	7,997	4,618
Contributions receivable from Alberta Health and Wellness	10,901	4,214
Inventories	1,400	1,007
Prepaid expenses	872	930
	<u>28,308</u>	<u>33,408</u>
<b>Non-current cash</b> (note 4)	8,582	6,997
<b>Non-current receivables</b> (note 5)	2,322	3,419
<b>Capital assets</b> (note 6)	<u>206,462</u>	<u>193,853</u>
	<u>245,674</u>	<u>237,677</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	28,965	21,805
Accrued vacation pay	11,062	9,893
Deferred contributions (note 7)	6,019	4,668
Current portion of long-term debt (note 9)	345	345
	<u>46,391</u>	<u>36,711</u>
<b>Deferred capital contributions</b> (note 8)	10,677	7,314
<b>Long-term debt</b> (note 9)	5,451	5,794
<b>Unamortized external capital contributions</b>	<u>187,291</u>	<u>179,170</u>
	<u>249,810</u>	<u>228,989</u>
<b>Contingencies and commitments</b> (note 10)		
<b>Net assets</b>		
<b>Accumulated operating deficit</b>	(17,526)	(1,992)
<b>Investment in capital assets from internally funded sources</b>	<u>13,390</u>	<u>10,680</u>
	<u>(4,136)</u>	<u>8,688</u>
	<u>245,674</u>	<u>237,677</u>

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

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**Peace Country Health**  
Statement of Operations  
For the year ended March 31, 2007

(in thousands of dollars)

	2007	2006	
	Budget \$ (Note 11)	Actual \$	Actual \$
<b>Revenues</b>			
Alberta Health and Wellness contributions (note 12)	219,500	216,322	192,210
Other government contributions (note 13)	900	694	887
Fees and charges	19,000	19,356	18,963
Ancillary operations – net (note 14)	1,000	727	836
Donations	1,200	566	465
Investment and other income (note 15)	4,600	7,655	5,877
Amortization of external capital contributions	<u>10,000</u>	<u>10,455</u>	<u>9,842</u>
	<u>256,200</u>	<u>255,775</u>	<u>229,080</u>
<b>Expenses</b> (schedule 1)			
Facility-based inpatient acute nursing services	55,800	56,285	49,469
Facility-based emergency and outpatient services	21,100	22,155	17,575
Facility-based continuing care services	23,400	22,641	19,662
Ground ambulance discovery project	11,500	12,433	11,484
Community-based care	11,500	9,867	6,853
Home care	16,500	15,827	13,074
Diagnostic and therapeutic services	46,600	46,665	40,785
Promotion, prevention and protection services	11,300	11,635	10,295
Research and education	100	25	25
Administration	11,800	13,162	10,893
Information technology	4,400	5,279	4,307
Support services	43,100	45,225	39,985
Amortization of facilities and improvements	<u>7,000</u>	<u>7,420</u>	<u>6,894</u>
	<u>264,100</u>	<u>268,619</u>	<u>231,301</u>
<b>Deficiency of revenues over expenses</b> (note 20)	<u>(7,900)</u>	<u>(12,844)</u>	<u>(2,221)</u>

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

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## Peace Country Health

### Statement of Changes in Net Assets For the year ended March 31, 2007

(in thousands of dollars)

	2007		2006	
	Accumulated operating surplus (deficit) \$	Investment in capital assets from internally funded sources \$	Total \$	Total \$
<b>Balance – Beginning of year</b>	(1,992)	10,680	8,688	10,909
Deficiency of revenues over expenses	(12,844)	-	(12,844)	(2,221)
Capital assets purchased with internal funds	(3,436)	3,436	-	-
Amortization of internally funded capital assets	1,089	(1,089)	-	-
Repayment of long-term debt used to fund capital assets	(343)	343	-	-
Transfer of land (note 3)	-	20	20	-
<b>Balance – End of year</b>	<b>(17,526)</b>	<b>13,390</b>	<b>(4,136)</b>	<b>8,688</b>

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

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## Peace Country Health

### Statement of Cash Flows For the year ended March 31, 2007

(in thousands of dollars)

	2007		2006	
	Budget \$ (note 11)	Actual \$	Actual \$	Actual \$
<b>Cash generated from (used by)</b>				
<b>Operating activities</b>				
Deficiency of revenues over expenses	(7,900)	(12,844)	(2,221)	
Non-cash transactions				
Amortization of internally funded equipment	1,000	884	963	
Amortization of externally funded equipment	3,100	3,240	3,113	
Amortization of internally funded facilities and improvements	200	205	180	
Amortization of externally funded facilities and improvements	6,900	7,215	6,729	
Amortization of external capital contributions	(10,000)	(10,455)	(9,842)	
Gain on disposal of capital assets – equipment	-	-	(30)	
Gain on disposal of capital assets – facilities and improvements	-	-	(15)	
	(6,700)	(11,755)	(1,123)	
Net change in non-cash working capital items	803	(721)	6,303	
<b>Cash generated from (used by) operations</b>	<b>(5,897)</b>	<b>(12,476)</b>	<b>5,180</b>	
<b>Investing activities</b>				
Purchase of capital assets				
Internally funded equipment	(5,900)	(2,845)	(2,521)	
Externally funded equipment	(15,131)	(10,730)	(5,738)	
Internally funded facilities and improvements	(7,700)	(591)	(101)	
Externally funded facilities and improvements	(8,951)	(7,866)	(7,312)	
Funded by long-term debt	(3,034)	(2,121)	(1,464)	
Proceeds on sale of capital assets	-	-	54	
Change in non-current cash	6,997	(1,585)	(1,650)	
<b>Cash used by investing activities</b>	<b>(33,719)</b>	<b>(25,738)</b>	<b>(18,732)</b>	
<b>Financing activities</b>				
Capital contributions received	16,768	22,094	10,792	
Change in non-current receivables	3,419	1,097	1,349	
Capital contributions transferred from deferred contributions	-	-	489	
Capital contributions transferred to operations	-	(135)	(522)	
Proceeds from long-term debt	-	-	3,600	
Principal payment of long-term debt	(389)	(343)	(137)	
<b>Cash generated from financing activities</b>	<b>19,798</b>	<b>22,713</b>	<b>15,571</b>	
<b>(Decrease) increase in cash</b>	<b>(19,818)</b>	<b>(15,501)</b>	<b>2,019</b>	
<b>Cash – Beginning of year</b>	<b>22,639</b>	<b>22,639</b>	<b>20,620</b>	
<b>Cash – End of year</b>	<b>2,821</b>	<b>7,138</b>	<b>22,639</b>	

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

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## Peace Country Health

Notes to Financial Statements

March 31, 2007

### 1 Authority, purpose and operations

Peace Country Health (the "Authority"), formerly Mistahia Regional Health Authority, was established on June 24, 1994, under the Regional Health Authorities Act, Chapter R-10, Revised Statutes of Alberta, 2000. The Authority is a registered charity and is exempt from payment of income tax under Section 149 of 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 well-being.

The operations of the Authority include the following facilities and sites:

- Beaverlodge Municipal Hospital
- Central Peace Health Complex, Spirit River
- Fairview Health Complex
- Grande Cache Community Health Complex
- Grimshaw/Berwyn Continuing Care Centre
- Fox Creek Healthcare Centre
- High Prairie Health Complex
- Hythe Continuing Care Centre
- Mackenzie Place Long Term Care Centre, Grande Prairie
- Manning Community Health Centre
- Peace River Community Health Centre
- Queen Elizabeth II Hospital, Grande Prairie
- Sacred Heart Community Health Centre, McLennan
- Valleyview Health Centre
- Worsley Health Centre
- Health Unit Offices in Beaverlodge, Fairview, Fox Creek, Gift Lake, Grande Cache, Grande Prairie, High Prairie, Kinuso, Manning, McLennan, Peace River, Spirit River and Valleyview

### 2 Significant accounting policies and reporting practices

#### a) Basis of presentation

- i) The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and the reporting requirements of Financial Directive 29 issued by Alberta Health and Wellness. The significant accounting policies used in the preparation of these financial statements, including the accounting recommendations of Alberta Health and Wellness, are summarized below.

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## Peace Country Health

Notes to Financial Statements

March 31, 2007

- ii) The Authority participates in the Regional Shared Health Information Program ("RSHIP"), a special purpose, limited liability, not-for-profit company incorporated under the laws of Alberta. The purpose of RSHIP is to provide and manage a shared information systems infrastructure for the participating Health Authorities. The Authority accounts for its 14.2% interest in RSHIP on a proportionate consolidation basis.

These financial statements do not include the assets, liabilities, and operations of any voluntary or private facilities providing health services in the region.

- iii) These financial statements use the deferral method, the key elements of which are:

- i) Unrestricted contributions are recognized as revenue in the year receivable.
- ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year in which 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, or externally funded capital assets, are 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 for the purchase of capital assets that 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.

#### b) Full cost

The Authority records the fair value of services for which it is responsible. Such fair value transactions include the following:

- i) Revenues 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 operator expense of the Authority.

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- ii) Payments made by Alberta Health and Wellness 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 use of acute care facilities not owned by the Authority is recorded as revenue from other government contributions or from donations and as program expense, since contract payments from the Authority do not include an amount for the use of these facilities.
- iv) The fair value for 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, contributed services of volunteers are not recognized as revenues and expenses in these financial statements because fair value cannot be reasonably determined.

c) Employee future benefits

The Authority participates in the Local Authorities Pension Plan. The pension plan is a multi-employer defined benefit pension plan that provides a pension 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 included in these financial statements comprise the employer's contributions for its employees during the year, based on rates expected to provide benefits payable under the pension plan. The Authority's portion of the pension plan's deficit or surplus is not recorded by the Authority.

The Authority participates in a Supplemental Executive Retirement Plan for a select group of employees. Benefits are based on 2.00% of the member's highest average earnings over a 60 consecutive month period less the average of the maximum pensionable earnings as determined under the provisions of the Local Authorities Pension Plan over the last 60 consecutive month period multiplied by the member's credited service under the Supplemental Executive Retirement Plan. The plan is unfunded. The Authority accrues its obligation for the Supplemental Executive Retirement Plan as the employee renders the service necessary to earn benefits.

d) Inventories

Inventories are valued at the lower of cost, as calculated on a moving average, or net realizable value.

e) Capital assets

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

Capital assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Land improvements	10 – 25 years
Buildings	20 – 40 years
Major equipment	5 – 15 years

Capital projects in progress (work-in-progress) are not amortized until the project is complete.

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

The Authority is subject to regulations requiring the repair, removal and disposal of asbestos. The obligation, under these regulations meets the definition of a conditional asset retirement obligation. As a result of the longevity of the Authority's facilities, due in part to the Authority's maintenance procedures, and the fact that the Authority does not have plans for major changes that would require the removal of asbestos, the timing of the removal of asbestos in the Authority's facilities is indeterminable as at March 31, 2007. As a result the Authority is currently unable to estimate the fair value of its asbestos removal and disposal obligation. Therefore, expenditures are recorded in accounts as they are incurred.

f) 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 from these estimates.

g) Fair value of financial instruments

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of cash, accounts receivable, contributions receivable, accounts payable and accrued liabilities, accrued vacation pay, and deferred contributions on the statement of financial position approximate fair value because of the short-term maturity of these instruments.

## Peace Country Health

Notes to Financial Statements

March 31, 2007

The Authority has certain receivables that are not due within one year. Management has reviewed these items, which are included in non-current receivables (note 5), by reference to their terms and determined that their fair value is not materially different than their carrying value.

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

- h) Trust funds received by the Authority for non-owned facilities

The Authority receives trust funds from Alberta Infrastructure to pay operators of non-owned facilities for capital purposes or facility repairs. These amounts are not reflected in the statements but disclosed in note 17.

### 3 Transfer of health facilities

On March 20, 2007, the Authority acquired two health facilities owned by Alberta Infrastructure and Transportation, which were previously leased to the Authority, for the nominal amount of \$1. The net assets and liabilities acquired were incorporated into the operations of the Authority as summarized below:

	Long-term assets \$	Unamortized external capital contributions \$	Investment in capital assets from internally funded sources \$ (in thousands of dollars)	Purchase price \$ (in thousands of dollars)
Mistashia Health Unit, Spirit River	130	(110)	(20)	-
Worsley Health Unit, Worsley	452	(452)	-	-
	<u>582</u>	<u>(562)</u>	<u>(20)</u>	<u>-</u>

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## Peace Country Health

Notes to Financial Statements

March 31, 2007

On the basis that these assets are specific to the operations of the Authority, management has determined that these assets are not readily marketable and the fair value cannot be reasonably determined. Accordingly, these assets have been recorded at the transaction costs.

### 4 Cash

	2007 \$ (in thousands of dollars)	2006 \$
Cash	<u>15,720</u>	<u>29,636</u>
Classified as		
Current	7,138	22,639
Non-current	<u>8,582</u>	<u>6,997</u>
	<u>15,720</u>	<u>29,636</u>

Current cash represents amounts held for working capital purposes. Non-current cash represents amounts externally restricted for capital acquisitions.

### 5 Non-current receivables

	2007 \$ (in thousands of dollars)	2006 \$
Alberta Health and Wellness	1,201	2,342
Alberta Infrastructure	167	924
Natural Resources Canada	250	-
Foundations	704	85
Non-current portion of receivables from physicians and staff	-	68
	<u>2,322</u>	<u>3,419</u>

The amounts due from Alberta Health and Wellness, Alberta Infrastructure, National Resources Canada and foundations are for capital acquisitions.

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**Peace Country Health**  
Notes to Financial Statements  
March 31, 2007

**6 Capital assets**

	Cost			Closing balance – March 31, 2007 \$
	Opening balance – April 1, 2006 \$	Transfers from work-in-progress \$	Additions \$	
				(in thousands of dollars)
Land	2,052	-	20	2,072
Land improvements	9,090	6	12	9,108
Buildings	259,232	2,186	3,741	265,159
Major equipment	72,344	36	7,396	79,776
Work-in-progress	13,541	(2,228)	12,984	24,297
	<u>356,259</u>	<u>-</u>	<u>24,153</u>	<u>380,412</u>
	Accumulated amortization			
	Opening balance – April 1, 2006 \$	Current year amortization \$	Closing balance – March 31, 2007 \$	
				(in thousands of dollars)
Land	-	-	-	
Land improvements	7,805	176	7,981	
Buildings	100,443	7,244	107,687	
Major equipment	54,158	4,124	58,282	
Work-in-progress	-	-	-	
	<u>162,406</u>	<u>11,544</u>	<u>173,950</u>	
	Net book value			
	2007 \$	2006 \$		
				(in thousands of dollars)
Land	2,052	2,052		
Land improvements	1,127	1,285		
Buildings	157,492	158,789		
Major equipment	21,494	18,186		
Work-in-progress	24,297	13,541		
	<u>206,462</u>	<u>193,853</u>		

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**Peace Country Health**  
Notes to Financial Statements  
March 31, 2007

Capital assets have been funded from the following sources:

	2007 \$	2006 \$
		(in thousands of dollars)
Externally funded – unamortized external capital contributions	187,291	179,170
Internally funded – investment in capital assets	13,390	10,680
Financed by debt	5,781	4,003
	<u>206,462</u>	<u>193,853</u>

**7 Deferred contributions**

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

	2007 \$	2006 \$
		(in thousands of dollars)
Mental Health Innovation Fund	2,110	1,375
Alberta Stroke Foundation	757	612
Immunization grants	489	686
Donations	635	503
Telehealth clinical funding	598	598
Continuing care grants	536	121
Health promotion coordination for healthy weights	294	-
Other	600	773
	<u>6,019</u>	<u>4,668</u>

**8 Deferred capital contributions**

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

	2007 \$	2006 \$
		(in thousands of dollars)
Equipment replacement	5,498	2,048
Improvement of capital assets	2,406	2,387
New construction	2,773	2,879
	<u>10,677</u>	<u>7,314</u>

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## Peace Country Health

Notes to Financial Statements

March 31, 2007

### 9 Long-term debt

	2007 \$	2006 \$
	(in thousands of dollars)	
Debenture	3,429	3,600
Mortgages payable	2,298	2,422
Obligations under capital leases	69	117
	<u>5,796</u>	<u>6,139</u>
Less: Current portion	345	345
Non-current portion	<u>5,451</u>	<u>5,794</u>

Future payments for the year ended March 31:

	Debenture \$	Mortgages payable \$	Obligations under capital lease \$	Total \$
	(in thousands of dollars)			
2008	179	132	34	345
2009	188	127	33	348
2010	196	97	2	295
2011	205	103	-	308
2012	215	109	-	324
2013 and thereafter	2,446	1,730	-	4,176
	<u>3,429</u>	<u>2,298</u>	<u>69</u>	<u>5,796</u>

The debenture matures in 2021, has an annual rate of 4.6% and is repayable in blended semi-annual payments of \$167,446.

The terms of the mortgages payable are as follows:

Mortgage 1 is secured by a demand promissory note in the amount of \$2,163,872, real property with a carrying value of \$1,772,264, assignment of insurance on the property and a general security agreement. It is repayable in blended monthly payments of \$15,481, including interest at a rate of 5.97%, and matures February, 2008.

Mortgage 2 is secured by a demand promissory note in the amount of \$350,000, real property with carrying value of \$527,901, assignment of insurance on the property and a general security agreement. It is repayable in blended monthly payments of \$2,487, including interest at a rate of 5.90%, and matures December, 2008.

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## Peace Country Health

Notes to Financial Statements

March 31, 2007

Mortgage 3 is secured by a demand promissory note in the amount of \$215,000, by assignment of fire and extended insurance, and a general security agreement covering specific serial numbered goods and specific equipment. It is repayable in blended monthly payments of \$4,178, including interest at a rate of 6.22% and matures December, 2008.

Capital leases expire on various dates to 2010. The implicit interest rates payable on these leases are 8.11% to 21.64%.

### 10 Contingencies and Commitments

#### Commitments

##### a) Contracts

The Authority is committed to several contracts and is required to make the following minimum payments over the next five years:

	Service/ maintenance contracts \$	Specific program commitments \$	Equipment leases \$	Total \$
	(in thousands of dollars)			
2007-08	2,937	1,937	352	5,226
2008-09	1,026	1,174	207	2,407
2009-10	490	326	78	894
2010-11	437	198	28	663
2011-12	362	160	5	527
	<u>5,252</u>	<u>3,795</u>	<u>670</u>	<u>9,717</u>

In addition to the above, the Authority has entered into an agreement for the purchase of electricity at a rate of 6.74 cents per kilowatt-hour. The agreement expires December 31, 2008.

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**Peace Country Health**  
Notes to Financial Statements  
March 31, 2007

b) Capital Projects

The Authority has committed to completing two major capital projections over the next few years. The total future commitment is \$293,043,000 as summarized below:

Project	Total approved amounts \$	Costs incurred to date \$ (in thousands of dollars)	Anticipated future costs \$ (in thousands of dollars)
New regional health centre in Grande Prairie – phase one (note 21)	250,000	167	249,833
High Prairic Health Complex	43,800	590	43,210
	<u>293,800</u>	<u>757</u>	<u>293,043</u>

**Contingencies**

The Authority has a contingent liability in respect of a claim concerning increased long-term care accommodation charges levied effective August 1, 2003. The claim has been filed against the Province of Alberta and the Regional Health Authorities. The total amount of the claim is in excess of \$150 million based on the amount of the increase in accommodation charges levied. The outcome of the claim is not determinable and no liability is recorded at this time.

**Peace Country Health**  
Notes to Financial Statements  
March 31, 2007

**11 Budget**

	Approved budget <sup>(1)</sup> \$	Additional approved budget <sup>(2)</sup> \$	Adjustments <sup>(3)</sup> \$ (in thousands of dollars)	Reported budget \$
<b>Revenues</b>				
Alberta Health and Wellness contributions	211,400	7,837	263	219,500
Other government contributions	800	-	100	900
Fees and charges	19,500	-	(500)	19,000
Ancillary operations – net	900	-	100	1,000
Donations	1,200	-	-	1,200
Investment and other income	4,600	-	-	4,600
Amortization of external capital contributions	10,000	-	-	10,000
	<u>248,400</u>	<u>7,837</u>	<u>( 37)</u>	<u>256,200</u>
<b>Expenses</b>				
Facility-based inpatient acute nursing care services	60,200	(240)	(4,160)	55,800
Facility-based emergency and outpatient services	20,100	(92)	1,092	21,100
Facility-based continuing care services	22,600	127	673	23,400
Ground ambulance discovery project	11,400	-	100	11,500
Community-based care	11,700	(108)	(92)	11,500
Home care	16,400	-	100	16,500
Diagnostic and therapeutic services	43,900	-	2,700	46,600
Promotion, prevention and protection services	12,600	150	(1,450)	11,300
Research and education	200	-	(100)	100
Administration	11,200	-	600	11,800
Information technology	4,200	-	200	4,400
Support services	42,800	-	300	43,100
Amortization of facilities and improvements	7,000	-	-	7,000
	<u>264,300</u>	<u>(163)</u>	<u>( 37)</u>	<u>264,100</u>
<b>(Deficiency) excess of revenue over expenses</b>	<u>(15,900)</u>	<u>8,000</u>	<u>-</u>	<u>(7,900)</u>

<sup>(1)</sup> The budget was approved by the Authority's Board of Governors on April 4, 2006, and submitted to the Minister of Health and Wellness for approval.

**Peace Country Health**

Notes to Financial Statements

March 31, 2007

<sup>(2)</sup>Over the course of the fiscal year, the Minister provided additional operational funding as follows:

Additional funding added to the budget:

	\$ (in thousands of dollars)
Northern allowance	8,000
Continuing care systems program	78
Adjustment to innovation in immunization	159
Adjustment to continuing care grant funding	49
Adjustment to small pox funding	(9)
Adjustment to rural on-call funding	(92)
Adjustment to mental health innovation funding	(108)
Adjustment to specialists on-call funding	(240)
	<u>7,837</u>

Additional funding not added to the budget due to timing of the funding announcement:

	\$ (in thousands of dollars)
Regional health promotion coordinators for healthy weights	294
Staff training to implement continuing care standards	125
Alberta telestroke program	95
	<u>514</u>

The additional funding not added to the budget will be deferred and recognized in 2007/08.

<sup>(3)</sup>Adjustments relate to classification changes to ensure budgeted revenues and expenses conform with actual reporting classifications.

**Peace Country Health**

Notes to Financial Statements

March 31, 2007

**12 Alberta Health and Wellness contributions**

	2007 \$ (in thousands of dollars)	2006 \$ (in thousands of dollars)
Unrestricted contributions	204,858	180,515
Transfers from deferred contributions	11,324	11,173
Transfers from deferred capital contributions	140	522
	<u>216,322</u>	<u>192,210</u>

**13 Other government contributions**

	2007 \$ (in thousands of dollars)	2006 \$ (in thousands of dollars)
<b>Alberta Government</b>		
Fair value of rent for non-acute care used by the Authority (Department of Health)	680	579
Alberta Alcohol and Drug Abuse Commission	14	76
Alberta Cancer Board	-	54
Other Provincial government	-	40
	<u>694</u>	<u>749</u>
Federal government	-	120
Municipal governments	-	18
	<u>694</u>	<u>887</u>

## Peace Country Health

Notes to Financial Statements

March 31, 2007

### 14 Ancillary operations

	2007		2006	
	Parking operations \$	Rental/other operations \$	Total \$ (in thousands of dollars)	Total \$ (in thousands of dollars)
Revenues	529	422	951	1,091
Expenses	75	149	224	255
Excess of revenues over expenses	454	273	727	836

### 15 Investment and other income

	2007 \$ (in thousands of dollars)	2006 \$ (in thousands of dollars)
Unrestricted investment income	482	359
Other income	7,173	5,518
	<u>7,655</u>	<u>5,877</u>

Investment income comprises of interest on bank deposits.

Other income comprises recoveries from sources external to the Authority for materials, supplies and wages.

### 16 Related parties

#### Province of Alberta

The Authority is established under the Regional Health Authorities Act. The Minister of Health and Wellness appoints the board members. The Authority is economically dependent upon the Ministry of Health and Wellness since the viability of its ongoing operations depends on contributions from the Ministry.

Transactions between the Authority and its related parties are disclosed in the Statement of Operations, and in the notes and schedules to the Financial Statements.

Unless otherwise disclosed, related party transactions are recorded at the amount of consideration agreed upon between the related parties.

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## Peace Country Health

Notes to Financial Statements

March 31, 2007

### Health Authorities

The Authority shares a common relationship with other health authorities through its relationship with the Province of Alberta. Transactions between the Authority and other health authorities are reported in the statement of operations.

### Regional Shared Health Information Program ("RSHIP")

The seven non-metro health regions (list) have entered into an agreement under the name Regional Shared Health Information Program ("RSHIP"), to develop and implement a common, integrated health information system. This standard system will integrate with Alberta's Provincial Electronic Health Record ("HER") initiative.

	2007 \$ (in thousands of dollars)	2006 \$ (in thousands of dollars)
AHW Funding	929	2,305
Health authority contribution	2,904	2,022
	<u>3,833</u>	<u>4,327</u>
	2007 \$ (in thousands of dollars)	2006 \$ (in thousands of dollars)
Reported as follows:		
Expenses	730	-
Capital assets	3,103	4,327
	<u>3,833</u>	<u>4,327</u>

### Foundations

The Authority has an economic interest in the following Foundations. These Foundations raise funds to benefit the Authority and other health related entities and are registered charities under the Income Tax Act:

Beaverlodge Hospital Foundation  
 Fairview Health Complex Foundation  
 Grande Cache Hospital Foundation  
 Grimshaw/Berwyn & District Hospital Foundation  
 Hythe Nursing Home Foundation  
 Peace Health Foundation  
 Queen Elizabeth II Hospital Foundation  
 Valleyview Health Care Foundation

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**Peace Country Health**  
Notes to Financial Statements  
March 31, 2007

**19 Comparative figures**

Certain 2006 figures have been reclassified and restated to conform to 2007 presentation.

**20 Operating deficit**

Per Alberta Regulation 15/95 of the Regional Health Authorities Act, Regional Health Authorities shall not incur an annual operating deficit. If a Regional Health Authority incurs an annual operating deficit, further action is required depending on the circumstances.

The Authority incurred an operating deficit of \$12,844,000 for the year ended March 31, 2007 increasing the accumulated deficit to \$17,526,000 (2006 – \$1,922,000). Due to this accumulated deficit position, the Authority is required to submit a plan to the Minister of Health and Wellness by July 31, 2007 on how the accumulated deficit will be eliminated within the next three years. The Authority will work with the Minister of Health and Wellness on developing a deficit elimination plan.

**21 Subsequent event**

On April 19, 2007, the Government of Alberta announced that it will provide \$250 million, over the next three years, for the first phase of the construction of a new regional health centre in Grande Prairie.

**22 Approval of financial statements**

These financial statements have been approved by the Authority's Board of Governors.

**Peace Country Health**  
Schedule of Expenses by Object  
For the year ended March 31, 2007

Schedule 1

(in thousands of dollars)

	2007	2006	
Budget \$ (Note 11)	Actual \$	Actual \$	
Salaries, honoraria, benefits, allowances and severance <sup>(1)</sup>	184,300	181,484	156,437
Contracts with health service operators	5,100	5,525	5,521
Drugs and gases	4,300	4,768	4,359
Medical and surgical supplies	5,100	5,896	4,829
Other contracted services	16,200	19,181	15,030
Interest on long-term debt	-	305	163
Other <sup>(2)</sup>	37,900	40,140	34,277
Amortization			
Internally funded equipment	1,000	884	963
Externally funded equipment	3,200	3,240	3,113
Internally funded facilities and improvements	200	205	180
Externally funded facilities and improvements	6,800	7,215	6,729
Gain on disposal of capital assets			
Equipment	-	-	(30)
Facilities	-	-	(15)
	264,100	268,843	231,556
Less: Amounts reported in ancillary operations	-	224	255
	264,100	268,619	231,301

<sup>(1)</sup>Salaries, honoraria, benefits, allowances and severances include amounts related to operations and capital activities. These amounts are summarized below and disclosed in schedule 2.

	2007	2006	
Budget \$ (Note 11)	Actual \$	Actual \$	
Expensed costs	184,300	181,484	156,437
Capitalized costs	-	1,248	-
	184,300	182,732	156,437

# Peace Country Health

## Schedule of Expenses by Object ...continued

For the year ended March 31, 2007

Schedule 1  
Page 2

(in thousands of dollars)

	2007	2006
Budget \$ (Note 11)	Actual \$	Actual \$
Other: Significant amounts include		
Diagnostic and therapeutic supplies	3,500	3,186
Equipment expenses	6,868	7,029
Food supplies	2,549	2,061
Recruitment and relocation	4,413	1,086
Utilities	5,752	5,404
Other	17,058	15,511
	<u>37,900</u>	<u>34,277</u>

**Peace Country Health**  
 Schedule of Honoraria, Benefits, Allowances and Severance  
 For the year ended March 31, 2007

(in thousands of dollars)

	2007					2006							
	Number of individuals <sup>(1)</sup> #	Salaries and honoraria <sup>(2)</sup> \$	Benefits and allowances <sup>(3)</sup> \$	"SERP" <sup>(4)</sup> \$	Subtotal \$	Number of individuals <sup>(5)</sup> #	Severance <sup>(4)</sup> Amount \$	Total \$	Number of individuals <sup>(5)</sup> #	Salaries, honoraria, benefits <sup>(2)(3)</sup> \$	"SERP" <sup>(4)</sup> \$	Severance \$	Total \$
<b>Authority/board compensation</b>													
<b>RHA chairperson</b>													
Marvin Moore	1.00	52	5	-	57	-	-	57	1.00	42	-	-	42
<b>RHA Members</b>													
Claudia Buck	1.00	14	4	-	18	-	-	18	1.00	18	-	-	18
Dennis Grant	1.00	15	1	-	16	-	-	16	1.00	15	-	-	15
Delphine Harboure	1.00	20	1	-	21	-	-	21	1.00	19	-	-	19
Andre Harpe	1.00	24	5	-	29	-	-	29	1.00	21	-	-	21
Milton Hommy	1.00	13	3	-	16	-	-	16	1.00	15	-	-	15
Wayne Jacques	1.00	16	4	-	20	-	-	20	1.00	10	-	-	10
Rose Kasinec	1.00	15	3	-	18	-	-	18	1.00	20	-	-	20
Betty Kruse	1.00	19	3	-	22	-	-	22	1.00	15	-	-	15
Lawrence Meardi	1.00	13	5	-	18	-	-	18	1.00	15	-	-	15
Jean Rycroft	1.00	11	3	-	14	-	-	14	1.00	19	-	-	19
Marie Saville	1.00	15	2	-	17	-	-	17	1.00	15	-	-	15
Brenda Strom	1.00	6	4	-	10	-	-	10	1.00	7	-	-	7
<b>Total honoraria</b>	<b>13.00</b>	<b>233</b>	<b>43</b>	<b>-</b>	<b>276</b>	<b>-</b>	<b>-</b>	<b>276</b>	<b>13.00</b>	<b>231</b>	<b>-</b>	<b>-</b>	<b>231</b>
<b>Staff compensation</b>													
Chief Executive Officer <sup>(5)</sup>	1.00	268	25	50	343	-	-	343	1.00	310	52	-	362
Medical Officer of Health	1.00	294	25	-	319	-	-	319	1.00	309	-	-	309
<b>Management persons reporting to the CEO</b>													
Chief Operating Officer, OEI Hospital	1.00	191	16	-	207	-	-	207	1.00	182	-	-	182
Chief Operating Officer, Regional Sites	1.00	147	35	-	182	-	-	182	1.00	159	-	-	159
Vice President, Regional Health Services	1.00	152	16	-	168	-	-	168	1.00	176	-	-	176
Vice President, Human Resources	1.00	156	29	-	185	-	-	185	1.00	175	-	-	175
Chief Financial & Information Officer	0.62	109	4	-	113	-	-	113	1.00	189	-	-	189
Chief Information Officer	0.38	44	12	-	56	-	-	56	-	-	-	-	-
Vice President, Medical Affairs	0.40	192	29	63	284	1	285	569	0.80	322	55	-	377
Corporate Business Officer	1.00	186	18	-	204	-	-	204	1.00	133	-	-	133
Other management persons reporting to those above	41.31	4,139	803	-	4,942	-	-	4,942	36.94	4,125	-	70	4,195
Other management	89.10	7,604	1,583	30	9,217	-	-	9,217	68.04	6,537	-	-	6,537
Regulated nurses not included above – RNs	563.35	47,727	8,881	-	56,608	-	-	56,608	539.52	50,997	-	-	50,997
Regulated nurses not included above – LPNs	204.27	10,788	2,097	-	12,885	-	-	12,885	201.20	10,816	-	-	10,816
Other health technical and professionals	480.39	33,464	5,902	-	39,366	-	-	39,366	463.07	33,997	-	-	33,997
Unregulated health service providers	319.95	12,360	2,311	-	14,671	-	-	14,671	304.88	12,328	-	-	12,328
Other staff	808.58	35,253	7,145	-	42,398	1	23	42,421	745.15	35,223	-	51	35,274
<b>Total staff compensation</b>	<b>2,515.35</b>	<b>153,074</b>	<b>28,931</b>	<b>143</b>	<b>182,148</b>	<b>2</b>	<b>308</b>	<b>182,456</b>	<b>2,367.60</b>	<b>155,978</b>	<b>107</b>	<b>121</b>	<b>156,206</b>
<b>Total</b>	<b>2,528.35</b>	<b>153,307</b>	<b>28,974</b>	<b>143</b>	<b>182,424</b>	<b>2</b>	<b>308</b>	<b>182,732</b>	<b>2,380.60</b>	<b>156,209</b>	<b>107</b>	<b>121</b>	<b>156,437</b>

## Peace Country Health

Schedule of Honoraria, Benefits, Allowances and Severance... *continued*  
For the year ended March 31, 2007

Schedule 2  
Page 2

(in thousands of dollars)

- <sup>(1)</sup> Full-time equivalent (FTE) for all staff is 2,022.75 hours. The total discrete number of individuals employed is 3,842 (2006 – 3,547).
- <sup>(2)</sup> Salaries include regular base pay, overtime, lump-sum payments, shift differential, honoraria, sick leave, short-term disability, earned vacation leave and other remuneration.
- <sup>(3)</sup> Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, out-of-country medical benefits, group life insurance, accidental disability and dismemberment, long-term and short-term disability plans, Canada Pension Plan, employment insurance and workers compensation.
- <sup>(4)</sup> Severance includes amounts paid directly or indirectly to individuals upon termination, which are not included in salaries, honoraria, benefits, and allowances.
- <sup>(5)</sup> The Chief Executive Officer is provided with an automobile. No dollar amount is included under benefits and allowances.
- <sup>(6)</sup> Supplemental Executive Retirement Plan ("SERP") costs as detailed below represent the cost of future retirement benefits earned in the given fiscal year and are not actual cash payments. Future retirement benefits to participants are based on years of service and earnings at retirement. The cost of these benefits is actuarially determined using the projected unit credit service pro-rated method and management's best estimates regarding economic and demographic assumptions, including a market discount rate. Net actuarial gains or losses of the retirement benefit obligation are amortized over the average remaining service life of the employee group.

Current service cost is the actuarial present value of the retirement benefit earned in the fiscal year. Other costs include amortization of initial obligation and interest accruing on the actuarial liability.

	2007		2006	
	Current service cost	Other costs	Total	Total
	\$	\$	\$	\$
Chief Executive Officer	19	1	20	52
Senior Project Manager	35	25	60 <sup>(i)</sup>	-
Retired members				
Vice President, Medical Affairs	42	21	63	55
	96	47	143	107

- <sup>(i)</sup> During the year, the then Chief Executive Officer was appointed to the position of Senior Project Manager. The cost of \$30,000 related to the period as Chief Executive Officer is included in the total SERP cost for Chief Executive Officer on schedule 2.

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## Peace Country Health

Schedule of Honoraria, Benefits, Allowances and Severance... *continued*  
For the year ended March 31, 2007

Schedule 2  
Page 3

(in thousands of dollars)

The accrued benefit obligation for pension benefits earned in the retiring allowance plan is outlined in the following table:

	Accrued benefit obligation – March 31, 2006	Change in accrued benefit obligation	Accrued benefit obligation – March 31, 2007
	\$	\$	\$
Senior Project Manager	164	35	199
Chief Executive Officer	-	25	25
Retired member			
Vice President, Medical Affairs	145	27	172
	309	87	396

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