

**NORTHERN LIGHTS HEALTH REGION**

**FINANCIAL STATEMENTS**

**MARCH 31, 2009**

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**NORTHERN LIGHTS HEALTH REGION**  
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2009**

The accompanying financial statements are the responsibility of management and have been approved by senior management. 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 based on estimates and judgment.

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

The Region members carry out their responsibility for the financial statements through the Audit and Finance Committee. This Committee meets with management and the Auditor General of Alberta to review financial matters, and recommends the financial statements to the Alberta Health Services Board for approval upon finalization of the audit. The Auditor General of Alberta has free access to the Audit and Finance 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 procedures which allow him to report on the fairness of the financial statements prepared by management.

“Original signed by  
Dr. Stephen Duckett”

*Chief Executive Officer*

“Original signed by  
Chris Mazurkewich”

*AHS – Chief Financial Officer*

“Original signed by  
Gill Danby”

*Chief Financial Officer*

## Auditor's Report

To the Members of the Alberta Health Services Board  
and the Minister of Health and Wellness

I have audited the statement of financial position of the Northern Lights Health Region (the Authority) as at March 31, 2009 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, 2009 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 11, 2009

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

## NORTHERN LIGHTS HEALTH REGION STATEMENT OF FINANCIAL POSITION

March 31, 2009  
(in thousands)

	2009	2008
	Actual	Actual
<u>ASSETS</u>		
Current:		
Cash, cash equivalents and investments (Note 3)	\$ 54,315	\$ 34,550
Accounts receivable	6,626	8,226
Contributions receivable from Alberta Health and Wellness	212	1,747
Inventories	1,148	997
Prepaid expenses	487	634
	62,788	46,154
Non-current cash, cash equivalents and investments (Note 3)	37,726	39,160
Capital assets (Note 4)	106,272	85,900
Other assets	-	68
	-	68
<b>TOTAL ASSETS</b>	<b>\$ 206,786</b>	<b>\$ 171,282</b>

<u>LIABILITIES AND NET ASSETS</u>		
Current:		
Accounts payable and accrued liabilities	\$ 22,409	\$ 14,617
Accrued vacation pay	3,911	3,554
Deferred contributions (Note 5)	6,766	6,851
	33,086	25,022
Deferred contributions (Note 5)	4	4
Deferred capital contributions (Note 6)	37,722	39,224
Unamortized external capital contributions	85,786	78,240
	156,598	142,490
Net assets		
Accumulated surplus	29,703	21,129
Investment in capital assets	20,486	7,660
Cumulative net unrealized (losses)/gains on investments	(1)	3
Operating net assets	50,188	28,792
Commitments and contingencies (Note 8)	-	-
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 206,786</b>	<b>\$ 171,282</b>

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

**NORTHERN LIGHTS HEALTH REGION**  
**STATEMENT OF OPERATIONS**  
**For the Year Ended March 31, 2009**  
(in thousands)

	2009		2008
	Budget (Note 9)	Actual	Actual
Revenue			
Alberta Health and Wellness contributions (Note 10)	\$ 151,866	\$ 153,301	\$ 143,111
Other government contributions (Note 11)	2,252	3,300	2,521
Fees and charges	11,457	12,247	9,495
Ancillary operations (Note 12)	1,290	1,689	1,219
Donations	1,533	952	802
Investment and other income (Note 13)	2,915	2,585	2,666
Amortized external capital contributions	8,155	6,744	6,468
<b>TOTAL REVENUE</b>	<b>179,468</b>	<b>180,818</b>	<b>166,282</b>
Expenses (Schedule 1)			
Inpatient acute nursing services	40,323	36,704	31,076
Emergency and outpatient services	19,485	16,124	11,330
Facility-based continuing care services	8,961	8,388	5,801
Community-based care	5,467	4,906	4,820
Home care	5,476	4,224	3,555
Diagnostic and therapeutic services	27,829	25,370	21,648
Promotion, prevention and protection services	12,162	10,480	8,723
Administration	17,005	15,404	13,077
Information technology	6,438	6,355	6,049
Support services	30,639	29,690	25,064
Amortization of facilities and improvements	5,632	4,197	4,001
<b>TOTAL EXPENSES</b>	<b>179,417</b>	<b>161,842</b>	<b>135,144</b>
Excess of revenue over expense	<b>\$ 51</b>	<b>\$ 18,976</b>	<b>\$ 31,138</b>

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

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**NORTHERN LIGHTS HEALTH REGION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the Year Ended March 31, 2009**  
(in thousands)

	2009			2008	
	Accumulated surplus	Investment in capital assets	Cumulative net unrealized gains/(losses) on investments	Total	Total
Balance at beginning of year	\$ 21,129	\$ 7,660	\$ 3	\$ 28,792	\$ (2,349)
Excess of revenue over expense	18,976	-	-	18,976	31,138
Capital assets purchased with internal funds	(11,560)	11,560	-	-	-
Externally-funded land purchase transfer		2,424		2,424	
Amortization of internally funded capital assets	1,092	(1,092)	-	-	-
Loss on disposal of internally funded capital assets	66	(66)	-	-	-
Cumulative net unrealized (losses)/gains on investments					
Unrealized gains and losses on available for sale financial assets arising during the year	-	-	(4)	(4)	-
Reclassification adjustments for gains and losses included in excess of revenue over expense	-	-	-	-	3
Balance at end of year	<u>\$ 29,703</u>	<u>\$ 20,486</u>	<u>\$ (1)</u>	<u>\$ 50,188</u>	<u>\$ 28,792</u>

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

**NORTHERN LIGHTS HEALTH REGION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended March 31, 2009**  
(in thousands)

	2009		2008
	Budget	Actual	Actual
Cash generated from (used by):			
Operating activities:			
Excess of revenue over expenses	\$ 51	\$ 18,976	\$ 31,138
No-cash transactions:			
Unrealized loss on investments	-	(4)	
Amortization (Schedule 1)	10,204	7,373	7,322
Amortized external capital contributions	(8,155)	(6,744)	(6,468)
Loss on Disposal of Capital Assets - Internal	-	66	-
- External	-	463	-
Changes in non-cash working capital account	(1,087)	11,195	2,022
Cash generated from operations	1,013	31,325	34,014
Investing activities:			
Purchase of capital assets:			
Internally funded - equipment	(500)	(4,443)	(1,192)
Internally funded - facility and improvements	(15,790)	(7,117)	(2,474)
Externally funded - equipment	(2,000)	(3,333)	(5,787)
Externally funded - facility and improvements	(38,348)	(13,381)	(2,683)
Allocations to (from) non-current cash, cash equivalents and investments	17,586	1,434	(34,373)
Allocations to (from) long term receivable	(2,432)	68	3,307
Increase (decrease) in long term portion of deferred non-capital contributions	(4)	-	3
Cash used by investing activities	(41,488)	(26,772)	(43,199)
Financing activities:			
Capital contributions received	25,198	15,212	39,535
Principal payments on bank loan	-	-	(120)
Cash generated from financing activities	25,198	15,212	39,415
Increase (decrease) in current cash, cash equivalents and investments	(15,277)	19,765	30,230
Current cash, cash equivalents and investments, beginning of year	32,784	34,550	4,320
Current cash, cash equivalents and investments, end of year	\$ 17,507	\$ 54,315	\$ 34,550

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

**NORTHERN LIGHTS HEALTH REGION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2009**  
(in thousands)

**Note 1 Authority, Purpose and Operations**

Northern Lights Health Region ("the Region") was established June 24, 1994 under the Alberta Regional Health Authorities Act, is a registered charity under the Income Tax Act and exempt from payment of income tax. Effective April 1, 2009 the Region will be disestablished and all the assets and liabilities will be transferred to Alberta Health Services. (Note 16).

The Region delivers appropriate, accessible and affordable health services in Alberta, operating programs that promote, protect, maintain, restore and enhance physical and mental well-being.

The Region's operations include the following facilities and sites:

Northern Lights Regional Health Centre  
Northern Lights Public Health (Ft. McMurray)  
Northwest Health Centre  
St. Theresa General Hospital  
Rainbow Lake Health Centre  
La Crete Health Centre  
Paddle Prairie Health Centre  
Ft. Vermillion Health Centre  
Zama City Nursing Station  
La Crete Continuing Care Centre

The financial statements do not include the assets, liabilities and operations of private facilities providing health services in the region, except as disclosed in Note 14.

**Note 2 Significant Accounting Policies and Reporting Practices**

**(a) Basis of Presentation**

(1) The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and the reporting requirements of Alberta Health and Wellness' Financial Directive 34.

(2) These financial statements were prepared on a consolidated basis and include the following:

Wood Buffalo Primary Care Network  
Northwest Primary Care Network

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

The Region uses the proportionate consolidation method to account for its 50 % interest in each of the listed Primary Care Networks.

(3) These financial statements use the deferral method, key elements of which are:

- (i) Unrestricted contributions are recognized as revenue in the year receivable.
- (ii) Restricted non-capital contributions are recognized as revenue in the year in which the related expenses are incurred.
- (iii) Restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Invested amounts are transferred to unamortized external capital contributions and recognized as revenue in the period the related amortization expense of the capital asset is recorded.
- (iv) Endowments and restricted contributions to purchase capital assets that will not be amortized are treated as direct increases to net assets.
- (v) Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Unrealized gains and losses on available-for-sale financial assets are included directly in net assets or deferred contributions as appropriate, until the asset is removed from the Statement of Financial Position. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the Statement of Operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.
- (vi) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

**(b) Capital Disclosure**

Effective April 1, 2008, the Region implemented new capital disclosure requirements per section 1535 of the CICA Handbook. For operating purposes, the Region defines capital as including working capital and unrestricted net assets. For capital purposes, the Region defines capital as including deferred capital contributions, unamortized external capital contributions, and investment in capital assets.

The Region's objectives for managing capital are:

- In the short term to safeguard the Region's financial ability to continue to deliver health services; and

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

- In the long term to plan and to build sufficient physical capacity to meet future needs for health services.

The majority of the Region's operating funds are from Alberta Health and Wellness which is paid on the first of each month. As a result, significantly less working capital is required. The Region monitors its working capital and cash flow forecasts.

Alberta Health and Wellness approves health care facilities based on long-term capital plans and provides the majority of the funding through one-time capital grants. The Region funds the required equipment and systems by a combination of allocating a portion of operating funds and obtaining external funding from charitable donations and capital grants. The Region borrows to finance capital investments related to ancillary operations since Alberta Health and Wellness does not fund ancillary operations.

**(c) Full cost**

The Region accounts for all costs of services for which it is responsible. Fair value transactions comprise:

- (i) Revenue that contracted health service operators earn from Ministry of Health and Wellness designated fees and charges are recorded as the Region's fees and charges and as the Region's contracted health service expense.
- (ii) Alberta Health and Wellness direct payments to contracted health service operators are recorded as revenue and as program expense as they represent part of the Region's health program costs.
- (iii) Fair value to use acute care facilities not owned by the Region is recorded as other government contributions or donations, and as program expense, since the Region's contract payments do not include amounts for use of these facilities.
- (iv) Fair value to use non-acute care facilities not owned by the Region and provided to the Region at zero or nominal rent is recorded as other government contributions and as program expense.
- (v) Other assets, supplies and services a health region would otherwise purchase are recorded as revenue and expense, at fair value at the date of contribution, when a fair value can be reasonably determined. Volunteers' contributed services are not reported because a fair value cannot be reasonably determined.

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

**(d) Employee Future Benefits**

The Region participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for participating employees based on years of service and earnings. Defined contribution plan accounting is applied where there is insufficient information to apply defined benefit plan accounting.

Pension costs comprise the employer's contributions for its employees during the year, based on rates expected to provide benefits payable under the pension plans. The Region does not record its portion of the plan's deficit or surplus. The Region fully accrues its obligations for employee non-pension future benefits.

The Region provides a defined benefit Supplementary Retirement Plan to senior executives. Costs of these benefits are actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and benefit coverage period. The Region's policy is for the plan to be fully funded based on the annual plan valuation. Net actuarial gains and losses of the benefit obligation are amortized over the average remaining service life of the group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability. As at March 31, 2009 the plan is fully funded.

**(e) Investments**

Investments are accounted for in accordance with the accounting policies described in Note 2(f).

Transaction costs associated with the acquisition and disposal of investments are expensed. The purchase and sale of investments are accounted for using trade-date accounting.

**(f) Financial Instruments**

Initial measurement of financial instruments is at fair value and subsequent measurement and recognition of changes in value depend upon the classification. Financial assets and financial liabilities classified as "held for trading" are measured at fair value with changes in those fair values recognized in the Statement of Operations or deferred contributions. Financial assets classified as "available for sale" are measured at fair value with changes in fair values recognized in the Statement of Changes in Net Assets or deferred contributions until realized, at which time the cumulative changes in fair value are recognized in the Statement of Operations. "Loans and receivables" and financial liabilities classified as "other financial liabilities" are measured at amortized cost using the effective interest method.

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

The Region has classified its financial assets and financial liabilities as follows:

<u>Financial Assets and Liabilities</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Investments	Available for sale
Accounts receivable, contributions receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

The Region does not use hedge accounting and accordingly, is not impacted by the requirements of Section 3865 Hedges. The Region as a Not-for-Profit Organization has elected not to apply the standards for embedded derivatives in non-financial contracts.

When it is determined that an impairment of a financial instrument classified as available for sale is other than temporary, the cumulative loss that had been recognized directly in net assets or deferred contributions is removed and recognized in the Statement of Operations even though the financial asset has not been derecognized. Impairment losses recognized in the Statement of Operations for a financial instrument classified as available for sale are not reversed.

The carrying values of current cash and cash equivalents, accounts receivable, contributions receivable from Alberta Health and Wellness, and accounts payable approximate their fair value because of the short-term maturity of these items. It is management's opinion that the Region is not exposed to significant interest rate, currency, credit or market risks arising from its financial instruments.

**(g) Inventories**

In June 2007 the Canadian Institute of Chartered Accountants (the "CICA") issued a new accounting standard, Section 3031 Inventories which provides guidance on the recognition, measurement and disclosure of inventories. The standard provides specific direction for not-for-profit organizations to record inventories held for consumption or distribution at no charge at the lower of cost or current replacement cost.

The region adopted this new standard as of April 1, 2008 but did not adjust opening balances or restate prior periods because the adoption did not have a material impact.

Inventories for consumption or distribution at no charge are recorded at the lower of cost (defined as moving average cost) and current replacement cost. All other inventories are recorded at the lower of cost (defined as weighted average cost) and net realizable value.

**Note 2 Significant Accounting Policies and Reporting Practices (continued)**

**(h) Capital Assets**

Capital assets and work in progress are recorded at cost and 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
Vehicles and equipment	5-20 years

Capital assets with unit costs less than five thousand dollars are expensed. Work in progress is not amortized until the project is complete. Leases transferring substantially all benefits and risks of capital asset ownership are reported as capital asset acquisitions financed by long-term obligations.

**(i) Measurement Uncertainty**

The financial statements, by their nature, contain estimates and are subject to measurement uncertainty. Useful life of capital equipment, salary and vacation pay liabilities and the accrued benefit asset of the Supplementary Retirement Pension are subject to measurement uncertainty. Actual results could differ from estimates.

**Note 3 Cash, cash equivalents and investments**

	2009		2008	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash	\$ 55,730	\$ 55,730	\$ 57,915	\$ 57,915
Guaranteed Investment Certificates	453	453	152	152
Bankers Acceptance	35,858	35,859	15,643	15,640
<b>Total</b>	<u>\$ 92,041</u>	<u>\$ 92,042</u>	<u>\$ 73,710</u>	<u>\$ 73,707</u>
Classified as:				
Current	\$ 54,315	54,316	\$ 34,550	\$ 34,547
Non-Current	37,726	37,726	39,160	39,160
<b>Total cash and investments</b>	<u>\$ 92,041</u>	<u>\$ 92,042</u>	<u>\$ 73,710</u>	<u>\$ 73,707</u>

**Note 3 Cash, cash equivalents and investments (continued)**

- a) Guaranteed Investment Certificates maturing on September 3<sup>rd</sup>, 2009 are guaranteed by the Canada Deposit Insurance Corporation and bear interest at 4.14% paid annually. The effective yield for GIC's is 4.14%.
- b) To optimize returns at an acceptable risk level, management has established a policy asset mix of 100% for fixed-income instruments and 0% for equities. Risk is reduced through diversification.
- c) Fixed- income instruments are invested as follows:

	<u>Weighting</u>	<u>Effective Yield</u>	<u>Maturity</u>
Banker's Acceptance Note	98.8%	0.43%	April 13, 2009
GIC's	1.2%	4.14%	September 3, 2009

**Non-current cash and investments represent the following:**

	<u>2009</u>	<u>2008</u>
Externally restricted for capital acquisition	\$ 37,722	\$39,224
Less: Capital contributions receivable	-	(68)
Externally restricted for specialized training	<u>4</u>	<u>4</u>
	<u>\$ 37,726</u>	<u>\$ 39,160</u>

**Note 4 Capital Assets**

Capital Asset	<u>Cost</u>			
	Opening Balance April 1, 2008	Additions	Disposals	Closing Balance March 31, 2009
Land	\$ 1,100	\$ 2,424	\$ -	\$ 3,524
Site Improvements	5,116	1,128	14	6,230
Buildings	97,046	15,002	13	112,035
Building Service Equipment	21,002	1,603	99	22,506
Equipment	39,703	7,776	3,000	44,479
Construction in Progress	4,122	341	-	4,463
	<u>\$ 168,089</u>	<u>\$ 28,274</u>	<u>\$ 3,126</u>	<u>\$ 193,237</u>

**Note 4 Capital Assets (continued)**

Accumulated Amortization			Net Book Value	Net Book Value
	Opening Balance April 1, 2008	Current year amortization net of disposals	2009	2008
Land	\$ -	\$ -	\$ 3,524	\$ 1,100
Site Improvements	4,239	98	1,893	877
Buildings	42,165	3,215	66,655	54,881
Building Service Equipment	12,115	782	9,609	8,887
Equipment	23,670	681	20,128	16,033
Construction in Progress	-	-	4,463	4,122
	\$ 82,189	\$ 4,776	\$ 106,272	\$ 85,900

**Capital assets were funded from the following sources:**

	2009	2008
Externally funded ( <i>unamortized external capital contributions</i> )	\$85,786	\$78,240
Internally funded ( <i>invested in capital assets</i> )	20,486	7,660
	<u>\$ 106,272</u>	<u>\$ 85,900</u>

**Note 5 Deferred Contributions**

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

	2009	2008
<b>Current</b>		
Restricted Specialist On Call	\$ 330	\$ 774
Restricted Continuing Care Initiatives	553	560
Restricted MHIF ACT Program	155	371
Restricted Healthy Weights Initiatives	482	397
Restricted Innovation Immunization Fund	117	241
Restricted Telehealth	50	76
Restricted MHIF Mental Wellness/ Addictions Training	23	196
Restricted Ground Ambulance	44	116
Restricted Alberta Telestroke Program	134	104
Restricted Young Family Wellness	-	49
Restricted Telehome Care	61	79
Restricted EHR Client Registry Transition Support	-	6
Restricted Rainbow Lake Clinical Telehealth	26	43
Restricted Nunee Health	-	233
Pandemic Supplies	645	645
Restricted Alberta Health - Other	93	160
RSHIP	468	-
Modified Work Program	144	-
Children's Mental Health	44	61
Alberta Stroke Strategy	1,218	992
AB Telehealth Initiative	354	120
Cardiac Access - Wait Time Management	69	136
Drinking Water Systems	37	62
HCA - In Service Training	54	28
Colorectal Cancer Screening	259	259
Hip & Knee Replacement	312	105
Back & Spine Care	118	119
Woman Wellness	6	64
Wood Buffalo Primary Care Network	504	649
Northwest Primary Care Network	327	-
Restricted - Other	139	206
	<u>\$ 6,766</u>	<u>\$ 6,851</u>
<b>Non-current</b>	4	4
Total	<u>\$ 6,770</u>	<u>\$ 6,855</u>

**Note 6 Deferred Capital Contributions**

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

	2009	2008
Equipment replacement	\$ -	\$ 65
Improvement of capital assets	12,060	13,180
New construction	25,662	25,979
	<u>\$ 37,722</u>	<u>\$ 39,224</u>

**Note 7 Long-Term Employee Benefits**

**(a) Supplementary Retirement Plan**

The Region participates in the Local Authorities Pension Plan. This multi-employer defined benefit pension plan provides pensions for participating employees based on years of service and earnings. For further discussion, see Note 2(d). The Region provides a defined benefit Supplementary Retirement Plan to senior executives (SRP). SRP is fully funded as at March 31, 2009. Information related to the SRP defined benefit plan, based on actuarial estimations as at March 31, 2009 is as follows:

	2009	2008
<b>Accrued benefit obligation</b>		
Accrued benefit obligation, beginning of year	\$ 527	\$ 399
Current service cost	44	62
Interest cost	29	24
Actuarial loss (gain)	(25)	48
Benefit payments	(19)	(6)
Accrued obligation, end of year	<u>\$ 556</u>	<u>\$ 527</u>
<b>Reconciliation of funded status of accrued benefit asset / liability</b>		
Funded status of plan (deficit)	43	(65)
Unrecognized actuarial loss	106	126
Unrecognized initial obligation	142	161
Accrued benefit asset (liability)	<u>\$ 291</u>	<u>\$ 222</u>
Current service cost	44	62
Interest cost	29	24
Actual return on assets	3	(6)
Amortization of prior service costs	18	18
Actuarial loss (gain) in year	(25)	48
Difference between expected and actual return on assets	(17)	(5)
Difference between recognized and actual actuarial loss (gain) in year	37	(42)
Benefit cost	<u>\$ 89</u>	<u>\$ 99</u>
<b>Significant actuarial assumptions are as follows:</b>		
Discount rate	6.20%	5.20%
Expected average remaining service life of employees	12 years	12 years
Salary increase	4.00%	3.50%

The above information is based on the actuarial valuation performed as at March 31, 2009.

**Plan Assets ( held by trustee )**

Employer contributions -fair value of assets at March 31	283	230
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**Plan Assets ( held by Canada Revenue Agency )**

Employer contributions paid as refundable taxes	316	232
Total plan assets	<u>\$ 599</u>	<u>\$ 462</u>

Funded status of the plan	<u>\$ 43</u>	<u>\$ (65)</u>
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**Note 7 Long-Term Employee Benefits (continued)**

**(b) Pension Expense**

Pension expense in these financial statements is equal to the Region's annual contributions payable and is comprised of the following:

	2009	2008
Local Authorities Pension Plan	\$ 4,736	\$ 3,300
Defined contribution pension plans	166	134
Supplementary Retirement Plan	<u>44</u>	<u>62</u>
	<u>\$ 4,946</u>	<u>\$ 3,496</u>

At December 31, 2008 the Local Authorities Pension Plan reported a deficiency of \$4,413,971, (2007 deficiency of \$1,183,334).

**Note 8 Commitments and Contingencies**

a) Commitments

The Region is committed under contracts for service contracts, capital construction and leases until 2017 for the following payments:

Year	Amount
2010	\$ 6,359
2011	1,908
2012	1,266
2013	759
2014	360
Thereafter	419
	<u>\$ 11,071</u>

b) Legal

In the ordinary course of operations, various claims and lawsuits are brought against the Region. While it is not possible to estimate the ultimate liability with respect to pending litigation, the Region believes there will be no material adverse effect on the financial position of the Region.

**Note 9 Budget**

The budget was approved by senior management and submitted to the Minister of Health and Wellness on June 4, 2008.

**Note 10 Alberta Health and Wellness Contributions**

	2009	2008
Unrestricted contributions	\$ 147,817	\$ 139,451
Transfers from deferred contributions	5,484	3,660
	<u>\$ 153,301</u>	<u>\$ 143,111</u>

**Note 11 Other Government Contributions**

	2009	2008
<b>Alberta Government</b>		
Transfers from deferred contributions	\$ 1,042	\$ 1,173
Transition grant from East Central Health Region (Note 17)	608	
<b>Other Government</b>	<u>1,650</u>	<u>1,348</u>
	<u>\$ 3,300</u>	<u>\$ 2,521</u>

**Note 12 Ancillary Operations**

	2009				2008	
	Revenue	Direct Expenses	Amortization Expense	Excess (Deficiency) of Revenue over Expense	Revenue	Excess (Deficiency) of Revenue over Expense
Parking operations	\$ 288	\$ -	\$ -	\$ 288	\$ 279	\$ 275
Non-patient food services	629	610	-	19	567	2
Sale of goods and services	367	280	-	87	208	(21)
Rental operations	403	276	54	73	161	(427)
Other	2	671	-	(669)	4	(460)
<b>Total</b>	<u>\$ 1,689</u>	<u>\$ 1,837</u>	<u>\$ 54</u>	<u>\$ (202)</u>	<u>\$ 1,219</u>	<u>\$ (631)</u>

Ancillary expenses are reported as support services in the Statement of Operations.

**Note 13 Investment and other income**

	2009	2008
Investment income	\$ 1,035	\$ 1,063
Transfers from deferred contributions	111	92
Other income:		
Immunization recoveries	114	106
Other recoveries	1,325	1,405
	<u>\$ 2,585</u>	<u>\$ 2,666</u>

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

**Note 14 Related Parties**

**(a) Province of Alberta and Health Regions**

The Minister of Health and Wellness appoints members of the Alberta Health Services Board. The Board is economically dependent on the Ministry of Health and Wellness since the viability of its operations depends on contributions from the Ministry.

The Region had the following transactions with other health regions recorded on the Statement of Operations and Financial Position at the amounts of consideration agreed upon between the related parties:

	2009				2008			
	Revenue	Expense	Receivable	Payable	Revenue	Expense	Receivable	Payable
Other regional health authorities and provincial health boards	\$ 1,067	\$ 1,291	\$ 1,601	\$ 59	\$ 270	\$ 123	\$ 1,149	\$ 343

**(b) Regional Shared Health Information Program (RSHIP)**

The seven non-metro health regions:

David Thompson Health Region	Chinook Regional Health Authority
Peace Country Health Region	East Central Health Region
Aspen Health Region	Palliser Health Region
Northern Lights Health Region	

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 (EHR) initiative.

**Note 14 Related Parties (continued)**

	<u>2009</u>	<u>2008</u>
AHW Funding	\$ 462	\$ 473
Health Region contribution	432	538
Total	<u>\$ 894</u>	<u>\$ 1,011</u>
<u>Reported as follows:</u>		
Expenses	\$ 863	\$ 1,011
Capital assets	31	-
Total	<u>\$ 894</u>	<u>\$ 1,011</u>

**(c) Primary Care Networks**

The Region's share of the Wood Buffalo & Northwest Primary Care Network is included in the financial statements under the proportionate consolidation method.

	<u>Region's 50 % share</u>	
	<u>2009</u>	<u>2008</u>
Opening Balance	\$ 649	\$ 644
Contributions from AHW	1,100	900
Amounts recognized as revenue	(918)	(895)
Amounts deferred	<u>\$ 831</u>	<u>\$ 649</u>

**(d) Foundations**

The following controlled foundations are not consolidated in these statements:

Northern Lights Regional Health Foundation – The Region significantly influences the Northern Lights Regional Health Foundation through its representation on the Board of Directors.

	<u>2009</u>	<u>2008</u>
Assets	\$ 4,522	\$ 3,746
Liabilities	3,178	1,576
Net assets	<u>\$ 1,344</u>	<u>\$ 2,170</u>
Revenue	\$ 2,313	\$ 5,059
Expenses	1,382	4,569
Excess of revenue over expense	<u>\$ 931</u>	<u>\$ 490</u>

**Note 14 Related Parties (continued)**

Northwest Health Foundation – The Region significantly influences the Northwest Health Foundation through its representation on the Board of Directors.

	<u>2009</u>	<u>2008</u>
Assets	\$ 84	\$ 22
Liabilities	45	1
Net assets	<u>\$ 39</u>	<u>\$ 21</u>
Revenue	\$ 147	\$ 28
Expenses	124	25
Excess of revenue over expense	<u>\$ 23</u>	<u>\$ 3</u>

Contributions received by Health Region  
Year ended March 31

Resources held by Foundation  
At March 31, 2009

	<u>2009</u>	<u>2008</u>	<u>Externally Restricted</u>	<u>Unrestricted</u>
Northern Lights Regional Health Foundation	\$ 691	\$ 3,705	\$ 1,243	\$ 3,178
Northwest Health Foundation	45	-	1	38
Net assets	<u>\$ 736</u>	<u>\$ 3,705</u>	<u>\$ 1,244</u>	<u>\$ 3,216</u>

Resources of the Northern Lights Regional Health Foundation amounting to \$1,243 have been restricted for the exclusive use within the Regional Municipality of Wood Buffalo.

**(e) Contracts with Health Service Providers**

The Region has an economic interest through its contracts with private health service providers in the region. Funding was provided as follows:

	<u>2009</u>	<u>2008</u>
Direct Region funding	\$10,132	\$7,627
Direct AHW funding	233	58
Fees and charges	-	-
Full cost adjustments	-	-
Total	<u>\$10,365</u>	<u>\$7,685</u>

**Note 15 Trust Funds**

The Region receives funds in trust from Continuing Care residents for Continuing Care accommodation fees and incidental costs. These amounts are not reported in the statements. At March 31, 2009, the balance of funds held by the Region is \$144.

**Note 16 New Governance Structure**

On May 15, 2008, the Minister of Health and Wellness restructured the governance model of health services delivery in Alberta. A single common board replaced the board members of each of Alberta's nine regional health authority boards, Alberta Mental Health Board, Alberta Cancer Board and Alberta Alcohol and Drug Abuse Commission. Effective April 1, 2009, all the entities including the Region but excluding East Central Health will be disestablished and all the assets, liabilities, rights and obligations of these entities including the Region will be assumed by East Central Health whose name will change to Alberta Health Services ("AHS").

**Note 17 Transition Costs**

As at March 31, 2009, the Region recorded transition costs and restructuring changes in the Statement of Operations. The charges consist of severance costs and termination benefits, professional services, consulting costs and other applicable transition expenses. In the Statement of Operations, these charges are included in Administration, Support Services and Information Technology.

	Severance- Related Charges	Other Charges	Total
	(thousands of dollars)		
Liability as at March 31, 2008	\$ -	\$ -	\$ -
Restructuring charges	573	35	608
Payments made during the year	<u>( 573)</u>	<u>(35)</u>	<u>( 608)</u>
Liability as at March 31, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

East Central Health received \$80 million in funding from Alberta Health and Wellness for the costs of Alberta Health Services transitioning and the Region has recorded a receivable from East Central Health for the transitioning cost incurred as described above.

**Note 18 Comparative Figures**

Certain 2009 figures have been reclassified to match their 2008 presentation.

**Note 19 Approval of Financial Statements**

These financial statements have been approved by the Alberta Health Services Board.

**NORTHERN LIGHTS HEALTH REGION  
SCHEDULE OF EXPENSES BY OBJECT  
For the Year Ended March 31, 2009  
(in thousands)**

**Schedule 1**

	2009		2008
	Budget	Actual	Actual
Salaries and Benefits (Schedule 2)	\$ 106,337	\$ 94,035	\$ 82,420
Contracts with health service providers (Note 14 (e))	10,240	10,365	7,685
Drugs and gases	1,848	1,652	1,670
Medical and surgical supplies	3,364	3,358	3,095
Other contracted services	15,227	17,477	11,933
Other *	32,197	27,053	21,019
Amortization:			
Capital equipment - internally funded	871	857	707
Capital equipment - externally funded	3,286	2,366	2,614
Facilities and improvements - internally funded	887	235	147
Facilities and improvements - externally funded	5,160	3,915	3,854
Capital assets disposal - internally funded	-	66	-
Capital assets disposal - externally funded	-	463	-
	<u>\$ 179,417</u>	<u>\$ 161,842</u>	<u>\$ 135,144</u>
* Other include:			
Utilities	\$ 2,677	\$ 2,655	\$ 2,404
Equipment/Software Maintenance	2,348	3,602	1,628
Recruitment/Relocation/Retention of Staff/ Physicians	5,772	2,892	1,901
Travel	2,259	2,477	1,744
Minor Equipment	1,183	4,168	1,916
Food Supplies	1,000	1,034	970
Education	1,411	994	1,131
Maintenance - Buildings and Grounds	1,584	1,832	2,543
General Office Supplies	4,552	4,236	3,214
Other	9,411	3,163	3,568
	<u>\$ 32,197</u>	<u>\$ 27,053</u>	<u>\$ 21,019</u>

**NORTHERN LIGHTS HEALTH REGION  
SCHEDULE OF SALARIES AND BENEFITS  
March 31, 2009  
(in thousands)**

**Schedule 2**

	2009							2008		
	Number of FTEs <sup>(1)</sup>	Base Salary <sup>(2)</sup>	Other Cash Benefits <sup>(3)</sup>	Other Non-Cash Benefits <sup>(4)(6)</sup>	Sub-Total	Number of FTEs	Severance (5) Amount	Total	Number of FTEs <sup>(1)</sup>	Total
<b>Board Chair (7)</b>										
Ken Hughes - AHS	0.88	-	-	-	-	-	-	-	0.0	-
Fitzner, Jeff	0.12	-	13	-	13	-	-	13	1.0	68
<b>Board Members (7)</b>										
Jack Ady - AHS	0.88	-	-	-	-	-	-	-	0.0	-
Pierre Crevoilin - AHS	0.21	-	-	-	-	-	-	-	0.0	-
Catherine Roozen - AHS	0.63	-	-	-	-	-	-	-	0.0	-
Linda Hohol - AHS	0.88	-	-	-	-	-	-	-	0.0	-
John Lehnies - AHS	0.88	-	-	-	-	-	-	-	0.0	-
Irene Lewis - AHS	0.88	-	-	-	-	-	-	-	0.0	-
Don Sieben - AHS	0.88	-	-	-	-	-	-	-	0.0	-
Lori Andreachuk - AHS	0.33	-	-	-	-	-	-	-	0.0	-
Gord Bontje - AHS	0.33	-	-	-	-	-	-	-	0.0	-
Teri Lynn Bougie - AHS	0.33	-	-	-	-	-	-	-	0.0	-
Jim Clifford - AHS	0.33	-	-	-	-	-	-	-	0.0	-
Strater Crowfoot - AHS	0.33	-	-	-	-	-	-	-	0.0	-
Tony Franceschini - AHS	0.33	-	-	-	-	-	-	-	0.0	-
Andreas Laupacis - AHS	0.33	-	-	-	-	-	-	-	0.0	-
Gord Winkel - AHS	0.33	-	-	-	-	-	-	-	0.0	-
Ron Amason	0.12	-	8	-	8	-	-	8	1.0	22
Eric Axford	-	-	-	-	-	-	-	-	1.0	10
Cary Chonkolay	-	-	-	-	-	-	-	-	1.0	3
Jake Elias	0.12	-	3	-	3	-	-	3	1.0	9
Sylvia Kennedy	0.12	-	6	-	6	-	-	6	1.0	18
Margaret Macdonald	-	-	-	-	-	-	-	-	1.0	3
Noreen McAteer	0.12	-	3	-	3	-	-	3	1.0	11
Paul McWilliams	0.12	-	4	-	4	-	-	4	1.0	17
Sharon Shiniman	0.12	-	3	-	3	-	-	3	1.0	11
Diane Slater	0.12	-	2	-	2	-	-	2	1.0	16
Gord Winkel	0.12	-	6	-	6	-	-	6	1.0	17
Sub-total	9.84	-	48	-	48	-	-	48	12.00	205
<b>Board Direct Reports (8)</b>										
President and Chief Executive Officer - AHS (10)	0.02	-	-	-	-	-	-	-	0.0	-
Interim Chief Executive Officer - AHS (10)	0.88	-	-	-	-	-	-	-	0.0	-
Chief Executive Officer (10) (12) (13)	0.27	81	68	40	189	1	573	762	1.0	380
Vice President Medical Services *	1.33	609	-	-	609	-	-	609	0.5	222
Medical Officer of Health *	1.00	474	-	-	474	-	-	474	0.5	241
<b>CEO Direct Reports (9)</b>										
Chief Operating Officer	1.00	250	-	45	295	-	-	295	1.0	285
VP Corporate Services & CFO (11)	1.00	199	-	46	245	-	-	245	0.9	193
VP Human Resources	1.00	178	-	35	213	-	-	213	0.8	160
Chief Integration/Liaison Officer	1.00	186	-	30	216	-	-	216	0.8	158
Director, Communications	1.00	143	-	25	168	-	-	168	1.0	146
Director, Foundation	0.68	88	5	15	108	1	75	183	1.0	178
Other management reporting directly to those above	6.55	1,018	-	150	1,168	2	152	1,320	6.7	1,603
<b>Other management</b>	79.18	7,861	219	1,219	9,299	-	-	9,299	53.6	6,698
Medical doctors not included above										
Regulated nurses not included above										
- RNs, Reg. Psych. nurses, Grad nurses	258.07	21,166	3,018	3,699	27,883	-	-	27,883	243.4	25,511
- LPNs	73.13	4,337	359	679	5,375	-	-	5,375	66.9	4,568
Other health technical & professionals	136.95	11,524	1,044	2,262	14,830	-	-	14,830	108.1	12,154
Unregulated health service providers	109.41	5,465	196	943	6,604	-	-	6,604	118.6	6,660
Other staff	378.98	20,789	1,238	3,484	25,511	-	-	25,511	350.7	23,058
<b>Total Staff Compensation</b>	1,051.45	74,368	6,147	12,672	93,187	4	800	93,987	955.5	82,315
<b>Grand Total</b>	1,061.29	\$ 74,368	\$ 6,195	\$ 12,672	\$ 93,235	4	\$ 800	\$ 94,035	967.5	\$ 82,420

\* Both of these positions are contracted

**Schedule 2 (continued)**  
**NORTHERN LIGHTS HEALTH REGION**  
**SCHEDULE OF SALARIES AND BENEFITS**  
**March 31, 2009**

- (1) Full Time Equivalent (FTE) is determined at the rate of 2,022.75 annual hours for each full-time employee. Total actual discrete number of individuals employed: 1458 (2008 - 1365). "Discrete" number of individuals refers to all employees who were in the system during the fiscal year.
- (2) Base salary includes pensionable base pay.
- (3) Other cash benefits include bonuses, overtime, lump sum payments and honoraria.
- (4) Other non-cash benefits include:
- a. Employer's current and prior service cost of supplementary retirement plans per note (6) below.
  - b. 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 insurance, long and short term disability plans, professional membership and tuition and:
  - c. Employer's share of the cost of additional benefits including sabbaticals or other special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships:
- (5) Severance includes direct or indirect payments to individuals upon termination, which are not included in other benefits.
- (6) Supplementary Executive Retirement Plan (SERP)

Under the terms of the supplemental executive retirement plan, executive officers may receive supplemental retirement payments. Retirement arrangements costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. SERP provides future pension benefits to participants based on years of service and earnings.

**SUPPLEMENTARY RETIREMENT BENEFITS**

	2009			2008
	Current Service Cost	Prior Service and Other Costs	Total	Total
Chief Executive Officer	\$ 10,531	\$ 28,499	\$ 39,030	\$63,969
Chief Operating Officer	10,998	3,868	14,866	6,635
Chief Integration/Liason Officer	3,156	249	3,405	1,080
VP Health Services East	277	3,310	3,587	6,404
VP Health Services West	6,156	2,054	8,210	4,711
VP Corporate Services	8,704	6,381	15,085	12,809
VP Human Resources	4,305	273	4,578	3,560
			<u>88,761</u>	

The accrued obligation for each executive under the SRP is outlined in the following table:

	Accrued obligation March 31, 2008	Change in accrued obligation	Accrued obligation March 31, 2009
	Chief Executive Officer	\$ 324,113	\$ (3,681)
Chief Operating Officer	75,153	11,508	86,661
Chief Integration/Liason Officer	4,401	7,127	11,528
VP Health Services East	25,233	(3,413)	21,820
VP Health Services West	27,932	6,319	34,251
VP Corporate Services	66,503	3,427	69,930
VP Human Resources	3,560	7,441	11,001

- (7) On May 15, 2008, the Region's board, along with the other regional health authority boards, was replaced by the Alberta Health Services ("AHS") interim board. On December 1, 2008, an additional 8 panel members were appointed to complete the 15 member board. Salaries and benefits of the AHS board members are reported and disclosed in the financial statements of East Central Health.
- (8) Board Direct Reports reflect FTE's and costs for the 08-09 fiscal year based on the titling and positioning that existed as at May 15, 2008.
- (9) CEO Direct Reports reflect FTE's and costs for the 08-09 fiscal year based on the titling and positioning that existed as at July 8, 2008.
- (10) On July 8, 2008 the Region's CEO was terminated. The Interim CEO – AHS was appointed effective May 15, 2008 to manage the operations of the health regions, provincial boards and Alberta Alcohol and Drug Abuse Commission and to effect their transition to a single provincial health authority. Salary and benefits of the Interim CEO – AHS are reported and disclosed in the financial statements of East Central Health. The President and CEO – AHS was appointed effective March 23, 2009. Salary and benefits of the President and CEO – AHS are reported and disclosed in the financial statements of East Central Health.
- (11) Effective February 25, 2009 the VP Corporate Services & CFO held a dual role as Chief Risk Officer for AHS. Costs incurred are reported in the accounts of the Region.

- (12) Severance for CEO included \$1,673 Legal Fees and \$8,500 Outplacement Costs. In addition a SERP pension of \$682/month for life is being paid.
- (13) Automobile provided. No dollar amount included in other non-cash benefits.

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