

Human Services

Annual Report (Volume 2)

2012 – 2013



This report was prepared on behalf of the ministry by the Department of Human Services.

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Human Services

Annual Report (Vol. 2)

2012-2013

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Ministry &
Department

FINANCIAL STATEMENTS

MINISTRY OF HUMAN SERVICES
CONSOLIDATED FINANCIAL STATEMENTS
Year ended March 31, 2013

Independent Auditor's Report

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Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Human Services, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Human Services as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 7, 2013

Edmonton, Alberta

MINISTRY OF HUMAN SERVICES
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2013

	2013		2012
	Budget	Actual	Actual
	(Schedule 4)		(Restated Note 3)
	(in thousands)		
Revenues (Schedule 1)			
Federal Government Grants			
Services on First Nations Reserves	\$ 45,048	\$ 52,607	\$ 44,546
Rehabilitation of Disabled Persons	25,190	25,190	25,190
Labour Market Development	173,073	177,065	172,800
Other Transfers	25,195	27,704	26,535
Premium, Fees and Licences	6,265	6,628	6,034
Other Revenue	60,577	66,071	67,823
	<u>335,348</u>	<u>355,265</u>	<u>342,928</u>
Expenses - Directly Incurred (Note 2b and Schedule 9)			
Program (Schedules 3 and 6)			
Ministry Support Services	45,780	41,840	46,859
Employment	972,622	952,019	948,674
Child Intervention	682,491	670,624	622,060
Child Care	264,487	258,549	244,337
Assured Income for Severely Handicapped	1,060,407	1,034,460	805,504
Support to Persons with Disabilities	682,642	702,267	642,563
Public Guardian and Trustee Services	27,473	28,835	26,193
Family Support for Children with Disabilities	147,830	138,124	133,622
Family and Community Support Services	76,124	75,941	75,938
Homeless Support	110,033	109,633	96,843
Implementation of Alberta Supports	13,950	11,172	8,224
Early Intervention Services for Children and Youth	95,253	101,699	94,777
Prevention of Family Violence and Bullying	42,163	41,635	41,417
Workplace Standards	46,107	46,804	42,891
Labour Relations Board	3,162	3,207	2,940
Appeals Commission for Alberta Workers' Compensation	10,358	9,942	9,595
	<u>4,280,882</u>	<u>4,226,751</u>	<u>3,842,437</u>
Net Operating Results	<u>\$ (3,945,534)</u>	<u>\$ (3,871,486)</u>	<u>\$ (3,499,509)</u>

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

MINISTRY OF HUMAN SERVICES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	2013	2012 (Restated Note 3)
	(in thousands)	
Assets		
Cash and Cash Equivalents	\$ 97,152	\$ 97,991
Prepaid Expenses	1,703	2,691
Accounts Receivable (Note 4)	84,638	64,874
Inventories	226	432
Tangible Capital Assets (Note 5)	42,670	49,541
	<u>\$ 226,389</u>	<u>\$ 215,529</u>
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 219,328	\$ 217,401
Deferred Revenue	20,761	22,259
	<u>240,089</u>	<u>239,660</u>
Net Liabilities		
Net Liabilities at Beginning of Year	(24,131)	(46,524)
Net Operating Results	(3,871,486)	(3,499,509)
Net Financing Provided from General Revenues	3,881,917	3,521,902
	<u>(13,700)</u>	<u>(24,131)</u>
	<u>\$ 226,389</u>	<u>\$ 215,529</u>

Contractual obligations and contingent liabilities (Notes 7 and 8)

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

**MINISTRY OF HUMAN SERVICES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2013**

	2013	2012 (Restated Note 3)
	<u>(in thousands)</u>	
Operating Transactions		
Net Operating Results	\$ (3,871,486)	\$ (3,499,509)
Non-Cash items included in Net Operating Results		
Amortization	10,112	7,274
Loss on Disposal of Tangible Capital Assets	4,378	22
	<u>(3,856,996)</u>	<u>(3,492,213)</u>
Increase in Accounts Receivable	(19,853)	(11,803)
Decrease / (Increase) in Prepaid Expenses	988	(772)
(Increase) / Decrease in Advances	-	114
Decrease / (Increase) in Inventories	206	(31)
Increase / (Decrease) in Accounts Payable and Accrued Liabilities	2,016	(12,311)
Decrease in Deferred Revenue	<u>(1,498)</u>	<u>(913)</u>
Cash Applied to Operating Transactions	(3,875,137)	(3,517,929)
Capital Transactions		
Acquisition of Tangible Capital Assets	(8,037)	(11,634)
Disposal of Tangible Capital Assets	-	20
Transfer of Capital Asset to another Ministry ^(a)	418	4,361
Cash Applied to Capital Transactions	(7,619)	(7,253)
Financing Transactions		
Net Financing Provided from General Revenues	<u>3,881,917</u>	<u>3,521,902</u>
Increase (Decrease) in Cash	(839)	(3,280)
Cash and Cash Equivalents, Beginning of Year	97,991	101,271
Cash and Cash Equivalents, End of Year	<u>\$ 97,152</u>	<u>\$ 97,991</u>

^(a) Tangible Capital Asset transferred to the Office of the Child and Youth Advocate.

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

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Human Services has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The Ministry consists of the organizations listed below.

Organization	Legislation
Department of Human Services	<i>Government Organization Act</i>
Six Persons with Developmental Disabilities Community Boards	<i>Persons with Developmental Disabilities Community Governance Act</i>
Ten Child and Family Services Authorities	<i>Child and Family Services Authorities Act</i>

The ministry is responsible for assisting Albertans in creating conditions for safe and supportive homes, communities and workplace so they have opportunities to realize their full potential. Its core business is to work collaboratively with community, industry and business partners to deliver citizen-centred programs and services that improve quality of life of Albertans.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Ministry of Human Services for which the Minister of Human Services is accountable. The accounts of the Department, Persons with Developmental Disabilities Community Boards and the Child and Family Services Authorities are consolidated. Another entity reporting to the Minister is Workers' Compensation Board. The activities of this organization are not included in these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net financing provided (for) from General Revenues is the difference between all cash receipts and all cash disbursements made.

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(b) Basis of Consolidation

The accounts of the organizations listed in Note 1 above have been consolidated on a line by line basis. Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between the consolidated organizations were eliminated upon consolidation.

(c) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government transfers

Transfers from the Government of Alberta, Federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the ministry's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the ministry complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the ministry is eligible to receive the funds.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual Credit or Recovery amounts exceed budget, the ministry may, with approval of Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the ministry's Credit or Recovery initiatives.

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(c) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurring by Others

Services contributed by other entities in support of the ministry's operations are not recognized and are disclosed in Schedule 8 and allocated to programs in schedule 9.

Cash and Cash Equivalents

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the ministry.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Ministry are limited to financial claims, such as

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(c) Basis of Financial Reporting (continued)

advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the average cost method.

Assets acquired by right are not included. Tangible capital assets of the ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets.

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. Costs associated with business process reengineering and system development costs incurred during the preliminary project stage of an information technology project are expensed. System development costs associated with the application development stage and acquisition of software are capitalized. Capitalization of costs begins after the preliminary project stage ends and when the system application is completed and ready for its intended use. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Prepaid Expenses, Accounts Receivable, Advances, Inventories, and Accounts Payable and Accrued Liabilities

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(c) Basis of Financial Reporting (continued)

are estimated to approximate their carrying values because of the short-term nature of these instruments.

Net Liabilities

Net Liabilities represent the difference between the carrying value of assets held by the ministry and its liabilities.

Canadian Public Sector Accounting Standards required a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

**NOTE 3 GOVERNMENT REORGANIZATION
(in thousands)**

As a result of restructuring of government ministries announced on May 8, 2012 and other transfer of responsibilities to and from other ministries, comparatives for 2012 have been restated as if the ministry had always been assigned with its current responsibilities. Net assets (liabilities) on March 31, 2011 are made up as follows:

Net (Liabilities) as previously reported	\$ (83,253)
Net Asset transfer from Ministry of Seniors	21,294
Net Asset transfer from Ministry of Justice and Solicitor General	9,411
Net Liability transfer to Ministry of Enterprise and Advanced Education	1,243
Net Liability transfer to the Office of the Child and Youth Advocate	<u>4,781</u>
Net Assets (Liabilities) at March 31, 2011	<u>\$ (46,524)</u>

Effective April 1, 2012 the responsibility of providing grant funding to the post-secondary institutions under the Disability Related Employment Supports program was transferred to the Ministry of Enterprise and Advanced Education. The 2012 comparative financial statements have been restated to reflect this transfer as if it had occurred on April 1, 2011. This resulted in the restatement of comparative figures for 2012 which increased net operating results by \$6,825 and decreased Net Financing Provided from General Revenues by \$6,825.

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 4 ACCOUNTS RECEIVABLE
(in thousands)

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated Note 3)
Accounts Receivable	\$ 66,849	\$ (2,131)	\$ 64,718	\$ 45,299
Refunds from Suppliers	19,920		19,920	19,575
	\$ 86,769	\$ (2,131)	\$ 84,638	\$ 64,874

Accounts receivable are unsecured and non-interest bearing.

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 5 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment ⁽¹⁾	Computer Hardware and Software	Leasehold Improvements	Total
Estimated Useful Life	3 – 15 years	5 years	5 – 10 years	
Historical Costs⁽²⁾				
Beginning of Year	\$ 9,630	\$ 101,589	\$ 1,510	\$ 112,729
Additions	25	8,012	-	8,037
Transfers	-	(418)	-	(418)
Disposals, including write-downs	(136)	(4384)	-	(4520)
	<u>\$ 9,519</u>	<u>\$ 104,799</u>	<u>\$ 1,510</u>	<u>\$ 115,828</u>
Accumulated Amortization				
Beginning of Year	\$ 7,237	\$ 55,505	\$ 446	\$ 63,188
Amortization Expense	526	9,433	153	10,112
Effect of Disposals	(136)	(6)	-	(142)
	<u>7,627</u>	<u>64,932</u>	<u>599</u>	<u>73,158</u>
Net Book Value at March 31, 2013	<u>\$ 1,892</u>	<u>\$ 39,867</u>	<u>\$ 911</u>	<u>\$ 42,670</u>
Net Book Value at March 31, 2012 (Restated Note 3)	<u>\$ 2,393</u>	<u>\$ 46,084</u>	<u>\$ 1,064</u>	<u>\$ 49,541</u>

⁽¹⁾ Equipment includes office equipment and furniture, vehicles, heavy equipment, kitchen and laundry equipment, medical and rehabilitation equipment, bathing equipment and other equipment.

⁽²⁾ Historical cost includes work-in-progress at March 31, 2013 totalling \$8,490 (2012 - \$9,478) comprised of: computer hardware and software.

NOTE 6 VOLUNTARY CONTRIBUTIONS

These financial statements do not include amounts relating to voluntary contributions received for materials and services because of the difficulty in determining their fair market value.

**MINISTRY OF HUMAN SERVICES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 MARCH 31, 2013**

NOTE 7 CONTRACTUAL OBLIGATIONS
 (in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of the contract or agreement are met.

As at March 31, 2013, the ministry has the following additional contractual obligations:

	<u>2013</u>	<u>2012</u> (Restated Note 3)
Obligations under Operating Leases, Contracts and Programs	<u>\$ 548,838</u>	<u>\$ 593,501</u>

Estimated payments requirements for each of the next five years and thereafter are as follows:

Obligations under Operating Leases, Contracts and Programs

	<u>Total</u>
2013 - 14	\$ 341,076
2014 - 15	92,058
2015 - 16	101,666
2016 - 17	14,023
2017 - 18	15
Thereafter	-
	<u>\$ 548,838</u>

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The ministry has a contingent liability in respect of 2 claims (2012: 2 claims) aggregating \$1,087 (2012: \$1,087) relating to decisions made by the Eugenics Board of Alberta pursuant to the Sexual Sterilization Act of 1928, which was repealed in 1972. The ultimate outcome of these claims cannot be determined.

Accruals have been made in specific instances, including the above sterilization claims, where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2013 accruals totalling \$1,305 (2012: \$1,022) have been recorded as a liability. The total amount claimed for all likely claims is \$140,077 (2012: \$133,357). Included in the total likely claims are claims in which the ministry has been jointly named with other entities. The accrual provided for these claims represents the ministry's portion of the liability. Included in the total likely claims are claims covered in whole or in part by the Alberta Risk Management Fund. The resulting additional liability, if any, from likely claims in excess of the amounts accrued is not determinable.

The ministry has been named in 64 (2012: 74) claims of which the outcome is not determinable. Of these claims, 60 (2012: 68) have specified amounts totalling \$1,424,311 (2012: \$1,459,388). The remaining 4 (2012: 6) claims have no amounts specified. Included in the total claims, 55 claims totalling \$1,407,385 (2012: 57 claims totalling \$1,078,770) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Based on the *Public Trustee Act*, the amount outstanding on a client's guaranteed account as administered by the Office of the Public Trustee (OPT) is a charge against the Common Fund Assets of the OPT and is unconditionally guaranteed by the Crown. As at March 31, 2013, based on the financial statements of OPT, the outstanding balance of the Client Guaranteed Accounts is \$418,459 (2012 - \$403,195).

Within the provision of the *Public Trustee Act*, the Office of the Public Trustee remits unclaimed estate monies, which is reported as general revenue of the ministry. If entitled beneficiaries are subsequently located, previously unclaimed estate monies are distributed to the beneficiaries.

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The ministry administers trust funds that are a regulated fund consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose described below, it is not included in the ministry's financial statements.

At March 31, 2013 the trust funds under administration were as follows:

	<u>2013</u>	<u>2012</u> (Restated Note 3)
Public Trustee, Estates and Trusts ⁽¹⁾	\$ 563,037	\$ 543,067
Employment Standards Trust Fund	1,210	1,145
Child Resources Rebate Trust Fund	890	928
Persons with Developmental Disabilities Community (PDD) Boards' Client Trust Funds	291	282
Donations to PDD Boards' Clients	-	2
Gunn Centre Residents Trust Fund	5	4
	<u>\$ 565,433</u>	<u>\$ 545,428</u>

- ⁽¹⁾ The Office of the Public Trustee administers the estates of dependent adults, decedents and minors. A more comprehensive accounting can be found in the Office of the Public Trustee, Estates and Trusts Financial Statements

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 10 BENEFIT PLANS

(in thousands)

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$63,008 for the year ended March 31, 2013 (2012 - \$55,689). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of \$303,423 (2011 – deficiency \$517,726), the Public Service Pension Plan reported a deficiency of \$1,645,141 (2011 - deficiency \$1,790,383), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870 (2011 – deficiency \$53,489).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of \$51,717 (2012 – surplus \$9,136) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$18,327 (2012 – surplus \$10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 11 GRANDFATHERED CLIENTS

(in thousands)

When the Persons with Developmental Disabilities Community Governance Act (the Act) was passed by the Alberta Legislature in 1997, the Act narrowed the service mandate from the previous disability supports program and established eligibility criteria.

Certain individuals and agencies were receiving services prior to the passing of the Act but they no longer met the new criteria for Persons with Development Disabilities (PDD).

In response to a recommendation from the Building Better Bridges Report, Government directed that PDD boards continue providing services to these individuals and agencies until service responsibility is handed-off to a more appropriate provincial program. Accordingly, expenses related to these grandfathered individuals and agencies do not comply with the Act.

The total cost of these services for 41 grandfathered individuals that has been included in the Consolidated Statements of Operations is estimated to be \$1,650 (2012 – 43 individuals with a cost of \$1,599). The total cost for 1 grandfathered agency, which provides services to an additional 11 individuals, that has been included in the Statements of Operations is estimated to be \$1,144 (2012 – \$1,095).

**MINISTRY OF HUMAN SERVICES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 12 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 13 APPROVAL OF FINANCIAL STATEMENTS

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

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
Revenues
Year ended March 31, 2013

Schedule 1

	2013		2012
	Budget	Actual	Actual (Restated Note 3)
	(in thousands)		
Federal Government Grants			
Services on First Nations Reserves	\$ 45,048	\$ 52,607	\$ 44,546
Rehabilitation of Disabled Persons	25,190	25,190	25,190
Labour Market Development	173,073	177,065	172,800
Other Transfers	25,195	27,704	26,535
	268,506	282,566	269,071
Premiums, Fees and Licenses	6,265	6,628	6,034
Other Revenue			
Refunds of Expenditures	9,965	17,276	24,660
Workers' Compensation Appeals	10,558	10,279	10,443
Occupational Health and Safety Transfer	29,392	30,700	27,694
Other	10,662	7,816	5,026
	60,577	66,071	67,823
Total Revenues	\$ 335,348	\$ 355,265	\$ 342,928

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
Credit or Recovery
Year ended March 31, 2013

Schedule 2

	2013		(Shortfall) / Excess
	Authorized	Actual	
	(in thousands)		
Occupational Health and Safety ⁽¹⁾	\$ 33,864	\$ 30,700	\$ (3,164)
	<u>\$ 33,864</u>	<u>\$ 30,700</u>	<u>\$ (3,164)</u> ⁽²⁾

⁽¹⁾ Occupational Health and Safety recovery, under the agreement with the Workers' Compensation Board, is for the purpose of defraying part of the costs of administering the Occupational Health and Safety Act.

⁽²⁾ The revenue and expense related to credit or recovery initiatives are included in the ministry's revenue and expense in the Consolidated Statement of Operations. Any shortfall is deducted from current year's authorized budget.

⁽³⁾ The Authorized budget includes a recovery increase of \$4,472 approved by Treasury Board on July 19, 2012 (Treasury Board Minute No. 22/2012)

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object
Year ended March 31, 2013

Schedule 3

	2013		2012
	Budget	Actual	Actual (Restated Note 3)
	(in thousands)		
Salaries, Wages and Employee Benefits	\$ 631,839	\$ 609,364	\$ 574,795
Supplies and Services	1,275,423	1,301,967	1,213,086
Supplies and Services from Support			
Arrangements with Related Parties ^(a)	1,643	868	2,279
Grants	2,360,379	2,299,291	2,045,299
Financial Transactions and Other	2,239	5,500	514
Amortization of Tangible Capital Assets	9,359	10,112	7,281
Total Expenses before Recoveries	4,280,882	4,227,102	3,843,254
Less Recovery from Support Service			
Arrangements with Related Parties ^(b)	-	(351)	(817)
	\$ 4,280,882	\$ 4,226,751	\$ 3,842,437

^(a) The ministry receives financial and administrative support services from the Ministries of Enterprise and Advanced Education, and Justice and Solicitor General.

^(b) The ministry provides human resources, and administrative support services to the Ministries of Enterprise and Advanced Education, Alberta Health and Executive Council. Costs incurred for these services are recovered from these ministries.

**MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS**

Budget

Year ended March 31, 2013

Schedule 4

	2012-2013 Estimate	Adjustment ^(e)	2012-2013 Budget	Authorized Supplementary	2012-2013 Authorized Budget
	(in thousands)				
Revenues					
Federal Government Grants					
Services on First Nations Reserves	\$ 45,048	\$ -	\$ 45,048	\$ -	\$ 45,048
Rehabilitation of Disabled Persons	25,190	-	25,190	-	25,190
Labour Market Development	173,073	-	173,073	-	173,073
Other Transfer	25,195	-	25,195	-	25,195
Premium, Fees and Licences	6,265	-	6,265	-	6,265
Other Revenue	60,577	-	60,577	-	60,577
	<u>335,348</u>	-	<u>335,348</u>	-	<u>335,348</u>
Expenses - Directly Incurred:					
Ministry Support Services	45,780	-	45,780	-	45,780
Employment	972,622	-	972,622	-	972,622
Child Intervention	682,491	-	682,491	-	682,491
Child Care	264,487	-	264,487	-	264,487
Assured Income for the Severely Handicapped	1,060,407	(11,867)	1,048,540	-	1,048,540
Support to Persons with Disabilities	682,642	-	682,642	-	682,642
Public Guardian and Trustee Services	27,473	-	27,473	-	27,473
Family Support for Children with Disabilities	147,830	-	147,830	-	147,830
Family and Community Support Services	76,124	-	76,124	-	76,124
Homeless Support	110,033	-	110,033	-	110,033
Implementation of Alberta Supports	13,950	-	13,950	-	13,950
Early Intervention Services for Children and Youth	95,253	-	95,253	-	95,253
Prevention of Family Violence and Bullying	42,163	-	42,163	-	42,163
Workplace Standards	46,107	4,472	50,579	-	50,579
Labour Relations Board	3,162	-	3,162	-	3,162
Appeals Commission for Alberta Workers Compensation	10,358	-	10,358	-	10,358
Total Expenses	<u>4,280,882</u>	<u>(7,395)</u>	<u>4,273,487</u>	-	<u>4,273,487</u>
Net Operating Results	\$ (3,945,534)	\$ 7,395	\$ (3,938,139)	\$ -	\$ (3,938,139)
Capital Investment	<u>10,773</u>	<u>(299)</u>	<u>10,474</u>	-	<u>10,474</u>

**MINISTRY OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS**

Budget

Year ended March 31, 2013

Schedule 4 (Continued)

^(a) Adjustments include encumbrances, credit or recovery increases approved by Ministry of Treasury Board and Finance. In the event that actual Voted Expense and Capital Investment in the prior year exceed the authorized spending the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year. Treasury Board approval is pursuant to section 24(2) of the Financial Administration Act.

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Supplementary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
(in thousands)						
Program Operating						
1 Ministry Support Services						
1.1 Minister's Office	787	-	-	787	791	(4)
1.2 Associate Minister's Office	-	-	-	-	343	(343)
1.3 Deputy Minister's Office	1,299	-	-	1,299	1,261	38
1.4 Human Resource Services	10,241	-	-	10,241	9,286	955
1.5 Strategic Corporate Services	31,423	-	-	31,423	28,528	2,895
1.6 Communications	1,504	-	-	1,504	1,621	(117)
	45,254	-	-	45,254	41,830	3,424

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
Lapse/Encumbrance
Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjust- ments ⁽²⁾	Supple- -mentary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
2	(in thousands)					
Employment						
2.1	154,147	-	-	154,147	156,891	(2,744)
2.2	57,579	-	-	57,579	45,834	11,745
2.3	205,720	-	-	205,720	205,239	481
2.4	186,766	-	-	186,766	190,585	(3,819)
2.5	18,860	-	-	18,860	16,518	2,342
2.6	1,200	-	-	1,200	705	495
2.7	28,380	-	-	28,380	24,926	3,454
2.8	45,094	-	-	45,094	38,854	6,240
2.9	5,625	-	-	5,625	4,328	1,297
2.10	35,155	-	-	35,155	33,784	1,371
2.11	56,333	-	-	56,333	54,475	1,858
2.12	47,853	-	-	47,853	54,100	(6,247)
2.13	17,637	-	-	17,637	20,191	(2,554)
2.14	9,766	-	-	9,766	9,583	183
2.15	6,411	-	-	6,411	3,988	2,423
2.16	7,413	-	-	7,413	6,971	442
2.17	65,033	-	-	65,033	53,700	11,333
2.18	3,700	-	-	3,700	3,778	(78)
2.19	8,342	-	-	8,342	8,187	155
2.20	5,068	-	-	5,068	4,145	923
2.21	3,444	-	-	3,444	5,883	(2,439)
	969,526	-	-	969,526	942,665	26,861

MINISTRY OF HUMAN SERVICES
 SCHEDULE TO FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Supplementary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
(in thousands)						
3 Child Intervention						
3.1 Program Planning and Delivery	22,506	-	-	22,506	25,864	(3,358)
3.2 Child Intervention Services	418,415	-	-	418,415	399,336	19,079
3.3 Supports for Permanency	44,486	-	-	44,486	43,733	753
3.4 Foster Care Support	183,993	-	-	183,993	189,791	(5,798)
3.5 Protection of Sexually Exploited Children	6,763	-	-	6,763	6,252	511
	676,163	-	-	676,163	664,976	11,187
4 Child Care						
4.1 Program Planning and Delivery	6,025	-	-	6,025	5,833	192
4.2 Child Care Subsidy and Supports	173,008	-	-	173,008	167,362	5,646
4.3 Child Care Accreditation	85,454	-	-	85,454	84,410	1,044
	264,487	-	-	264,487	257,605	6,882
5 Assured Income for Severely Handicapped (AISH)						
5.1 Program Planning and Delivery	4,340	-	-	4,340	3,608	732
5.2 AISH Financial Assistance Grants	828,293	(11,867)	-	816,426	806,731	9,695
5.3 AISH Health Related Assistance Grants	194,893	-	-	194,893	192,306	2,587
5.4 AISH Program Delivery	32,549	-	-	32,549	31,574	975
	1,060,075	(11,867)	-	1,048,208	1,034,219	13,989
6 Support to Persons with Disabilities						
6.1 Program Planning and Delivery	880	-	-	880	875	5
6.2 Persons with Developmental Disabilities Program Management	6,670	-	-	6,670	6,775	(105)
6.3 PDD Calgary Region Community Board	173,671	-	-	173,671	180,218	(6,547)
6.4 PDD Central Region Community Board	152,918	-	-	152,918	156,128	(3,210)
6.5 PDD Edmonton Region Community Board	195,759	-	-	195,759	202,815	(7,056)
6.6 PDD Northeast Region Community Board	34,934	-	-	34,934	37,133	(2,199)
6.7 PDD Northwest Region Community Board	25,482	-	-	25,482	27,309	(1,827)
6.8 PDD South Region Community Board	74,100	-	-	74,100	76,584	(2,484)
6.9 Provincial Disability Supports Initiatives	16,963	-	-	16,963	13,729	3,234
6.10 Premier's Council on the Status of Persons with Disabilities	840	-	-	840	479	361
	682,217	-	-	682,217	702,045	(19,828)

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Supplementary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over/Expended) ⁽⁴⁾
	(in thousands)					
7 Public Guardian and Trustee Services						
7.1 Public Guardian Services	11,749	-	-	11,749	11,281	468
7.2 Office of the Public Trustee	15,564	-	-	15,564	14,721	843
	27,313	-	-	27,313	26,002	1,311
8 Family Support for Children with Disabilities						
8.1 Program Planning and Delivery	4,939	-	-	4,939	5,378	(439)
8.2 Family Support for Children with Disabilities	142,891	-	-	142,891	132,746	10,145
	147,830	-	-	147,830	138,124	9,706
9 Family and Community Support Services	76,124	-	-	76,124	75,941	183
10 Homeless Support						
10.1 Program Planning and Delivery	4,934	-	-	4,934	4,577	357
10.2 Interagency Council on Homelessness	499	-	-	499	444	55
10.3 Emergency/Transition Shelter Support	35,500	-	-	35,500	39,048	(3,548)
10.4 Outreach Support Services	69,100	-	-	69,100	65,564	3,536
	110,033	-	-	110,033	109,633	400
11 Implementation of Alberta Supports	13,950			13,950	11,172	2,778
12 Early Intervention Services for Children and Youth						
12.1 Early Intervention and Early Childhood Development	38,871	-	-	38,871	41,685	(2,814)
12.2 Parenting Resources Initiative	25,692	-	-	25,692	30,204	(4,512)
12.3 Fetal Alcohol Spectrum Disorder Initiatives	18,444	-	-	18,444	17,361	1,083
12.4 Youth in Transition	8,879	-	-	8,879	7,085	1,794
12.5 Child and Family Research	1,750	-	-	1,750	4,500	(2,750)
12.6 Alberta's Promise	1,617	-	-	1,617	864	753
	95,253	-	-	95,253	101,699	(6,446)
13 Prevention of Family Violence and Bullying						
13.1 Prevention of Family Violence and Bullying	12,018	-	-	12,018	11,200	818
13.2 Shelters for Women	30,145	-	-	30,145	30,436	(291)
	42,163	-	-	42,163	41,636	527

MINISTRY OF HUMAN SERVICES
 SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Supplementary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
	(in thousands)					
14 Workplace Standards						
14.1 Program Support	1,214	-	-	1,214	988	226
14.2 Professions and Occupations	-	-	-	-	-	-
14.3 Medical Panels for Alberta Workers' Compensation	315	-	-	315	284	31
14.4 Labour Relations	1,798	-	-	1,798	1,935	(137)
14.5 Occupational Health and Safety	29,392	4,472	-	33,864	30,700	3,164
14.6 Employment Standards	13,388	-	-	13,388	12,897	491
	46,107	4,472	-	50,579	46,804	3,775
15 Labour Relations Board	3,162	-	-	3,162	3,207	(45)
16 Appeals Commission for Alberta Workers' Compensation	10,258	-	-	10,258	9,905	353
Total	\$ 4,269,915	\$ (7,395)	\$ -	\$ 4,262,520	\$ 4,207,463	\$ 55,057
Lapse/(Encumbrance)						\$ 55,057

MINISTRY OF HUMAN SERVICES
 SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjust- ments ⁽²⁾	Supple- -mentary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
	(in thousands)					
Program - Capital Investments						
1 Ministry Support Services	578	-	-	578	521	57
2 Employment	3,020	-	-	3,020	2,183	837
3 Child Intervention	1,800	-	-	1,800	2,407	(607)
5 Assured Income for Severely Handicapped (AISH)	-	(299)	-	(299)	-	(299)
6 Support to Persons with Disabilities	640	-	-	640	247	393
7 Public Guardian and Trustee Services	4,435	-	-	4,435	2,305	2,130
16 Appeals Commission for Alberta Workers' Compensation	300	-	-	300	374	(74)
	\$ 10,773	\$ (299)	\$ -	\$ 10,474	\$ 8,037	\$ 2,437

Lapse/(Encumbrance)

2,437

⁽¹⁾ the 2012-13 Government Estimates were revised as a result of a government re-organization (Orders in Council 155/2012 and 235/2012)

⁽²⁾ Adjustments include encumbrances, capital carry forward amounts and credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. An encumbrance is incurred when, on a vote by vote basis, the total of actual disbursements in the prior year exceed the total adjusted estimates.

All calculated encumbrances from the prior year are reflected as an adjustment to reduce the corresponding Voted Estimate in the current year.

⁽³⁾ Actuals exclude non-voted amounts such as amortization and valuation adjustments.

⁽⁴⁾ Unexpended amount includes dedicated revenue lapsed funds of \$16,505 in Labour Market Agreement, Targeted Initiative for Older Workers, Appeals Commission for Alberta Workers' Compensation and the Medical Panels for Alberta Worker's Compensation.

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
Comparison of Actual and Budget
Year ended March 31, 2013

Schedule 6

	Estimate ⁽¹⁾	Actual Voted	Actual Not Voted ⁽²⁾	Actual Total	Difference
	(in thousands)				
EXPENSES					
Expense by Program					
Ministry Support Services	\$ 45,780	\$ 41,830	\$ 10	\$ 41,840	\$ 3,940
Employment	972,622	942,665	9,354	952,019	20,603
Child Intervention	682,491	664,976	5,646	670,622	11,869
Child Care	264,487	257,605	944	258,549	5,938
Assured Income for the Severely Handicapped	1,060,407	1,034,219	241	1,034,460	25,947
Support to Persons with Disabilities	682,642	702,045	222	702,267	(19,625)
Public Guardian and Trustee Services	27,473	26,002	2,833	28,835	(1,362)
Family Support for Children with Disabilities	147,890	138,124	1	138,125	9,705
Family and Community Support Services	76,124	75,941	-	75,941	183
Homeless Support	110,033	109,633	-	109,633	400
Implementation of Alberta Supports	13,950	11,172	-	11,172	2,778
Early Intervention Services for Children and Youth	95,253	101,699	-	101,699	(6,446)
Prevention of Family Violence and Bullying	42,163	41,636	-	41,636	527
Workplace Standards	46,107	46,804	-	46,804	(697)
Labour Relations Board	3,162	3,207	-	3,207	(45)
Appeals Commission for Alberta Workers' Compensation	10,358	9,905	37	9,942	416
	\$ 4,280,882	\$ 4,207,463	\$ 19,288	\$ 4,226,751	\$ 54,131

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
Comparison of Actual and Budget
Year ended March 31, 2013

Schedule 6 (Continued)

	Estimate ⁽¹⁾	Actual Voted	Actual		Actual Total	Difference
			Not Voted ⁽²⁾	(in thousands)		
EXPENSES						
Expense by Fiscal Plan Category						
Operating Expense	\$ 4,271,527	\$ 4,207,463	\$ 9,176	\$ -	\$ 4,216,639	\$ 54,888
Capital Grants and Support	-	-	-	-	-	-
Amortization of Tangible Capital Assets	9,355	-	10,112	-	10,112	(757)
	<u>\$ 4,280,882</u>	<u>\$ 4,207,463</u>	<u>\$ 19,288</u>	<u>\$ -</u>	<u>\$ 4,226,751</u>	<u>\$ 54,131</u>
Capital Investment by Program						
Ministry Support Services	\$ 578	\$ 521	\$ -	\$ -	\$ 521	\$ 57
Employment	3,020	2,183	-	-	2,183	837
Child Intervention	1,800	2,407	-	-	2,407	(607)
Support to Persons with Disabilities	640	247	-	-	247	393
Public Guardian and Trustee Services	4,435	2,305	-	-	2,305	2,130
Appeals Commission for Alberta Workers' Compensation	300	374	-	-	374	(74)
	<u>\$ 10,773</u>	<u>\$ 8,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,037</u>	<u>\$ 2,736</u>

(1) The 2012-13 Government Estimates were revised due to a government re-organization (Orders in Councils 155/2012 and 235/2012)

(2) These amounts are not included in any supply vote either because no cash disbursement is required or because the Legislative Assembly has already provided funding authority pursuant to a statute other than an appropriation act.

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
Lottery Fund Estimates
Year ended March 31, 2013

Schedule 7

	2012-13 Lottery Fund Estimates	2012-13 Actual	Unexpended (Over Expended)
	(in thousands)		
Prevention of Family Violence and Bullying	\$ 6,500	\$ 6,500	\$ -
Fetal Alcohol Spectrum Disorder Initiatives	12,000	12,000	-
Family and Community Support Services	45,000	45,000	-
Summer Temporary and other			-
Employment Programs	7,400	6,971	429
Settlement and Integration	4,574	4,574	-
	\$ 75,474	\$ 75,045	\$ 429

The revenue of the Lottery Fund was transferred to the Department of Treasury Board and Finance on behalf of the General Revenue Fund in 2011-12. Having been transferred to the General Revenue Fund, these monies then become part of the department's supply vote. This table shows details of the initiatives within the ministry that are funded by the Lottery Fund and compares it to the actual results.

**MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS**

Related Party Transactions

Schedule 8

Year ended March 31, 2013

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The ministry had the following transactions with related parties recorded on the Consolidated Statement of Operations and Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2013	2012 (Restated Note 3)
Revenues:		
Ministry of Health	\$ 307	\$ 168
Ministry of Justice and Solicitor General	21	12
	\$ 328	\$ 180
Expenses - Incurred by Others		
Ministry of Enterprise and Advanced Education	8,331	10,804
Ministry of Education	5,874	5,041
Ministry of Treasury Board and Finance	2,062	2,200
Ministry of Health	5,047	11,040
Ministry of Infrastructure	926	903
Ministry of Service Alberta	7,502	6,664
Ministry of Justice and Solicitor General	-	26
	\$ 29,742	\$ 36,678
Tangible Capital Assets Transferred out	\$ 418	\$ 4,000
Net Receivable (payable)		
Ministry of Enterprise and Advanced Education	\$ (55)	\$ (35)
Ministry of Treasury Board and Finance	(28,757)	(30,451)
Ministry of Health	66	(1,022)
Ministry of Education	(35)	-
Ministry of Service Alberta	-	2
	\$ (28,781)	\$ (31,506)
Contractual Obligations		
Ministry of Health	\$ 28	\$ -
Ministry of Enterprise and Advanced Education	35	-
	\$ 63	\$ -

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013

Schedule 8 (Continued)

(in thousands)

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 9.

	Other Entities	
	2013	2012 (Restated Note3)
Expenses - Incurred by Others:		
Accommodation	\$ 80,828	\$ 77,568
Legal Services	10,458	6,392
Other Services	12,865	13,565
	\$ 104,151	\$ 97,525

**MINISTRY OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS**

Allocated Costs

Year ended March 31, 2013

(in thousands)

Schedule 9

Program	2013					2012 (Restated Note 3)
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Other Services	Total Expenses	Total Expenses
Ministry Support Services	\$ 41,840	\$ 3,706	\$ 1,066	\$ 724	\$ 47,336	\$ 50,957
Employment	952,019	15,090	382	2,950	970,441	969,736
Child Intervention	670,624	24,792	7,709	4,879	708,004	652,433
Child Care	258,549	1,544	33	305	260,431	247,325
Assured Income for the Severely Handicapped	1,034,460	3,174	179	620	1,038,433	809,095
Support to Persons with Disabilities	702,267	21,052	172	1,363	724,854	666,513
Public Guardian and Trustee Services	28,835	2,077	344	405	31,661	29,375
Family Support for Children with Disabilities	138,124	2,748	29	322	141,223	136,646
Family and Community Support Services	75,941	64	-	12	76,017	75,974
Homeless Support	109,633	724	28	141	110,526	97,049
Implementation of Alberta Supports	11,172	192	28	37	11,429	8,284
Early Intervention Services for Children and Youth	101,699	767	7	146	102,619	95,134
Prevention of Family Violence and Bullying	41,635	234	24	50	41,943	41,744
Workplace Standards	46,804	3,855	443	753	51,855	46,375
Labour Relations Board	3,207	234	11	46	3,498	3,194
Appeals Commission for Alberta Workers' Compensation	9,942	575	3	112	10,520	10,128
	\$ 4,226,751	\$ 80,828	\$ 10,458	\$ 12,865	\$ 4,330,902	\$ 3,939,962

(1) Expenses - Directly Incurred as per the Consolidated Statement of Operations.

(2) Accommodation costs (includes grants in lieu of taxes), which were paid by the Ministry of Infrastructure represent the ministry's building costs allocated by the number of employees per program.

(3) Costs for Legal Services, which were paid by the Ministry of Justice and Solicitor General, are based on specific amounts for each program.

(4) Other Services represents services provided by Ministry of Treasury Board and Finance, Service Alberta, Executive Council for which no consideration was exchanged. Costs were allocated by the number of Department employees per program.

DEPARTMENT OF HUMAN SERVICES

FINANCIAL STATEMENTS

Year ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Revenues

Schedule 2 – Credit or Recovery

Schedule 3 – Expenses – Directly Incurred Detailed by Object

Schedule 4 – Budget

Schedule 5 – Lapse/Encumbrance

Schedule 6 – Comparison of Actual and Budget

Schedule 7 – Lottery Fund Estimates

Schedule 8 – Salary and Benefits Disclosures

Schedule 9 – Related Party Transactions

Schedule 10 – Allocated Costs



Independent Auditor's Report

To the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Human Services, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Human Services as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 7, 2013

Edmonton, Alberta

**DEPARTMENT OF HUMAN SERVICES
STATEMENT OF OPERATIONS
Year ended March 31, 2013**

	2013		2012
	Budget	Actual	Actual
	(Schedule 4)		(Restated Note 3)
	(in thousands)		
Revenues (Schedule 1)			
Federal Government Grants			
Services on First Nations Reserves	\$ 45,048	\$ 52,607	\$ 44,545
Rehabilitation of Disabled Persons	25,190	25,190	25,190
Labour Market Development	173,073	177,065	172,800
Other Transfers	25,195	27,704	26,535
Premium, Fees and Licences	5,115	5,359	4,777
Other Revenue	56,671	59,321	58,824
	<u>330,292</u>	<u>347,246</u>	<u>332,671</u>
Expenses - Directly Incurred (Note 2b and Schedule 10)			
Program (Schedules 3 and 5)			
Ministry Support Services	45,780	41,840	46,859
Employment	972,622	952,019	948,674
Child Intervention	679,327	661,875	622,178
Child Care	264,487	260,470	243,113
Assured Income for Severely Handicapped	1,060,407	1,034,460	805,504
Support to Persons with Disabilities	680,193	698,776	624,047
Public Guardian and Trustee Services	27,473	28,835	26,193
Family Support for Children with Disabilities	147,653	138,910	137,609
Family and Community Support Services	76,124	75,941	75,938
Homeless Support	110,033	109,633	96,843
Implementation of Alberta Supports	13,950	11,172	8,224
Early Intervention Services for Children and Youth	94,953	99,255	91,483
Prevention of Family Violence and Bullying	42,163	42,102	41,830
Workplace Standards	46,107	46,804	42,891
Labour Relations Board	3,162	3,207	2,940
Appeals Commission for Alberta Workers' Compensation	10,358	9,942	9,595
	<u>4,274,792</u>	<u>4,215,241</u>	<u>3,823,921</u>
Net Operating Results	<u>\$ (3,944,500)</u>	<u>\$ (3,867,995)</u>	<u>\$ (3,491,250)</u>

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

**DEPARTMENT OF HUMAN SERVICES
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013**

	2013	2012 (Restated Note 3)
	<u>(in thousands)</u>	
Assets		
Cash and Cash Equivalents	\$ 2,538	\$ 2,037
Prepaid Expenses	1,624	2,582
Accounts Receivable (Note 4)	64,663	46,214
Tangible Capital Assets (Note 5)	<u>40,906</u>	<u>47,619</u>
	<u>\$ 109,731</u>	<u>\$ 98,452</u>
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 117,155	\$ 118,300
Deferred Revenue	<u>20,761</u>	<u>22,259</u>
	<u>137,916</u>	<u>140,559</u>
Net Liabilities		
Net Liabilities at Beginning of Year	(42,107)	(72,759)
Net Operating Results	(3,867,995)	(3,491,250)
Net Financing Provided from General Revenues	<u>3,881,917</u>	<u>3,521,902</u>
Net Liabilities at End of Year	<u>(28,185)</u>	<u>(42,107)</u>
	<u>\$ 109,731</u>	<u>\$ 98,452</u>

Contractual obligations and contingent liabilities (Notes 6 and 7)

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

DEPARTMENT OF HUMAN SERVICES
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	2013	2012 (Restated Note 3)
	(in thousands)	
Operating Transactions		
Net Operating Results	\$ (3,867,995)	\$ (3,491,250)
Non-Cash Items included in Net Operating Results		
Amortization	9,706	6,896
Loss on Disposal of Capital Assets	4,378	3
	<u>(3,853,911)</u>	<u>(3,484,351)</u>
Increase in Accounts Receivable	(18,449)	(10,387)
Decrease / (Increase) in Prepaid Expenses	958	(744)
Decrease in Advances	-	112
Decrease in Accounts Payable and Accrued Liabilities	(1,145)	(26,798)
Decrease in Deferred Revenue	(1,498)	(913)
	<u>(3,874,045)</u>	<u>(3,523,081)</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(7,789)	(11,082)
Transfer of Capital Assets to another Ministry	418	4,361
	<u>(7,371)</u>	<u>(6,721)</u>
Financing Transactions		
Net Financing Provided from General Revenues	<u>3,881,917</u>	<u>3,521,902</u>
Increase (Decrease) in Cash	501	(7,900)
Cash at Beginning of Year	<u>2,037</u>	<u>9,937</u>
Cash at End of Year	<u>\$ 2,538</u>	<u>\$ 2,037</u>

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

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Department of Human Services operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The Department is responsible for assisting Albertans in creating conditions for safe and supportive homes, communities and workplace so they have opportunities to realize their full potential. Its core business is to work collaboratively with community, industry and business partners to deliver citizen-centred programs and services that improve quality of life of Albertans.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Department of Human Services, which is part of the Ministry of Human Services and for which the Minister of Human Services is accountable. Other entities reporting to the minister are Workers' Compensation Board, six Persons with Developmental Disabilities Community Boards, and ten Child and Family Services Authorities. The activities of these organizations are not included in these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(b) Basis of Financial Reporting (continued)

Government transfers

Transfers from the Government of Alberta, Federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the department's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the department complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the department is eligible to receive the funds.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual Credit or Recovery amounts exceed budget, the department may, with the approval of Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(b) Basis of Financial Reporting (continued)

Directly Incurred (continued)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others

Services contributed by other entities in support of the department's operations are not recognized and are disclosed in Schedule 9 and allocated to programs in Schedule 10.

Cash and Cash Equivalents

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the department.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(b) Basis of Financial Reporting (continued)

Assets acquired by right are not included. Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets.

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. Costs associated with business process reengineering and system development costs incurred during the preliminary project stage of an information technology project are expensed. System development costs associated with the application development stage and acquisition of software are capitalized. Capitalization of costs begins after the preliminary project stage ends and when the system application is completed and ready for its intended use. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets are gifted or sold for a nominal sum, the net book value of these physical capital assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Accounts Receivable, and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(b) Basis of Financial Reporting (continued)

Net Liabilities

Net Liabilities represents the difference between the carrying value of assets held by the department and its liabilities.

Canadian Public Sector Accounting Standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

**NOTE 3 GOVERNMENT REORGANIZATION
(in thousands)**

As a result of restructuring of government ministries announced on May 8, 2012 and other transfer of responsibilities to and from other departments, comparatives for 2012 have been restated as if the department had always been assigned with its current responsibilities. Net assets (liabilities) on March 31, 2011 are made up as follows:

Net Assets (Liabilities) as previously reported	\$ (87,309)
Net Liability transfer from Department of Seniors	(885)
Net Asset transfer from Department of Justice and Solicitor General	9,411
Net Liability transfer to Department of Enterprise and Advanced Education	1,243
Net Liability transfer to the Office of the Child and Youth Advocate	<u>4,781</u>
Net Assets (Liabilities) at March 31, 2011	<u>\$ (72,759)</u>

Effective April 1, 2012 the responsibility of providing grant funding to the post-secondary institutions under the Disability Related Employment Supports program was transferred to Department of Enterprise and Advanced Education. The 2012 comparative financial statements have been restated to reflect this transfer as if it had occurred on April 1, 2011. This resulted in the restatement of comparative figures for 2012 which increased net operating results by \$6,825 and decreased Net Financing Provided from General Revenues by \$6,825.

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 4 ACCOUNTS RECEIVABLE
(in thousands)

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated Note 3)
Accounts Receivable	\$ 64,809	\$ (2,120)	\$ 62,689	\$ 44,502
Refunds from Suppliers	1,974	-	1,974	1,712
	\$ 66,783	\$ (2,120)	\$ 64,663	\$ 46,214

Accounts receivable are unsecured and non-interest bearing.

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 5 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment ⁽¹⁾	Computer Hardware and Software	Leasehold Improvements	Total
Estimated Useful Life	3 – 15 years	5 years	5 – 10 years	
Historical Costs⁽²⁾				
Beginning of Year	\$ 5,316	\$ 100,850	\$ 124	\$ 106,290
Additions	13	7,776	-	7,789
Transfers	-	(418)	-	(418)
Disposals, including write-downs	-	(4,384)	-	(4,384)
	<u>\$ 5,329</u>	<u>\$ 103,824</u>	<u>\$ 124</u>	<u>\$ 109,277</u>
Accumulated Amortization				
Beginning of Year	\$ 3,837	\$ 54,773	\$ 61	\$ 58,671
Amortization Expense	121	9,573	12	9,706
Effect of Disposals	-	(6)	-	(6)
	<u>3,958</u>	<u>64,340</u>	<u>73</u>	<u>68,371</u>
Net Book Value at March 31, 2013	<u>\$ 1,371</u>	<u>\$ 39,484</u>	<u>\$ 51</u>	<u>\$ 40,906</u>
Net Book Value at March 31, 2012 (Restated Note 3)	<u>\$ 1,479</u>	<u>\$ 46,077</u>	<u>\$ 63</u>	<u>\$ 47,619</u>

⁽¹⁾ Equipment includes office equipment and furniture.

⁽²⁾ Historical cost includes work-in-progress at March 31, 2013 totalling \$8,490 (2012 - \$9,478) comprised of: computer hardware and software.

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 6 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of the contract or agreement are met.

As at March 31, 2013, the department has the following contractual obligations:

	<u>2013</u>	<u>2012</u> (Restated Note 3)
Obligations under Operating Leases, Contracts and Programs	<u>\$ 93,552</u>	<u>\$ 55,580</u>

Estimated payments requirements for each of the next five years and thereafter are as follows:

Obligations under Operating Leases, Contracts and Programs

	<u>Total</u>
2013 - 14	\$ 37,281
2014 - 15	28,248
2015 - 16	14,015
2016 - 17	14,008
Thereafter	-
	<u>\$ 93,552</u>

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 7 CONTINGENT LIABILITIES

(in thousands)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The department has a contingent liability in respect of 2 claims (2012: 2 claims) aggregating \$1,087 (2012: \$1,087) relating to decisions made by the Eugenics Board of Alberta pursuant to the Sexual Sterilization Act of 1928, which was repealed in 1972. The ultimate outcome of these claims cannot be determined.

Accruals have been made in specific instances, including the above sterilization claims, where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2013 accruals totalling \$945 (2012: \$662) have been recorded as a liability. The total amount claimed for all likely claims is \$16,237 (2012: \$9,787). Included in the total likely claims are claims in which the department has been jointly named with other entities. The accrual provided for these claims represents the department's portion of the liability. Included in the total likely claims are claims covered in whole or in part by the Alberta Risk Management Fund. The resulting additional liability, if any, from likely claims in excess of the amounts accrued is not determinable.

The department has been named in 34 (2012: 37) claims of which the outcome is not determinable. Of these claims, 32 (2012: 34) have specified amounts totalling \$1,008,477 (2012: \$1,023,166). The remaining 2 (2012: 3) claims have no amounts specified. Included in the total claims, 27 claims totalling \$999,696 (2012: 27 claims totalling \$1,004,624) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Based on the *Public Trustee Act*, the amount outstanding on a client's guaranteed account as administered by the Office of the Public Trustee (OPT) is a charge against the Common Fund Assets of the OPT and is unconditionally guaranteed by the Crown. As at March 31, 2013, based on the financial statements of OPT, the outstanding balance of the Client Guaranteed Accounts is \$418,459 (2012 - \$403,195).

Within the provision of the *Public Trustee Act*, the Office of the Public Trustee remits unclaimed estate monies, which is reported as general revenue of the department. If entitled beneficiaries are subsequently located, previously unclaimed estate monies are distributed to the beneficiaries.

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 8 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose described below, it is not included in the department's financial statements.

At March 31, 2013 the trust funds under administration are as follows:

	2013	2012 (Restated Note 3)
Public Trustee, Estates and Trusts ⁽¹⁾	\$ 563,037	\$ 543,067
Employment Standards Trust Fund	1,210	1,145
Child Resources Rebate Trust Fund	890	928
Gunn Centre Residents Trust Fund	5	4
	\$ 565,142	\$ 545,144

⁽¹⁾ The Office of the Public Trustee administers the estates of dependent adults, decedents and minors. A more comprehensive accounting can be found in the Office of the Public Trustee, Estates and Trusts Financial Statements.

**DEPARTMENT OF HUMAN SERVICES
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 9 BENEFIT PLANS
(in thousands)

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$34,420 for the year ended March 31, 2013 (2012 - \$30,901). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of \$303,423 (2011 – Deficiency \$517,726), the Public Service Pension Plan reported a deficiency of \$1,645,141 (2011 - deficiency \$1,790,383), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870 (2011 – deficiency \$53,489).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of \$51,717 (2012 – surplus \$9,136) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$18,327 (2012 – surplus \$10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 10 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

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

**DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Revenues
Year ended March 31, 2013**

Schedule 1

	2013		2012
	Budget	Actual	Actual (Restated Note 3)
	(in thousands)		
Federal Government Grants			
Services on First Nations Reserves	\$ 45,048	\$ 52,607	\$ 44,545
Rehabilitation of Disabled Persons	25,190	25,190	25,190
Labour Market Development	173,073	177,065	172,800
Other Transfers	25,195	27,704	26,535
	<u>268,506</u>	<u>282,566</u>	<u>269,070</u>
Premiums, Fees and Licenses	<u>5,115</u>	<u>5,359</u>	<u>4,777</u>
Other Revenue			
Refunds of Expenditures	9,865	14,570	17,339
Workers' Compensation Appeals	10,558	10,279	10,443
Occupational Health and Safety Transfer	29,392	30,700	27,694
Other	6,856	3,772	3,348
	<u>56,671</u>	<u>59,321</u>	<u>58,824</u>
Total Revenues	<u><u>\$ 330,292</u></u>	<u><u>\$ 347,246</u></u>	<u><u>\$ 332,671</u></u>

**DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Credit or Recovery
Year ended March 31, 2013**

Schedule 2

	2013		(Shortfall) / Excess
	Authorized	Actual	
	(in thousands)		
Occupational Health and Safety ⁽¹⁾	\$ 33,864	\$ 30,700	\$ 3,164
	\$ 33,864	\$ 30,700	\$ 3,164 ⁽²⁾

⁽¹⁾ Occupational Health and Safety recovery, under the agreement with the Workers' Compensation Board, is for the purpose of defraying part of the costs of administering the Occupational Health and Safety Act.

⁽²⁾ The revenue and expense related to credit or recovery initiatives are included in the department's revenue and expense in the Statement of Operations. Shortfall is deducted from current year authorized budget.

⁽³⁾ The authorized budget includes a recovery increase of \$4,472 approved by Treasury Board on July 19, 2012 (Treasury Board minute No. 22/2012)

**DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object
Year ended March 31, 2013**

Schedule 3

	2013		2012
	Budget	Actual	Actual (Restated)
	(in thousands)		
Salaries, Wages and Employee Benefits	\$ 307,056	\$ 298,222	\$ 281,311
Supplies and Services	244,799	239,149	229,088
Supplies and Services from Support Arrangements with Related Parties ^(a)	1,643	868	2,279
Grants	3,710,609	3,663,092	3,304,910
Financial Transactions and Other	1,743	4,555	246
Amortization of Tangible Capital Assets	8,942	9,706	6,904
Total Expenses before Recoveries	4,274,792	4,215,592	3,824,738
Less Recovery from Support Service Arrangements with Related Parties ^(b)	-	(351)	(817)
	\$ 4,274,792	\$ 4,215,241	\$ 3,823,921

^(a) The department receives financial and administrative support services from the Ministries of Enterprise and Advanced Education and Justice and Solicitor General.

^(b) The department provides human resources, and administrative support services to the Ministries of Enterprise and Advanced Education, Alberta Health and Executive Council. Costs incurred for these services are recovered from these ministries.

Severance and termination payments amounting to \$479 for eligible executive management positions are included in salaries, wages and employee benefits and supplies and services.

**DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS**

Budget

Year ended March 31, 2013

Schedule 4

	2012-2013 Estimate	Adjustment ^(e)	2012-2013 Budget	Authorized Supplementary	2012-2013 Authorized Budget
			(in thousands)		
Revenues					
Federal Government Grants					
Services on First Nations Reserves	\$ 45,048	\$ -	\$ 45,048	\$ -	\$ 45,048
Rehabilitation of Disabled Persons	25,190	-	25,190	-	25,190
Labour Market Development	173,073	-	173,073	-	173,073
Other Transfer	25,195	-	25,195	-	25,195
Premium, Fees and Licences	5,115	-	5,115	-	5,115
Other Revenue	56,671	-	56,671	-	56,671
	<u>330,292</u>	<u>-</u>	<u>330,292</u>	<u>-</u>	<u>330,292</u>
Expenses - Directly Incurred:					
Ministry Support Services	45,780	-	45,780	-	45,780
Employment	972,622	-	972,622	-	972,622
Child Intervention	679,327	-	679,327	-	679,327
Child Care	264,487	-	264,487	-	264,487
Assured Income for the Severely Handicapped	1,060,407	(11,867)	1,048,540	-	1,048,540
Support to Persons with Disabilities	680,193	-	680,193	-	680,193
Public Guardian and Trustee Services	27,473	-	27,473	-	27,473
Family Support for Children with Disabilities	147,653	-	147,653	-	147,653
Family and Community Support Services	76,124	-	76,124	-	76,124
Homeless Support	110,033	-	110,033	-	110,033
Implementation of Alberta Supports	13,950	-	13,950	-	13,950
Early Intervention Services for Children and Youth	94,953	-	94,953	-	94,953
Prevention of Family Violence and Bullying	42,163	-	42,163	-	42,163
Workplace Standards	46,107	4,472	50,579	-	50,579
Labour Relations Board	3,162	-	3,162	-	3,162
Appeals Commission for Alberta Workers' Compensation	10,358	-	10,358	-	10,358
Total Expenses	<u>4,274,792</u>	<u>(7,395)</u>	<u>4,267,397</u>	<u>-</u>	<u>4,267,397</u>
Net Operating Results	<u>\$ (3,944,500)</u>	<u>\$ 7,395</u>	<u>\$ (3,937,105)</u>	<u>\$ -</u>	<u>\$ (3,937,105)</u>
Capital Investment	<u>\$ 10,133</u>	<u>\$ (299)</u>	<u>\$ 9,834</u>	<u>\$ -</u>	<u>\$ 9,834</u>

**DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Budget
Year ended March 31, 2013**

Schedule 4 (Continued)

^(a) Adjustments include encumbrances, credit or recovery increases approved by Ministry of Treasury Board and Finance. In the event that actual Voted Expense and Capital Investment in the prior year exceed the authorized spending the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year. Treasury Board approval is pursuant to section 24(2) of the Financial Administration Act.

DEPARTMENT OF HUMAN SERVICES
 SCHEDULE TO FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Supplementary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
(in thousands)						
Program Operating						
1 Ministry Support Services						
1.1 Minister's Office	787	-	-	787	791	(4)
1.2 Associate Minister's Office	-	-	-	-	343	(343)
1.3 Deputy Minister's Office	1,299	-	-	1,299	1,261	38
1.4 Human Resource Services	10,241	-	-	10,241	9,286	955
1.5 Strategic Corporate Services	31,423	-	-	31,423	28,528	2,895
1.6 Communications	1,504	-	-	1,504	1,621	(117)
	45,254	-	-	45,254	41,830	3,424

DEPARTMENT OF HUMAN SERVICES
 SCHEDULE TO FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Supplementary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over/Expended) ⁽⁴⁾
2 Employment						
2.1 Program Planning and Delivery	154,147	-	-	154,147	156,891	(2,744)
2.2 Income Support to Learners	57,579	-	-	57,579	45,834	11,745
2.3 Income Support to People Expected to Work or Working	205,720	-	-	205,720	205,239	481
2.4 Income Support to People with Barriers to Full Employment	186,766	-	-	186,766	190,585	(3,819)
2.5 Living Allowance for Immigrant Learners	18,860	-	-	18,860	16,518	2,342
2.6 Widow's Pension	1,200	-	-	1,200	705	495
2.7 Alberta Child Health Benefit	28,380	-	-	28,380	24,926	3,454
2.8 Alberta Adult Health Benefit	45,094	-	-	45,094	38,854	6,240
2.9 Health Benefits to Learners	5,625	-	-	5,625	4,328	1,297
2.10 Health Benefits to People Expected to Work or Working	35,155	-	-	35,155	33,784	1,371
2.11 Health Benefits to People with Barriers to Full Employment	56,333	-	-	56,333	54,475	1,858
2.12 Career Development Services	47,853	-	-	47,853	54,100	(6,247)
2.13 Basic Skills and Academic Upgrading	17,637	-	-	17,637	20,191	(2,554)
2.14 English as an Additional Language	9,766	-	-	9,766	9,583	183
2.15 Disability Related Employment Supports	6,411	-	-	6,411	3,988	2,423
2.16 Summer Temporary and Other Employment Programs	7,413	-	-	7,413	6,971	442
2.17 Training for Work	65,033	-	-	65,033	53,700	11,333
2.18 Bridging Programs	3,700	-	-	3,700	3,778	(78)
2.19 Settlement and Integration	8,342	-	-	8,342	8,187	155
2.20 Workforce Partnerships	5,068	-	-	5,068	4,145	923
2.21 Aboriginal Development Partnerships	3,444	-	-	3,444	5,883	(2,439)
	969,526	-	-	969,526	942,665	26,861

(in thousands)

DEPARTMENT OF HUMAN SERVICES
 SCHEDULE TO FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Supplementary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
	(in thousands)					
3						
3.1	22,506	-	-	22,506	24,734	(2,228)
3.2	415,251	-	-	415,251	401,846	13,405
3.3	44,486	-	-	44,486	44,353	133
3.4	183,993	-	-	183,993	180,729	3,264
3.5	6,763	-	-	6,763	6,577	186
	672,999	-	-	672,999	658,239	14,760
4						
4.1	6,025	-	-	6,025	5,537	488
4.2	173,008	-	-	173,008	170,523	2,485
4.3	85,454	-	-	85,454	84,410	1,044
	264,487	-	-	264,487	260,470	4,017
5						
5.1	4,340	-	-	4,340	3,608	732
5.2	828,293	(11,867)	-	816,426	806,731	9,695
5.3	194,893	-	-	194,893	192,306	2,587
5.4	32,549	-	-	32,549	31,574	975
	1,060,075	(11,867)	-	1,048,208	1,034,219	13,989
6						
6.1	880	-	-	880	875	5
6.2	6,670	-	-	6,670	6,775	(105)
6.3	173,722	-	-	173,722	179,444	(5,722)
6.4	151,028	-	-	151,028	156,166	(5,138)
6.5	195,570	-	-	195,570	201,301	(5,731)
6.6	34,926	-	-	34,926	36,496	(1,570)
6.7	25,490	-	-	25,490	26,856	(1,366)
6.8	74,092	-	-	74,092	76,465	(2,373)
6.9	16,963	-	-	16,963	13,729	3,234
6.10	840	-	-	840	479	361
	680,181	-	-	680,181	698,586	(18,405)

3 Child Intervention

- 3.1 Program Planning and Delivery
- 3.2 Child Intervention Services
- 3.3 Supports for Permanency
- 3.4 Foster Care Support
- 3.5 Protection of Sexually Exploited Children

4 Child Care

- 4.1 Program Planning and Delivery
- 4.2 Child Care Subsidy and Supports
- 4.3 Child Care Accreditation

5 Assured Income for Severely Handicapped (AISH)

- 5.1 Program Planning and Delivery
- 5.2 AISH Financial Assistance Grants
- 5.3 AISH Health Related Assistance Grants
- 5.4 AISH Program Delivery

6 Support to Persons with Disabilities

- 6.1 Program Planning and Delivery
- 6.2 Persons with Developmental Disabilities Program Management
- 6.3 PDD Calgary Region Community Board
- 6.4 PDD Central Region Community Board
- 6.5 PDD Edmonton Region Community Board
- 6.6 PDD Northeast Region Community Board
- 6.7 PDD Northwest Region Community Board
- 6.8 PDD South Region Community Board
- 6.9 Provincial Disability Supports Initiatives
- 6.10 Premier's Council on the Status of Persons with Disabilities

DEPARTMENT OF HUMAN SERVICES
 SCHEDULE TO FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Supplementary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over/Expended) ⁽⁴⁾
(in thousands)						
7 Public Guardian and Trustee Services						
7.1 Public Guardian Services	11,749	-	-	11,749	11,281	468
7.2 Office of the Public Trustee	15,564	-	-	15,564	14,721	843
	27,313	-	-	27,313	26,002	1,311
8 Family Support for Children with Disabilities						
8.1 Program Planning and Delivery	4,939	-	-	4,939	5,475	(536)
8.2 Family Support for Children with Disabilities	142,714	-	-	142,714	133,435	9,279
	147,653	-	-	147,653	138,910	8,743
9 Family and Community Support Services	76,124	-	-	76,124	75,941	183
10 Homeless Support						
10.1 Program Planning and Delivery	4,934	-	-	4,934	4,577	357
10.2 Interagency Council on Homelessness	499	-	-	499	444	55
10.3 Emergency/Transition Shelter Support	35,500	-	-	35,500	39,048	(3,548)
10.4 Outreach Support Services	69,100	-	-	69,100	65,564	3,536
	110,033	-	-	110,033	109,633	400
11 Implementation of Alberta Supports	13,950	-	-	13,950	11,172	2,778
12 Early Intervention Services for Children and Youth						
12.1 Early Intervention and Early Childhood Development	38,571	-	-	38,571	40,312	(1,741)
12.2 Parenting Resources Initiative	25,692	-	-	25,692	29,090	(3,398)
12.3 Fetal Alcohol Spectrum Disorder Initiatives	18,444	-	-	18,444	17,404	1,040
12.4 Youth in Transition	8,879	-	-	8,879	7,085	1,794
12.5 Child and Family Research	1,750	-	-	1,750	4,500	(2,750)
12.6 Alberta's Promise	1,617	-	-	1,617	864	753
	94,953	-	-	94,953	99,255	(4,302)
13 Prevention of Family Violence and Bullying						
13.1 Prevention of Family Violence and Bullying	12,018	-	-	12,018	11,666	352
13.2 Shelters for Women	30,145	-	-	30,145	30,436	(291)
	42,163	-	-	42,163	42,102	61

DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS

Lapse/Encumbrance
Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjust- ments ⁽²⁾	Supple- -mentary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
(in thousands)						
14 Workplace Standards						
14.1 Program Support	1,214	-	-	1,214	988	226
14.2 Medical Panels for Alberta Workers' Compensation	315	-	-	315	284	31
14.3 Labour Relations	1,798	-	-	1,798	1,935	(137)
14.4 Occupational Health and Safety	29,392	4,472	-	33,864	30,700	3,164
14.5 Employment Standards	13,388	-	-	13,388	12,897	491
	46,107	4,472	-	50,579	46,804	3,775
15 Labour Relations Board	3,162	-	-	3,162	3,207	(45)
16 Appeals Commission for Alberta Workers' Compensation	10,258	-	-	10,258	9,905	353
Total	\$ 4,264,238	\$ (7,395)	\$ -	\$ 4,256,843	\$ 4,198,940	\$ 57,903
Lapse/(Encumbrance)						\$ 57,903

DEPARTMENT OF HUMAN SERVICES
 SCHEDULE TO FINANCIAL STATEMENTS
 Lapse/Encumbrance
 Year ended March 31, 2013

Schedule 5 (Continued)

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Supplementary Estimate	Adjusted Voted Estimate	Actuals ⁽³⁾	Unexpended (Over/Expended) ⁽⁴⁾
(in thousands)						
Program - Capital Investments						
1 Ministry Support Services	578	-	-	578	521	57
2 Employment	3,020	-	-	3,020	2,182	838
3 Child Intervention	1,800	-	-	1,800	2,407	(607)
5 Assured Income for Severely Handicapped (AISH)	-	(299)	-	(299)	-	(299)
7 Public Guardian and Trustee Services	4,435	-	-	4,435	2,305	2,130
16 Appeals Commission for Alberta Workers' Compensation	300	-	-	300	374	(74)
	10,133	(299)	-	9,834	7,789	2,045
Lapse/(Encumbrance)						2,045

⁽¹⁾ The 2012-13 Government Estimates were revised as a result of a government re-organization (Orders in Council 155/2012 and 235/2012).

⁽²⁾ Adjustments include encumbrances, capital carry forward amounts and credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. An encumbrance is incurred when, on a vote by vote basis, the total of actual disbursements in the prior year exceed the total adjusted estimate.

All calculated encumbrances from the prior year are reflected as an adjustment to reduce the corresponding Voted Estimate in the current year.

⁽³⁾ Actuals exclude non-voted amounts such as amortization and valuation adjustments.

⁽⁴⁾ Unexpended amount includes dedicated revenue lapsed funds of \$ 16,505 in Labour Market Agreement, Targeted Initiative for Older Workers, Appeals Commission for Alberta Workers' Compensation and the Medical Panels for Alberta Worker's Compensation.

DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Comparison of Actual and Budget
Year ended March 31, 2013

Schedule 6

	Estimate ⁽¹⁾	Actual Voted	Actual		Actual Total	Difference
			Not Voted ⁽²⁾	(in thousands)		
EXPENSES						
Expense by Program						
Ministry Support Services	\$ 45,780	\$ 41,830	\$ 10	\$ 41,840	\$ 3,940	
Employment	972,622	942,665	9,354	952,019	20,603	
Child Intervention	679,327	658,239	3,636	661,875	17,452	
Child Care	264,487	260,470	-	260,470	4,017	
Assured Income for the Severely Handicapped	1,060,407	1,034,219	241	1,034,460	25,947	
Support to Persons with Disabilities	680,193	698,586	190	698,776	(18,583)	
Public Guardian and Trustee Services	27,473	26,002	2,833	28,835	(1,362)	
Family Support for Children with Disabilities	147,653	138,910	-	138,910	8,743	
Family and Community Support Services	76,124	75,941	-	75,941	183	
Homeless Support	110,033	109,633	-	109,633	400	
Implementation of Alberta Supports	13,950	11,172	-	11,172	2,778	
Early Intervention Services for Children and Youth	94,953	99,255	-	99,255	(4,302)	
Prevention of Family Violence and Bullying	42,163	42,102	-	42,102	61	
Workplace Standards	46,107	46,804	-	46,804	(697)	
Labour Relations Board	3,162	3,207	-	3,207	(45)	
Appeals Commission for Alberta Workers' Compensation	10,358	9,905	37	9,942	416	
	\$ 4,274,792	\$ 4,198,940	\$ 16,301	\$ 4,215,241	\$ 59,551	

DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
Comparison of Actual and Budget
Year ended March 31, 2013

Schedule 6 (Continued)

	Estimate ⁽¹⁾	Actual Voted	Actual		Difference
			Not Voted ⁽²⁾	Actual Total	
(in thousands)					
EXPENSES					
Expense by Fiscal Plan Category					
Operating Expense	\$ 4,265,850	\$ 4,198,940	\$ 6,595	\$ 4,205,535	\$ 60,315
Capital Grants and Support	-	-	-	-	-
Amortization of Tangible Capital Assets	8,942	-	9,706	9,706	(764)
	<u>\$ 4,274,792</u>	<u>\$ 4,198,940</u>	<u>\$ 16,301</u>	<u>\$ 4,215,241</u>	<u>\$ 59,551</u>
Capital Investment by Program					
Ministry Support Services	\$ 578	\$ 521	\$ -	\$ 521	\$ 57
Employment	3,020	2,182		2,182	838
Child Intervention	1,800	2,407		2,407	(607)
Public Guardian and Trustee Services	4,435	2,305		2,305	2,130
Appeals Commission for Alberta Workers' Compensation	300	374		374	(74)
	<u>\$ 10,133</u>	<u>\$ 7,789</u>	<u>\$ -</u>	<u>\$ 7,789</u>	<u>\$ 2,344</u>

⁽¹⁾ The 2012-13 Government Estimates were revised due to a government re-organization (Orders in Council 155/2012 and 235/2012)

⁽²⁾ These amounts are not included in any supply vote either because no cash disbursement is required or because the Legislative Assembly has already provided funding authority pursuant to a statute other than an appropriation act.

**DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Lottery Fund Estimates
Year ended March 31, 2013**

Schedule 7

	2012-13 Lottery Fund Estimates	2012-13 Actual	Unexpended (Over Expended)
	(in thousands)		
Prevention of Family Violence and Bullying	\$ 6,500	\$ 6,500	\$ -
Fetal Alcohol Spectrum Disorder Initiatives	12,000	12,000	-
Family and Community Support Services	45,000	45,000	-
Summer Temporary and other Employment Programs	7,400	6,971	429
Settlement and Integration	4,574	4,574	-
	\$ 75,474	\$ 75,045	\$ 429

The revenue of the Lottery Fund was transferred to the Department of Treasury Board and Finance on behalf of the General Revenue Fund in 2011-12. Having been transferred to the General Revenue Fund, these monies then become part of the department's supply vote. This table shows details of the initiatives within the department that are funded by the Lottery Fund and compares it to the actual results.

DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Department
Year ended March 31, 2013

Schedule 8(a)

	2013				2012 (Restated Note 3)
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total ⁽⁴⁾	Total ⁽⁴⁾
(in thousands)					
Senior Official					
Deputy Minister ^{(5) (6)}	\$ 331	\$ -	\$ 101	\$ 432	\$ 1,013
Executives					
Chief Strategy Officer ⁽⁷⁾	102	-	31	133	-
Chief Delivery Officer ^{(7) (8)}	22	-	6	28	-
Assistant Deputy Ministers					
Corporate Services ^{(6) (10)}	283	-	79	362	597
Policy and Community Engagement ⁽⁷⁾	45	-	11	56	-
Planning and Quality Assurance ⁽⁷⁾	80	-	24	104	-
Aboriginal Engagement and Strategy ⁽¹¹⁾	218	-	7	225	134
Common Service Access ⁽¹²⁾	180	-	51	231	215
Disability Services ⁽¹³⁾	169	-	47	216	204
Employment and Financial Services ^{(6) (14)}	282	-	54	336	437
Child and Family Services ^{(6) (15)}	245	9	70	324	362
Safe, Fair and Healthy Workplaces ⁽¹⁶⁾	170	-	48	218	405
Family Violence Prevention and Homeless Supports	163	-	43	206	319
Early Childhood and Community Supports ^{(6) (17)}	218	16	12	246	397
Executive Director, Human Resources ⁽⁶⁾	188	-	52	240	497
Executive Director, Organizational Renewal ⁽⁹⁾	119	-	32	151	-

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
- (3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Department
Year ended March 31, 2013

Schedule 8(a) (continued)

- (4) Current and prior year salary and benefits have been impacted by a restructuring of government ministries on May 8, 2012, as well as, an internal re-organization announced on October 4, 2012. As a result, many of the current and prior period positions were occupied by two or more individuals. As well, certain new positions were created and others amalgamated.
- (5) Automobile provided, no dollar amount included in other non-cash benefits.
- (6) The position was occupied by 2 individuals during the year.
- (7) The position was created on October 4, 2012.
- (8) The position was occupied on February 21, 2013.
- (9) The position was created on June 1, 2012
- (10) Strategic Services - Alberta Seniors and Strategic Corporate Services amalgamated to form this position.
- (11) This position was formerly Aboriginal Policy and Community Engagement.
- (12) This position was formerly Alberta Supports.
- (13) This position was formerly Community Support Services - Alberta Seniors.
- (14) Disability Supports - Alberta Seniors and Employment Services Delivery amalgamated to form this position.
- (15) Child Intervention Program Quality & Supports and Child & Family Services Delivery amalgamated to form this position.
- (16) Workplace Standards Delivery and Workplace Standards Policy amalgamated to form this position.
- (17) Community Strategies & Support and Workforce Supports amalgamated to form this position.

DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Labour Relations Board
Year ended March 31, 2013

Schedule 8(b)

	2013				2012
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
	(in thousands)				
Senior Official					
Chair ⁽⁴⁾⁽⁵⁾	\$ 261	\$ -	\$ 11	\$ 272	\$ 263
Executives					
Vice Chair ⁽⁵⁾	162	35	4	201	161
Vice Chair	162	-	44	206	200
Vice Chair ⁽⁵⁾⁽⁶⁾	94	12	8	114	97
Executive Director	154	-	40	194	199

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
- (3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
- (4) Automobile provided, no dollar amount included in other non-cash benefits.
- (5) Salary includes pay in lieu of benefits.
- (6) This position was occupied part time in 2013.

DEPARTMENT OF HUMAN SERVICES
 SCHEDULE TO FINANCIAL STATEMENTS
 Salary and Benefits Disclosure - Appeals Commission for Alberta Workers' Compensation

Year ended March 31, 2013

Schedule 8(c)

	2013			2012	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
	(in thousands)				
Senior Officials					
Chief Appeals Commissioner ^{(4) (6)}	\$ 204	\$ 34	\$ 55	\$ 293	\$ 258
Full Time Appeals Commissioners ⁽⁵⁾	2,703	22	520	3,245	2,959
Temporary Appeals Commissioners	1,368	-	-	1,368	1,548

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
- (3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
- (4) Automobile provided, no dollar amount included in other non-cash benefits.
- (5) Commissioners consist of nineteen full time individuals.
- (6) The position was occupied by 2 individuals at different time during the years.

DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013
(in thousands)

Schedule 9

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2013	2012 (Restated)	2013	2012 (Restated)
Expenses - Directly Incurred				
Grants to Child and Family Services Authorities	\$ 978,984	\$ 924,188	\$ -	\$ -
Grants to Persons with Developmental Disability Community Boards	\$ 676,728	603,135	\$ -	-
Ministry of Service Alberta	-	-	6,201	5,379
Ministry of Infrastructure	-	-	899	875
Ministry of Treasury Board and Finance	-	-	2,062	2,200
Ministry of Health	-	-	831	2,814
Ministry of Enterprise and Advanced Education	-	-	7,813	10,061
Ministry of Education	-	-	953	1,136
Child and Family Services Authorities	55	-	-	-
	\$ 1,655,767	\$ 1,527,323	\$ 18,759	\$ 22,465
Tangible Capital Assets Transferred Out	\$ -	\$ -	\$ 418	\$ 4,000
Net Receivable (Payable)				
Child and Family Services Authorities	\$ (21,220)	\$ (23,063)	\$ -	\$ -
Persons with Developmental Disabilities Boards	2	-	-	-
Ministry of Enterprise and Advanced Education	-	-	(66)	(15)
Ministry of Health	-	-	-	86
	\$ (21,218)	\$ (23,063)	\$ (66)	\$ 71

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013
(in thousands)

Schedule 9 (Continued)

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 10

	Other Entities	
	2013	2012
		(Restated)
Expenses - Incurred by Others		
Accommodation	\$ 34,183	\$ 31,672
Legal Services	3,197	1,777
Other Services	7,027	7,254
	\$ 44,407	\$ 40,703

**DEPARTMENT OF HUMAN SERVICES
SCHEDULE TO FINANCIAL STATEMENTS**

Allocated Costs

Year ended March 31, 2013

(in thousands)

Schedule 10

2012

**(Restated
Note 3)**

2013

Expenses - Incurred by Others

Program	2013				Total Expenses	Total Expenses
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Other Services ⁽⁴⁾		
Ministry Support Services	\$ 41,840	\$ 3,841	\$ 1,066	\$ 724	\$ 47,471	\$ 50,399
Employment	952,019	15,639	382	2,950	970,990	969,736
Child Intervention	661,875	1,810	577	551	664,813	624,389
Child Care	260,470	331	17	62	260,880	243,467
Assured Income for the Severely Handicapped	1,034,460	3,289	179	620	1,038,548	809,095
Support to Persons with Disabilities	698,776	375	88	446	699,685	625,392
Public Guardian and Trustee Services	28,835	2,152	344	405	31,736	29,375
Family Support for Children with Disabilities	138,910	177	11	33	139,131	137,898
Family and Communities Support Services	75,941	66	-	12	76,019	76,020
Homeless Support	109,633	751	28	141	110,553	96,998
Implementation of Alberta Supports	11,172	199	28	37	11,436	8,269
Early Intervention Services for Children and Youth	99,255	519	-	98	99,872	91,755
Prevention of Family Violence and Bullying	42,102	199	20	37	42,358	42,134
Workplace Standards	46,804	3,996	443	753	51,996	46,375
Labour Relations Board	3,207	243	11	46	3,507	3,194
Appeals Commission for Alberta Workers' Compensation	9,942	596	3	112	10,653	10,128
	\$ 4,215,241	\$ 34,183	\$ 3,197	\$ 7,027	\$ 4,259,648	\$ 3,864,624

(1) Expenses - Directly Incurred as per the Consolidated Statement of Operations.

(2) Accommodation costs (includes grants in lieu of taxes), which were paid by the Ministry of Infrastructure represent the Department's building costs allocated by the number of employees per program.

(3) Costs for Legal Services, which were paid by the Ministry of Justice and Solicitor General, are based on specific amounts for each program.

(4) Other Services represents services provided by Ministry of Treasury Board and Finance, Service Alberta, Executive Council for which no consideration was exchanged. Costs were allocated by the number of Department employees per program.



Persons with
Developmental
Disabilities Boards

FINANCIAL STATEMENTS

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD**

FINANCIAL STATEMENTS

Year ended March 31, 2013

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Schedule 4 Related Party Transactions

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Independent Auditor's Report

To the Members of the Persons with Developmental Disabilities Northeast
Region Community Board and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Persons with Developmental Disabilities Northeast Region Community Board, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Persons with Developmental Disabilities Northeast Region Community Board as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 28, 2013

Edmonton, Alberta

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
STATEMENT OF OPERATIONS
Year ended March 31, 2013**

	2013		2012
	Budget (Schedule 2)	Actual	Actual
	(in thousands)		
Revenues			
Transfer from Department of Human Services	\$ 34,926	\$ 36,496	\$ 32,108
Previous year's refund of expenditures	-	22	12
	<u>34,926</u>	<u>36,518</u>	<u>32,120</u>
Expenses – Directly Incurred (Note 2 (b), Schedules 1 and 5)			
Programs			
Community Living Supports	18,208	20,389	17,403
Employment Supports	1,984	1,832	1,753
Community Access Supports	5,186	5,388	4,982
Specialized Community Supports	559	624	613
Supports to Delivery Systems	8,822	8,786	8,257
Board Governance	175	115	104
	<u>34,934</u>	<u>37,134</u>	<u>33,112</u>
Net operating results	<u>\$ (8)</u>	<u>\$ (616)</u>	<u>\$ (992)</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
STATEMENT of FINANCIAL POSITION
As at March 31, 2013**

	2013	2012
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 1,047	\$ 2,372
Accounts receivable (Note 3)	269	86
	<u>\$ 1,316</u>	<u>\$ 2,458</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 1,309	\$ 1,835
Net assets		
Net assets at beginning of year	623	1,615
Net operating results	(616)	(992)
	<u>7</u>	<u>623</u>
	<u>\$ 1,316</u>	<u>\$ 2,458</u>

Contractual obligations (Note 6)

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
STATEMENT OF CASH FLOWS
Year ended March 31, 2013**

	<u>2013</u>	<u>2012</u>
	(in thousands)	
Operating transactions		
Net operating results	\$ (616)	\$ (992)
(Increase) decrease in accounts receivable	(183)	221
Decrease in accounts payable and accrued liabilities	<u>(526)</u>	<u>(417)</u>
Cash applied to operating transactions	(1,325)	(1,188)
Cash and cash equivalents, beginning of year	<u>2,372</u>	<u>3,560</u>
Cash and cash equivalents, end of year	<u>\$ 1,047</u>	<u>\$ 2,372</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Persons with Developmental Disabilities Northeast Region Community Board (the Board) is a corporation that was established on October 30, 1997 by way of a Ministerial Order. The Board operates under the authority of the *Persons with Developmental Disabilities Community Governance Act*, the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000, and directions provided by the Minister of Human Services.

The Board is responsible for developing, implementing, and evaluating plans for the provision of services for adults with developmental disabilities within the region.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Board, which is part of the Ministry of Human Services (the ministry), and for which the Minister of Human Services (the minister) is accountable. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Board's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Board complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Board is eligible to receive the funds.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Board has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as supplies and services, directly incurred expenses also include:

- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay,
- costs of salaries, wages and benefits related to employees assigned to the Board through an arrangement with the Department of Human Services. The cost of their salaries, wages and benefits is included in manpower expense, and
- pension costs, which are the cost of employer contributions for current service of employees during the year.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Description of Program Expenses Reported on the Statement of Operations

Community Living Supports – expenses incurred to assist adults with developmental disabilities to live in their home.

Employment Supports – expenses incurred to assist adults with developmental disabilities in gaining and maintaining employment.

Community Access Supports – expenses incurred to assist adults with developmental disabilities to participate in community activities and personal development activities.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING
PRACTICES (continued)**

(b) Basis of Financial Reporting (continued)

Specialized Community Supports – expenses incurred to provide other unique supports that are needed to assist adults with developmental disabilities in their environment or to enhance their access to the community.

Supports to Delivery Systems – expenses incurred to provide administrative and financial support for program delivery.

Board Governance – expenses incurred in support of Board related activities.

Incurred by Others

Services contributed by other entities in support of Board operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Cash and Cash Equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Board.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Board include cash and cash equivalents and financial claims, such as receivables from other organizations.

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

Amortization is only charged if the tangible capital asset is in use.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Board and its liabilities.

Canadian Public Sector Accounting Standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Board operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 3 ACCOUNTS RECEIVABLE
(in thousands)

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Service providers	\$ 268	\$ -	\$ 268	\$ 85
Other	1	-	1	1
	<u>\$ 269</u>	<u>\$ -</u>	<u>\$ 269</u>	<u>\$ 86</u>

Accounts receivable are unsecured and non-interest bearing.

NOTE 4 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2013	2012
Accrued supplies and services	\$ 700	\$ 1,181
Due to Treasury Board and Finance	404	192
Employees' accrued vacation pay and manpower costs	205	205
Accrued grants	-	257
	<u>\$ 1,309</u>	<u>\$ 1,835</u>

NOTE 5 VOLUNTARY CONTRIBUTIONS

These financial statements do not include amounts relating to voluntary contributions received for materials and services because of the difficulties in determining their fair market value.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 6 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Board to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 10,361</u>	<u>\$ 28,260</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 10,354
2014-15	4
2015-16	3
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 10,361</u>

NOTE 7 BENEFIT PLANS
(in thousands)

The Board participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$226 for the year ended March 31, 2013 (2012 – \$209). The Board is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of \$303,423 (2011 – deficiency \$517,726), the Public Service Pension Plan reported a deficiency of \$1,645,141 (2011 – deficiency \$1,790,383), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870 (2011 – deficiency \$53,489).

The Board also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of \$51,717 (2012 – surplus \$9,136) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$18,327 (2012 – surplus \$10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 8 GRANDFATHERED CLIENTS
(in thousands)

When the *Persons with Developmental Disabilities Community Governance Act* (the *Act*) was passed by the Alberta Legislature in 1997, the new legislation narrowed the service mandate from the previous disability supports program and established eligibility criteria.

Certain individuals and agencies were receiving services prior to the passing of the *Act* but they no longer met the new criteria for Persons with Developmental Disabilities (PDD).

In response to a recommendation from the *Building Better Bridges* report, government directed that PDD Boards continue providing services to these individuals and agencies until service responsibility is handed-off to a more appropriate provincial program. Accordingly, expenses related to these grandfathered individuals and agencies do not comply with the *Act*.

The total cost of these services for 6 individuals that has been included in the Statement of Operations is estimated to be \$126 (2012 – 6 individuals totalling \$124).

NOTE 9 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were prepared by management and approved by the Board.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
 NORTHEAST REGION COMMUNITY BOARD
 SCHEDULE TO FINANCIAL STATEMENTS
 Expenses – Directly Incurred Detailed By Object
 Year ended March 31, 2013**

SCHEDULE 1

	2013		2012
	Budget	Actual	Actual
	(in thousands)		
Salaries, wages and employee benefits	\$ 2,338	\$ 1,966	\$ 2,032
Supplies and services	32,596	34,011	29,702
Grants	-	1,157	1,378
	\$ 34,934	\$ 37,134	\$ 33,112

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Budget
Year ended March 31, 2013**

SCHEDULE 2

	2012-13 Estimate	Adjustments ^(a)	2012-13 Authorized Budget
	(in thousands)		
Revenue			
Transfer from Department of Human Services	\$ 34,926	\$ 1,570	\$ 36,496
Expenses – Directly Incurred			
Community Living Supports	18,208	1,526	19,734
Employment Supports	1,984	(49)	1,935
Community Access Supports	5,186	65	5,251
Specialized Community Supports	559	-	559
Supports to Delivery Systems	8,822	28	8,850
Board Governance	175	-	175
	34,934	1,570	36,504
Net operating results	\$ (8)	\$ -	\$ (8)

^(a) Adjustments have been approved by the Deputy Minister.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure
Year ended March 31, 2013**

SCHEDULE 3

	2013			2012	
	Base Salary ^(a)	Other Cash Benefits ^(b)	Other Non-cash Benefits ^(c)	Total	Total
	(in thousands)				
Chair of the Board ^(d)	\$ -	\$ 34	\$ -	\$ 34	\$ 31
Board Members ^(e)	-	43	-	43	40
Chief Executive Officer ^(f)	157	9	44	210	193
Manager, Finance and Monitoring ^(f)	103	-	29	132	127
Manager, Community Integration ^{(f)(g)}	86	-	25	111	70

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(a) Base Salary includes pensionable base pay.

(b) Other cash benefits include vacation payouts, lump sum payments and honoraria. There were no bonuses paid in 2013.

(c) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(d) These amounts represent honoraria payments made to the Chair of the Board.

(e) There are 9 board member positions. These amounts represent honoraria payments made to the board members during the year.

(f) Executives and managers are assigned to the Board from the Department of Human Services and are not employees of the Board.

(g) Position was vacant for five months in the prior year.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013**

SCHEDULE 4

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management and the Board.

The Board and the employees seconded to it from the Department of Human Services paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Board had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Revenues				
Department of Human Services	<u>\$ 36,496</u>	<u>\$ 32,108</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses – Directly Incurred				
Service Alberta	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ 33</u>
Payable to:				
Treasury Board and Finance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404</u>	<u>\$ 192</u>

The Board also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Expenses – Incurred by Others				
Department of Infrastructure	\$ -	\$ -	\$ 392	\$ 403
Service Alberta	-	-	53	43
Department of Justice and Solicitor General	-	-	3	18
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 448</u>	<u>\$ 464</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHEAST REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS**

**Allocated Costs
Year ended March 31, 2013**

SCHEDULE 5

Program	2013			2012		
	Expenses ^(a)	Expenses – Incurred by Others			Total Expenses	Total Expenses
		Accommodation Costs ^(b)	Legal Services ^(c)	Other Services		
		(in thousands)				
Community Living Supports	\$ 20,389	\$ -	\$ -	\$ -	\$ 20,389	\$ 17,403
Employment Supports	1,832	-	-	-	1,832	1,753
Community Access Supports	5,388	-	-	-	5,388	4,982
Specialized Community Supports	624	-	-	-	624	613
Supports to Delivery Systems	8,786	392	3	53	9,234	8,721
Board Governance	115	-	-	-	115	104
	\$ 37,134	\$ 392	\$ 3	\$ 53	\$ 37,582	\$ 33,576

^(a) Expenses - Directly Incurred as per Statement of Operations.

^(b) Accommodation Costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Persons with Developmental Disabilities Northeast Region Community Board's buildings costs allocated by the number of employees per program.

^(c) Costs for legal services, which were paid by the Department of Justice and Solicitor General, were allocated to Supports to Delivery Systems Program since the legal services provided were in relation to proceedings under the *Persons with Developmental Disabilities Community Governance Act*.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD**

FINANCIAL STATEMENTS

Year ended March 31, 2013

Independent Auditor's Report

Statement of Operations

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Schedule 1 Expenses – Directly Incurred Detailed by Object

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Schedule 3 Salary and Benefits Disclosure

Schedule 4 Related Party Transactions

Schedule 5 Allocated Costs



Independent Auditor's Report

To the Members of the Persons with the Developmental Disabilities Northwest
Region Community Board and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Persons with Developmental Disabilities Northwest Region Community Board, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Persons with Developmental Disabilities Northwest Region Community Board as at March 31, 2013 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 28, 2013

Edmonton, Alberta

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
STATEMENT OF OPERATIONS
Year ended March 31, 2013**

	2013		2012
	Budget (Schedule 2)	Actual	Actual
	(in thousands)		
Revenues			
Transfer from Department of Human Services	\$ 25,490	\$ 26,856	\$ 23,412
Previous year's refund of expenditures	-	-	7
	<u>25,490</u>	<u>26,856</u>	<u>23,419</u>
Expenses – Directly Incurred (Note 2(b), Schedules 1 and 5)			
Programs			
Community Living Supports	14,540	17,113	14,343
Employment Supports	1,255	655	689
Community Access Supports	2,999	2,719	2,611
Specialized Community Supports	531	308	314
Supports to Delivery Systems	6,007	6,366	5,731
Board Governance	150	133	138
	<u>25,482</u>	<u>27,294</u>	<u>23,826</u>
Net operating results	<u>\$ 8</u>	<u>\$ (438)</u>	<u>\$ (407)</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
STATEMENT of FINANCIAL POSITION
As at March 31, 2013**

	2013	2012
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 272	\$ 686
Accounts receivable (Note 3)	350	241
	<u>\$ 622</u>	<u>\$ 927</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 868	\$ 735
Net (liabilities) assets		
Net assets at beginning of year	192	599
Net operating results	(438)	(407)
	<u>(246)</u>	<u>192</u>
	<u>\$ 622</u>	<u>\$ 927</u>

Contractual obligations (Note 6)

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
STATEMENT OF CASH FLOWS
Year ended March 31, 2013**

	<u>2013</u>	<u>2012</u>
	(in thousands)	
Operating transactions		
Net operating results	\$ (438)	\$ (407)
(Increase) decrease in accounts receivable	(109)	6
Increase in accounts payable and accrued liabilities	<u>133</u>	<u>209</u>
Cash applied to operating transactions	(414)	(192)
Cash and cash equivalents, beginning of year	<u>686</u>	<u>878</u>
Cash and cash equivalents, end of year	<u>\$ 272</u>	<u>\$ 686</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Persons with Developmental Disabilities Northwest Region Community Board (the Board) is a corporation that was established on October 30, 1997 by way of a Ministerial Order. The Board operates under the authority of the *Persons with Developmental Disabilities Community Governance Act*, the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000, and directions provided by the Minister of Human Services.

The Board is responsible for developing, implementing, and evaluating plans for the provision of services for adults with developmental disabilities within the region.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Board, which is part of the Ministry of Human Services (the ministry), and for which the Minister of Human Services (the minister) is accountable. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Board's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Board complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Board is eligible to receive the funds.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Board has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as supplies and services, directly incurred expenses also include:

- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay,
- costs of salaries, wages and benefits related to employees assigned to the Board through an arrangement with the Department of Human Services. The cost of their salaries, wages and benefits is included in manpower expense, and
- pension costs, which are the cost of employer contributions for current service of employees during the year.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Description of Program Expenses Reported on the Statement of Operations

Community Living Supports – expenses incurred to assist adults with developmental disabilities to live in their home.

Employment Supports – expenses incurred to assist adults with developmental disabilities in gaining and maintaining employment.

Community Access Supports – expenses incurred to assist adults with developmental disabilities to participate in community activities and personal development activities.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Specialized Community Supports – expenses incurred to provide other unique supports that are needed to assist adults with developmental disabilities in their environment or to enhance their access to the community.

Supports to Delivery Systems – expenses incurred to provide administrative and financial support for program delivery.

Board Governance – expenses incurred in support of Board related activities.

Incurred by Others

Services contributed by other entities in support of Board operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Cash and Cash Equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Board.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Board include cash and cash equivalents and financial claims, such as receivables from other organizations.

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

Amortization is only charged if the tangible capital asset is in use.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Board and its liabilities.

Canadian Public Sector Accounting Standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Board operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 3 ACCOUNTS RECEIVABLE
(in thousands)

	2013			2012	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value	
Service providers	\$ 349	\$ -	\$ 349	\$ 240	
Other	1	-	1	1	
	\$ 350	\$ -	\$ 350	\$ 241	

Accounts receivable are unsecured and non-interest bearing.

NOTE 4 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2013	2012
Accrued supplies and services	\$ 554	\$ 338
Employees' accrued vacation pay and manpower costs	173	158
Due to Treasury Board and Finance	141	239
	\$ 868	\$ 735

NOTE 5 VOLUNTARY CONTRIBUTIONS

These financial statements do not include amounts relating to voluntary contributions received for materials and services because of the difficulty in determining their fair market value.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 6 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Board to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 7,102</u>	<u>\$ 18,733</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 7,102
2014-15	-
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 7,102</u>

NOTE 7 BENEFIT PLANS
(in thousands)

The Board participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$188 for the year ended March 31, 2013 (2012 – \$180). The Board is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of \$303,423 (2011 – deficiency \$517,726), the Public Service Pension Plan reported a deficiency of \$1,645,141 (2011 – deficiency \$1,790,383), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870 (2011 – deficiency \$53,489).

The Board also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of \$51,717 (2012 – surplus \$9,136) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$18,327 (2012 – surplus \$10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 8 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 9 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were prepared by management and approved by the Board.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
 NORTHWEST REGION COMMUNITY BOARD
 SCHEDULE TO FINANCIAL STATEMENTS
 Expenses – Directly Incurred Detailed By Object
 Year ended March 31, 2013**

SCHEDULE 1

	2013		2012
	Budget	Actual	Actual
	(in thousands)		
Salaries, wages and employee benefits	\$ 1,742	\$ 1,682	\$ 1,640
Supplies and services	23,740	24,924	21,397
Grants	-	688	789
	<u>\$ 25,482</u>	<u>\$ 27,294</u>	<u>\$ 23,826</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Budget
Year ended March 31, 2013**

SCHEDULE 2

	2012-13 Estimate	Adjustments ^(a)	2012-13 Authorized Budget
	(in thousands)		
Revenue			
Transfer from Department of Human Services	\$ 25,490	\$ 1,366	\$ 26,856
Expenses – Directly Incurred			
Community Living Supports	14,540	1,854	16,394
Employment Supports	1,255	(525)	730
Community Access Supports	2,999	(184)	2,815
Specialized Community Supports	531	(191)	340
Supports to Delivery Systems	6,007	412	6,419
Board Governance	150	-	150
	<u>25,482</u>	<u>1,366</u>	<u>26,848</u>
Net operating results	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 8</u>

^(a) Adjustments have been approved by the Deputy Minister.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure
Year ended March 31, 2013**

SCHEDULE 3

	2013			2012	
	Base Salary ^(a)	Other Cash Benefits ^(b)	Other Non-cash Benefits ^(c)	Total	Total
	(in thousands)				
Chair of the Board ^(d)	\$ -	\$ 29	\$ -	\$ 29	\$ 23
Board Members ^(e)	-	59	-	59	65
Chief Executive Officer ^(f)	128	6	31	165	162
Community Resource Manager ^(f)	100	6	27	133	129
Finance Manager ^(f)	100	6	28	134	126

Prepared in accordance with Treasury Board Directive 12/98 as amended.

^(a) Base Salary includes pensionable base pay.

^(b) Other cash benefits include vacation payouts, lump sum payments and honoraria. There were no bonuses paid in 2013.

^(c) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

^(d) These amounts represent honoraria payments made to the Chair of the Board.

^(e) There are 7 board member positions. These amounts represent honoraria payments made to the board members during the year.

^(f) Executives and managers are assigned to the Board from the Department of Human Services and are not employees of the Board.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013**

SCHEDULE 4

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management and the Board.

The Board and the employees seconded to it from the Department of Human Services paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Board had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Revenues				
Department of Human Services	\$ 26,856	\$ 23,412	\$ -	\$ -
Expenses – Directly Incurred				
Service Alberta	\$ -	\$ -	\$ 25	\$ 24
Payable to:				
Department of Human Services	\$ 2	\$ -	\$ -	\$ -
Treasury Board and Finance	-	-	141	239
	\$ 2	\$ -	\$ 141	\$ 239

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013**

SCHEDULE 4 (continued)

The Board also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Expenses – Incurred by Others				
Department of Infrastructure	\$ -	\$ -	\$ 323	\$ 333
Service Alberta	-	-	43	35
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366</u>	<u>\$ 368</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
NORTHWEST REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS**

**Allocated Costs
Year ended March 31, 2013**

SCHEDULE 5

Program	2013			Total Expenses
	Expenses – Incurred by Others			
	Expenses ^(a)	Accommodation Costs ^(b)	Other Services	
	(in thousands)			
Community Living Supports	\$ 17,113	\$ -	\$ -	\$ 17,113
Employment Supports	655	-	-	655
Community Access Supports	2,719	-	-	2,719
Specialized Community Supports	308	-	-	308
Supports to Delivery Systems	6,366	323	43	6,732
Board Governance	133	-	-	133
	\$ 27,294	\$ 323	\$ 43	\$ 27,660
				\$ 24,194

^(a) Expenses - Directly Incurred as per Statement of Operations.

^(b) Accommodation Costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Persons with Developmental Disabilities Northwest Region Community Board's buildings costs allocated by the number of employees per program.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD**

FINANCIAL STATEMENTS

Year ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 Expenses – Directly Incurred Detailed by Object

Schedule 2 Budget

Schedule 3 Salary and Benefits Disclosure

Schedule 4 Related Party Transactions

Schedule 5 Allocated Costs



Independent Auditor's Report

To the Members of the Persons with Developmental Disabilities Edmonton
Region Community Board and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Persons with Developmental Disabilities Edmonton Region Community Board, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Persons with Developmental Disabilities Edmonton Region Community Board as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 4, 2013

Edmonton, Alberta

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
STATEMENT OF OPERATIONS
Year ended March 31, 2013**

	2013		2012
	Budget (Schedule 2)	Actual	Actual
	(in thousands)		
Revenues			
Transfer from Department of Human Services	\$ 195,570	\$ 201,301	\$ 173,135
Previous year's refund of expenditures	-	907	2,014
Premiums, fees and licenses	100	224	220
	<u>195,670</u>	<u>202,432</u>	<u>175,369</u>
Expenses – Directly Incurred (Note 2(b) and Schedules 1 and 5)			
Programs			
Community Living Supports	121,232	128,189	115,517
Employment Supports	7,200	6,096	6,191
Community Access Supports	18,688	19,420	17,612
Specialized Community Supports	587	2,475	1,295
Direct Operations	11,475	9,868	10,318
Supports to Delivery Systems	36,436	36,861	34,617
Board Governance	150	176	176
	<u>195,768</u>	<u>203,085</u>	<u>185,726</u>
Net operating results	<u>\$ (98)</u>	<u>\$ (653)</u>	<u>\$ (10,357)</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
STATEMENT of FINANCIAL POSITION
As at March 31, 2013**

	2013	2012
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 5,383	\$ 7,669
Accounts receivable (Note 3)	4,646	3,999
Tangible capital assets (Note 4)	20	15
	\$ 10,049	\$ 11,683
Liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 9,165	\$ 10,146
Net assets		
Net assets at beginning of year	1,537	11,894
Net operating results	(653)	(10,357)
	884	1,537
	\$ 10,049	\$ 11,683

Contractual obligations (Note 7)

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
STATEMENT OF CASH FLOWS
Year ended March 31, 2013**

	<u>2013</u>	<u>2012</u>
	(in thousands)	
Operating transactions		
Net operating results	\$ (653)	\$ (10,357)
Non-cash items included in net operating results		
Amortization	<u>7</u>	<u>8</u>
	(646)	(10,349)
Increase in accounts receivable	(647)	(205)
(Decrease) increase in accounts payable and accrued liabilities	<u>(981)</u>	<u>3,278</u>
Cash applied to operating transactions	(2,274)	(7,276)
Capital transactions		
Acquisition of tangible capital assets	<u>(12)</u>	<u>(8)</u>
Decrease in cash and cash equivalents	(2,286)	(7,284)
Cash and cash equivalents, beginning of year	<u>7,669</u>	<u>14,953</u>
Cash and cash equivalents, end of year	<u>\$ 5,383</u>	<u>\$ 7,669</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Persons with Developmental Disabilities Edmonton Region Community Board (the Board) is a corporation that was established on October 30, 1997 by way of a Ministerial Order. The Board operates under the authority of the *Persons with Developmental Disabilities Community Governance Act*, the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000, and directions provided by the Minister of Human Services.

The Board is responsible for developing, implementing and evaluating plans for the provision of services for adults with developmental disabilities within the region.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Board, which is part of the Ministry of Human Services (the ministry), and for which the Minister of Human Services (the minister) is accountable. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Board's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Board complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Board is eligible to receive the funds.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Board has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as supplies and services, directly incurred expenses also include:

- amortization of tangible capital assets,
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay,
- costs of salaries, wages and benefits related to employees assigned to the Board through an arrangement with the Department of Human Services. The cost of their salaries, wages and benefits is included in manpower expense, and
- pension costs, which are the cost of employer contributions for current service of employees during the year.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Description of Program Expenses Reported on the Statement of Operations

Community Living Supports – expenses incurred to assist adults with developmental disabilities to live in their home.

Employment Supports – expenses incurred to assist adults with developmental disabilities in gaining and maintaining employment.

Community Access Supports – expenses incurred to assist adults with developmental disabilities to participate in community activities and personal development activities.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Specialized Community Supports – expenses incurred to provide other unique supports that are needed to assist adults with developmental disabilities in their environment or to enhance their access to the community.

Direct Operations – expenses incurred to operate the Eric Cormack Centre and 11 community homes in the greater Edmonton area, and to provide the resident adults with developmental disabilities with residential care, supporting them to participate in community and personal development activities.

Supports to Delivery Systems – expenses incurred to provide administrative and financial support for program delivery.

Board Governance – expenses incurred in support of Board related activities.

Incurred by Others

Services contributed by other entities in support of Board operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Cash and Cash Equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Board.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Board include cash and cash equivalents and financial claims, such as accounts receivables from other organizations.

Tangible capital assets of the Board are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

Amortization is only charged if the tangible capital asset is in use.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in future.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Board and its liabilities.

Canadian Public Sector Accounting Standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Board operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 3 ACCOUNTS RECEIVABLE
(in thousands)

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Service providers	\$ 4,616	\$ -	\$ 4,616	\$ 3,889
Accommodation fees	17	-	17	17
Other	13	-	13	93
	<u>\$ 4,646</u>	<u>\$ -</u>	<u>\$ 4,646</u>	<u>\$ 3,999</u>

Accounts receivable are unsecured and non-interest bearing.

NOTE 4 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment ⁽¹⁾	Leasehold Improvements	Total
Estimated useful life	7 years	5 years	
Historical cost			
Beginning of year	\$ 44	\$ 40	\$ 84
Additions	12	-	12
	<u>\$ 56</u>	<u>\$ 40</u>	<u>\$ 96</u>
Accumulated amortization			
Beginning of year	\$ 29	\$ 40	\$ 69
Amortization expense	7	-	7
	<u>\$ 36</u>	<u>\$ 40</u>	<u>\$ 76</u>
Net book value at March 31, 2013	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 20</u>
Net book value at March 31, 2012	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 15</u>

⁽¹⁾ Equipment includes kitchen equipment and bathing equipment.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	<u>2013</u>	<u>2012</u>
Service provider accruals	\$ 4,601	\$ 5,166
Employees' accrued vacation pay and manpower costs	1,666	1,615
Accrued grants	1,500	1,898
Due to Treasury Board and Finance	1,347	1,361
Other accrued supplies and services	<u>51</u>	<u>106</u>
	<u>\$ 9,165</u>	<u>\$ 10,146</u>

NOTE 6 VOLUNTARY CONTRIBUTIONS

These financial statements do not include amounts relating to voluntary contributions received for materials and services because of the difficulties in determining their fair market value.

NOTE 7 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Board to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 55,672</u>	<u>\$ 16,626</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 55,672
2014-15	-
2015-16	-
2016-17	-
2017-18	-
Thereafter	<u>-</u>
	<u>\$ 55,672</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 8 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The Board administers trust funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Board's financial statements.

At March 31, 2013 trust funds under administration were as follows:

	2013	2012
Client trust funds	\$ 103	\$ 98
Donations to clients	-	2
	\$ 103	\$ 100

NOTE 9 BENEFIT PLANS
(in thousands)

The Board participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$1,603 for the year ended March 31, 2013 (2012 – \$1,403). The Board is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of \$303,423 (2011 – deficiency \$517,726), the Public Service Pension Plan reported a deficiency of \$1,645,141 (2011 – deficiency \$1,790,383), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870 (2011 – deficiency \$53,489).

The Board also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of \$51,717 (2012 – surplus \$9,136) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$18,327 (2012 – surplus \$10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 10 GRANDFATHERED CLIENTS
(in thousands)

When the *Persons with Developmental Disabilities Community Governance Act* (the *Act*) was passed by the Alberta Legislature in 1997, the new legislation narrowed the service mandate from the previous disability supports program and established eligibility criteria.

Certain individuals and agencies were receiving services prior to the passing of the *Act* but they no longer met the new criteria for Persons with Developmental Disabilities (PDD).

In response to a recommendation from the *Building Better Bridges* report, government directed that PDD Boards continue providing services to these individuals and agencies until service responsibility is handed-off to a more appropriate provincial program. Accordingly, expenses related to these grandfathered individuals and agencies do not comply with the *Act*.

The total cost of these services in 2013 for 8 individuals that has been included in the Statement of Operations is estimated to be \$579 (2012 – 8 individuals totalling \$550).

NOTE 11 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were prepared by management and approved by the Board.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Expenses – Directly Incurred Detailed By Object
Year ended March 31, 2013**

SCHEDULE 1

	2013		2012
	Budget	Actual	Actual
	(in thousands)		
Salaries, wages and employee benefits	\$ 17,741	\$ 16,685	\$ 16,367
Supplies and services	178,018	179,475	162,035
Grants	-	6,918	7,316
Amortization of tangible capital assets	9	7	8
	\$ 195,768	\$ 203,085	\$ 185,726

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Budget
Year ended March 31, 2013**

SCHEDULE 2

	2012-13 Estimate	Adjustments ^(a)	2012-13 Authorized Budget
	(in thousands)		
Revenue			
Transfer from Department of Human Services	\$ 195,570	\$ 5,731	\$ 201,301
Premiums, fees and licenses	100	-	100
	<u>195,670</u>	<u>5,731</u>	<u>201,401</u>
Expenses – Directly Incurred			
Community Living Supports	121,232	2,913	124,145
Employment Supports	7,200	41	7,241
Community Access Supports	18,688	130	18,818
Specialized Community Supports	587	928	1,515
Direct Operations	11,475	-	11,475
Supports to Delivery Systems	36,436	1,694	38,130
Board Governance	150	25	175
	<u>195,768</u>	<u>5,731</u>	<u>201,499</u>
Net operating results	<u>\$ (98)</u>	<u>\$ -</u>	<u>\$ (98)</u>
Capital investment	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 30</u>

^(a) Adjustments have been approved by the Deputy Minister.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure
Year ended March 31, 2013**

SCHEDULE 3

	2013			2012	
	Base Salary ^(a)	Other Cash Benefits ^(b)	Other Non-cash Benefits ^(c)	Total	Total
(in thousands)					
Chair of the Board ^(d)	\$ -	\$ 53	\$ -	\$ 53	\$ 57
Board Members ^(e)	-	70	-	70	71
Chief Executive Officer ^(f)	152	-	41	193	218
Assistant Chief Executive Officer ^(f)	112	-	34	146	173
Director of Operations ^{(f)(g)}	47	-	12	59	-
Manager, Finance ^(f)	107	28	29	164	128
Executive Director, Residential Services ^(f)	128	-	32	160	166

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(a) Base Salary includes pensionable base pay.

(b) Other cash benefits include vacation payouts, lump-sum payments and honoraria. There were no bonuses paid in 2013.

(c) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(d) These amounts represent honoraria payments made to the Chair of the Board.

(e) There are 8 board member positions. These amounts represent honoraria payments made to the board members during the year.

(f) Executives are assigned to the Board from the Department of Human Services and are not employees of the Board.

(g) Position created on November 1, 2012.

PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013

SCHEDULE 4

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management and the Board.

The Board and the employees seconded to it from the Department of Human Services paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Board had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Revenues				
Department of Human Services	\$ 201,301	\$ 173,135	\$ -	\$ -
Expenses – Directly Incurred				
Service Alberta	\$ -	\$ -	\$ 22	\$ 21
Department of Infrastructure	-	-	2	1
Alberta Health Services	-	-	140	201
Department of Human Services	148	167	-	-
	<u>\$ 148</u>	<u>\$ 167</u>	<u>\$ 164</u>	<u>\$ 223</u>
Payable to:				
Department of Human Services	\$ 73	\$ 90	\$ -	\$ -
Alberta Health Services	-	-	6	43
Treasury Board and Finance	-	-	1,347	1,361
	<u>\$ 73</u>	<u>\$ 90</u>	<u>\$ 1,353</u>	<u>\$ 1,404</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013**

SCHEDULE 4 (continued)

The Board also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Expenses – Incurred by Others				
Department of Infrastructure	\$ -	\$ -	\$ 4,564	\$ 4,699
Service Alberta	-	-	252	205
Department of Justice and Solicitor General	-	-	33	72
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,849</u>	<u>\$ 4,976</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
EDMONTON REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS**

**Allocated Costs
Year ended March 31, 2013**

SCHEDULE 5

Program	2013				2012	
	Expenses ^(a)	Expenses – Incurred by Others			Total Expenses	Total Expenses
		Accommodation Costs ^(b)	Legal Services ^(c)	Other Services		
						(in thousands)
Community Living Supports	\$ 128,189	\$ -	\$ -	-	\$ 128,189	\$ 115,517
Employment Supports	6,096	-	-	-	6,096	6,191
Community Access Supports	19,420	-	-	-	19,420	17,612
Specialized Community Supports	2,475	-	-	-	2,475	1,295
Direct Operations	9,860	3,355	-	-	13,215	13,772
Supports to Delivery Systems	36,869	1,209	33	252	38,363	36,139
Board Governance	176	-	-	-	176	176
	<u>\$ 203,085</u>	<u>\$ 4,564</u>	<u>\$ 33</u>	<u>\$ 252</u>	<u>\$ 207,934</u>	<u>\$ 190,702</u>

^(a) Expenses - Directly Incurred as per Statement of Operations.

^(b) Accommodation Costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Persons with Developmental Disabilities Edmonton Region Community Board's buildings costs allocated by the number of employees per program.

^(c) Costs for legal services, which were paid by the Department of Justice and Solicitor General, were allocated to Supports to Delivery Systems Program since the legal services provided were in relation to proceedings under the *Persons with Developmental Disabilities Community Governance Act*.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD**

FINANCIAL STATEMENTS

Year ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 Expenses – Directly Incurred Detailed by Object

Schedule 2 Budget

Schedule 3 Salary and Benefits Disclosure

Schedule 4 Related Party Transactions

Schedule 5 Allocated Costs



Independent Auditor's Report

To the Members of Persons with Developmental Disabilities Central
Region Community Board and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Persons with Developmental Disabilities Central Region Community Board, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Persons with Developmental Disabilities Central Region Community Board as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 29, 2013

Edmonton, Alberta

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
STATEMENT OF OPERATIONS
Year ended March 31, 2013**

	2013		2012
	Budget (Schedule 2)	Actual	Actual
	(in thousands)		
Revenues			
Transfer from Department of Human Services	\$ 151,028	\$ 156,166	\$ 143,310
Previous year's refund of expenditures	-	166	390
Fee revenue	1,050	1,045	1,037
Other revenue	165	398	232
	<u>152,243</u>	<u>157,775</u>	<u>144,969</u>
Expenses – Directly Incurred (Note 2(b), Schedules 1 and 5)			
Programs			
Community Living Supports	63,597	65,577	61,002
Employment Supports	3,984	3,732	3,456
Community Access Supports	14,585	15,008	14,151
Specialized Community Supports	1,645	8,131	1,612
Direct Operations	44,301	38,829	40,011
Supports to Delivery Systems	25,039	24,629	23,023
Board Governance	142	113	107
	<u>153,293</u>	<u>156,019</u>	<u>143,362</u>
Net operating results	<u>\$ (1,050)</u>	<u>\$ 1,756</u>	<u>\$ 1,607</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
STATEMENT of FINANCIAL POSITION
As at March 31, 2013**

	2013	2012
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 11,966	\$ 12,384
Accounts receivable (Note 3)	5,587	5,361
Inventory	226	432
Tangible capital assets (Note 4)	1,582	1,701
	<u>\$ 19,361</u>	<u>\$ 19,878</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	<u>\$ 12,967</u>	<u>\$ 15,240</u>
Net assets		
Net assets at beginning of year	4,638	3,031
Net operating results	1,756	1,607
	<u>6,394</u>	<u>4,638</u>
	<u>\$ 19,361</u>	<u>\$ 19,878</u>

Contractual obligations and contingent liabilities (Notes 7 and 8)

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
STATEMENT OF CASH FLOWS
Year ended March 31, 2013**

	<u>2013</u>	<u>2012</u>
	(in thousands)	
Operating transactions		
Net operating results	\$ 1,756	\$ 1,607
Non-cash items included in net operating results		
Amortization	355	336
(Gain) loss on disposal of tangible capital assets	<u>(26)</u>	<u>19</u>
	2,085	1,962
Increase in accounts receivable	(226)	(470)
Decrease (increase) in inventory	206	(31)
(Decrease) increase in accounts payable and accrued liabilities	<u>(2,273)</u>	<u>955</u>
	<u>(208)</u>	<u>2,416</u>
Capital transactions		
Acquisition of tangible capital assets	(236)	(412)
Proceeds on disposal/sale of tangible capital assets	<u>26</u>	<u>20</u>
	<u>(210)</u>	<u>(392)</u>
(Decrease) increase in cash and cash equivalents	(418)	2,024
Cash and cash equivalents, beginning of year	<u>12,384</u>	<u>10,360</u>
Cash and cash equivalents, end of year	<u>\$ 11,966</u>	<u>\$ 12,384</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Persons with Developmental Disabilities Central Region Community Board (the Board) is a corporation that was established on October 30, 1997 by way of a Ministerial Order. The Board operates under the authority of the *Persons with Developmental Disabilities Community Governance Act*, the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000, and directions provided by the Minister of Human Services.

The Board is responsible for developing, implementing, and evaluating plans for the provision of services for adults with developmental disabilities within the region.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Board, which is part of the Ministry of Human Services (the ministry), and for which the Minister of Human Services (the minister) is accountable. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Board's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Board complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Board is eligible to receive the funds.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Board has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as supplies and services, directly incurred expenses also include:

- amortization of tangible capital assets,
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay,
- costs of salaries, wages and benefits related to employees assigned to the Board through an arrangement with the Department of Human Services. The cost of their salaries, wages and benefits is included in manpower expense, and
- pension costs, which are the cost of employer contributions for current service of employees during the year.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Description of Revenues and Expenses Reported on the Statement of Operations

Fee Revenue – Michener Centre collects accommodation fees from certain residents in accordance with the Social Care Facilities Rates Order. In addition, Michener Centre receives accommodation fees for other residents, through contracts with the Nunavut and Northwest Territories governments.

Community Living Supports – expenses incurred to assist adults with developmental disabilities to live in their home.

Employment Supports – expenses incurred to assist adults with developmental disabilities in gaining and maintaining employment.

Community Access Supports – expenses incurred to assist adults with developmental disabilities to participate in community activities and personal development activities.

Specialized Community Supports – expenses incurred to provide other unique supports that are needed to assist adults with developmental disabilities in their environment or to enhance their access to the community.

Direct Operations – expenses incurred to operate Michener Centre in Red Deer, Alberta, and to provide the resident adults with developmental disabilities with residential care, supporting them to participate in community and personal development activities.

Supports to Delivery Systems – expenses incurred to provide administrative and financial support for program delivery.

Board Governance – expenses incurred in support of Board related activities.

Incurred by Others

Services contributed by other entities in support of Board operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Cash and Cash Equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Board.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Board include cash and cash equivalents and financial claims, such as receivables from other organizations.

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the average cost method.

Tangible capital assets of the Board are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

Amortization is only charged if the tangible capital asset is in use.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in a sacrifice of economic benefits in the future.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Net Assets

Net assets represent the difference between the carrying value of assets held by the Board and its liabilities.

Canadian Public Sector Accounting Standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Board operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

NOTE 3 ACCOUNTS RECEIVABLE
(in thousands)

	2013			2012	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value	
Service providers	\$ 5,339	\$ -	\$ 5,339	\$ 5,175	
Trades receivable	246	-	246	184	
Other	2	-	2	2	
	<u>\$ 5,587</u>	<u>\$ -</u>	<u>\$ 5,587</u>	<u>\$ 5,361</u>	

Accounts receivable are unsecured and non-interest bearing.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 4 TANGIBLE CAPITAL ASSETS
(in thousands)

	Leasehold Improvements	Equipment ^(a)	Computer Equipment	Total
Estimated useful life	5-10 years	5-10 years	5 years	
Historical cost				
Beginning of year	\$ 1,267	\$ 3,351	\$ 409	\$ 5,027
Additions	104	120	12	236
Disposals, including write-downs	-	(131)	-	(131)
	<u>\$ 1,371</u>	<u>\$ 3,340</u>	<u>\$ 421</u>	<u>\$ 5,132</u>
Accumulated amortization				
Beginning of year	\$ 345	\$ 2,577	\$ 404	\$ 3,326
Amortization expense	133	219	3	355
Effect of disposals	-	(131)	-	(131)
	<u>\$ 478</u>	<u>\$ 2,665</u>	<u>\$ 407</u>	<u>\$ 3,550</u>
Net Book Value at March 31, 2013	<u>\$ 893</u>	<u>\$ 675</u>	<u>\$ 14</u>	<u>\$ 1,582</u>
Net Book Value at March 31, 2012	<u>\$ 922</u>	<u>\$ 774</u>	<u>\$ 5</u>	<u>\$ 1,701</u>

^(a) Equipment includes vehicles, heavy equipment, kitchen and laundry equipment, medical and rehabilitation equipment, bathing equipment, and other equipment.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	<u>2013</u>	<u>2012</u>
Employees' accrued vacation pay and manpower costs	\$ 4,998	\$ 5,461
Accrued supplies and services	4,142	4,464
Due to Treasury Board and Finance	3,817	4,992
Accrued grants	10	290
Accrued capital purchases	-	33
	<u>\$ 12,967</u>	<u>\$ 15,240</u>

NOTE 6 VOLUNTARY CONTRIBUTIONS

These financial statements do not include amounts relating to voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

NOTE 7 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Board to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 27,010</u>	<u>\$ 39,716</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 27,010
2014-15	-
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 27,010</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 8 CONTINGENT LIABILITIES
(in thousands)

The Board is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Board has been named in 2 (2012: 0) claims of which the outcome is not determinable. Of these claims, 2 (2012: 0) have specified amounts totaling \$1,050 (2012: 0). Included in the total claims, 2 claims totaling \$1,050 (2012: 0) are covered in whole by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The Board administers trust funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Board's financial statements.

At March 31, 2013 trust funds under administration were as follows:

	2013	2012
Client trust funds	\$ 117	\$ 120

NOTE 10 BENEFIT PLANS
(in thousands)

The Board participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$3,691 for the year ended March 31, 2013 (2012 – \$3,326). The Board is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of \$303,423 (2011 – deficiency \$517,726), the Public Service Pension Plan reported a deficiency of \$1,645,141 (2011 – deficiency \$1,790,383), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870 (2011 – deficiency \$53,489).

The Board also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of \$51,717 (2012 – surplus \$9,136) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$18,327 (2012 – surplus \$10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 11 GRANDFATHERED CLIENTS
(in thousands)

When the *Persons with Developmental Disabilities Community Governance Act* (the *Act*) was passed by the Alberta Legislature in 1997, the new legislation narrowed the service mandate from the previous disability supports program and established eligibility criteria.

Certain individuals and agencies were receiving services prior to the passing of the *Act* but they no longer met the new criteria for Persons with Developmental Disabilities (PDD).

In response to a recommendation from the *Building Better Bridges* report, the government directed that PDD Boards continue providing services to these individuals and agencies until service responsibility is handed-off to a more appropriate provincial program. Accordingly, expenses related to these grandfathered individuals and agencies do not comply with the *Act*.

The total cost of these services for 3 individuals that has been included in the Statement of Operations is estimated to be \$188 (2012 – 3 clients totalling \$176).

NOTE 12 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 13 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were prepared by management and approved by the Board.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Expenses – Directly Incurred Detailed By Object
Year ended March 31, 2013**

SCHEDULE 1

	2013		2012
	Budget	Actual	Actual
	(in thousands)		
Salaries, wages and employee benefits	\$ 49,500	\$ 41,887	\$ 42,469
Supplies and services	103,418	103,521	97,117
Grants	-	10,256	3,404
Amortization of tangible capital assets	375	355	336
Other	-	-	36
	<u>\$ 153,293</u>	<u>\$ 156,019</u>	<u>\$ 143,362</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Budget
Year ended March 31, 2013**

SCHEDULE 2

	2012-13 Estimate	Adjustments ^(a)	2012-13 Authorized Budget
	(in thousands)		
Revenue			
Transfer from Department of Human Services	\$ 151,028	\$ 5,138	\$ 156,166
Fee revenue	1,050	-	1,050
Other revenue	165	-	165
	<u>152,243</u>	<u>5,138</u>	<u>157,381</u>
Expenses – Directly Incurred			
Community Living Supports	63,597	3,292	66,889
Employment Supports	3,984	(172)	3,812
Community Access Supports	14,585	778	15,363
Specialized Community Supports	1,645	6,787	8,432
Direct Operations	44,301	(4,639)	39,662
Supports to Delivery Systems	25,039	(908)	24,131
Board Governance	142	-	142
	<u>153,293</u>	<u>5,138</u>	<u>158,431</u>
Net operating results	<u>\$ (1,050)</u>	<u>\$ -</u>	<u>\$ (1,050)</u>
Capital investment	<u>\$ 475</u>	<u>\$ -</u>	<u>\$ 475</u>

^(a) Adjustments have been approved by the Deputy Minister.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure
Year ended March 31, 2013**

SCHEDULE 3

	2013			2012	
	Base Salary ^(a)	Other Cash Benefits ^(b)	Other Non-cash Benefits ^(c)	Total	Total
	(in thousands)				
Chair of the Board ^(d)	\$ 25	\$ -	\$ -	\$ 25	\$ 25
Board Members ^(e)	61	-	-	61	57
Chief Executive Officer ^{(f) (g)}	73	6	21	100	176
Chief Operating Officer ^{(f) (h)}	-	-	-	-	79
Director, Community Programs ^{(f) (i)}	96	-	23	119	153
Director, Corporate Services ^(f)	128	-	33	161	159
Manager, Corporate Development ^{(f) (j)}	127	-	31	158	139

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (a) Base Salary includes pensionable base pay.
- (b) Other cash benefits include vacation payouts, lump sum payments and honoraria. There were no bonuses paid in 2013.
- (c) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long-term disability plans, professional memberships and tuition fees.
- (d) These amounts represent honoraria payments made to the Chair of the Board.
- (e) There are 9 board member positions. These amounts represent honoraria payments made to the board members during the year.
- (f) Executives and managers are assigned to the Board from the Department of Human Services and are not employees of the Board.
- (g) Position was vacant from July 1, 2012 to December 31, 2012.
- (h) Position was abolished on July 1, 2011.
- (i) Position was vacant from December 31, 2012 to March 31, 2013.
- (j) Position received acting pay due to Chief Executive Officer vacancy.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013**

SCHEDULE 4

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management and the Board.

The Board and the employees seconded to it from the Department of Human Services paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Board had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Revenues				
Department of Human Services	\$ 156,166	\$ 143,310	\$ -	\$ -
Expenses - Directly Incurred				
Service Alberta	-	-	118	120
Department of Enterprise and Advanced Education	-	-	21	27
Alberta Health Services	-	-	1,035	27
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,174</u>	<u>\$ 174</u>
Receivable from/(Payable to):				
Service Alberta	\$ -	\$ -	\$ -	\$ 2
Alberta Health Services	-	-	(6)	(9)
Treasury Board and Finance	-	-	(3,817)	(4,992)
Department of Enterprise and Advanced Education	-	-	-	(2)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,823)</u>	<u>\$ (5,001)</u>
Contractual obligations				
Alberta Health Services	\$ -	\$ -	\$ 28	\$ 63

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013**

SCHEDULE 4 (continued)

The Board also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Expenses – Incurred by Others				
Department of Infrastructure	\$ -	\$ -	\$ 11,631	\$ 12,467
Service Alberta	-	-	233	189
Department of Justice and Solicitor General	-	-	24	28
	\$ -	\$ -	\$ 11,888	\$ 12,684

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CENTRAL REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs
Year ended March 31, 2013**

SCHEDULE 5

Program	Expenses – Incurred by Others				2013	2012
	Expenses ^(a)	Accommodation Costs ^(b)	Legal Services ^(c)	Other Services	Total Expenses	Total Expenses
Community Living Supports	\$ 65,577	-	-	-	\$ 65,577	\$ 61,002
Employment Supports	3,732	-	-	-	3,732	3,456
Community Access Supports	15,008	34	-	-	15,042	14,186
Specialized Community Supports	8,131	204	-	-	8,335	1,875
Direct Operations	38,829	10,116	-	-	48,945	50,865
Supports to Delivery Systems	24,629	1,277	24	233	26,163	24,555
Board Governance	113	-	-	-	113	107
	<u>\$ 156,019</u>	<u>\$ 11,631</u>	<u>\$ 24</u>	<u>\$ 233</u>	<u>\$ 167,907</u>	<u>\$ 156,046</u>

(in thousands)

(a) Expenses - Directly Incurred as per Statement of Operations.

(b) Accommodation Costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Persons with Developmental Disabilities Central Region Community Board's buildings costs allocated by the number of employees per program.

(c) Costs for legal services, which were paid by the Department of Justice and Solicitor General, were allocated to Supports to Delivery Systems Program since the legal services provided were in relation to proceedings under the *Persons with Developmental Disabilities Community Governance Act*.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD**

FINANCIAL STATEMENTS

Year ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 Expenses – Directly Incurred Detailed by Object

Schedule 2 Budget

Schedule 3 Salary and Benefits Disclosure

Schedule 4 Related Party Transactions

Schedule 5 Allocated Costs



Independent Auditor's Report

To the Members of the Persons with the Developmental Disabilities Calgary
Region Community Board and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Persons with Developmental Disabilities Calgary Region Community Board, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Person with Developmental Disabilities Calgary Region Community Board as at March 31, 2013 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 29, 2013

Edmonton, Alberta

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
STATEMENT OF OPERATIONS
Year ended March 31, 2013**

	2013		2012
	Budget (Schedule 2)	Actual	Actual
	(in thousands)		
Revenues			
Transfer from Department of Human Services	\$ 173,722	\$ 179,444	\$ 165,550
Previous year's refund of expenditures	-	106	164
	<u>173,722</u>	<u>179,550</u>	<u>165,714</u>
Expenses – Directly Incurred (Note 2(b), Schedules 1 and 5)			
Programs			
Community Living Supports	75,658	81,464	74,232
Employment Supports	6,294	5,987	5,685
Community Access Supports	36,563	38,559	34,112
Specialized Community Supports	2,171	3,008	2,742
Direct Operations	10,522	7,068	7,236
Supports to Delivery Systems	42,317	44,120	41,996
Board Governance	175	104	113
	<u>173,700</u>	<u>180,310</u>	<u>166,116</u>
Net operating results	<u>\$ 22</u>	<u>\$ (760)</u>	<u>\$ (402)</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
STATEMENT of FINANCIAL POSITION
As at March 31, 2013**

	<u>2013</u>	<u>2012</u>
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 3,190	\$ 4,989
Accounts receivable (Note 3)	1,925	1,351
Tangible capital assets (Note 4)	114	128
	<u>\$ 5,229</u>	<u>\$ 6,468</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	<u>\$ 5,339</u>	<u>\$ 5,818</u>
Net (liabilities) assets		
Net assets at beginning of year	650	1,052
Net operating results	<u>(760)</u>	<u>(402)</u>
Net (liabilities) assets at end of year	<u>(110)</u>	<u>650</u>
	<u>\$ 5,229</u>	<u>\$ 6,468</u>

Contractual obligations and contingent liabilities (Notes 7 and 8)

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
STATEMENT OF CASH FLOWS
Year ended March 31, 2013**

	<u>2013</u>	<u>2012</u>
	(in thousands)	
Operating transactions		
Net operating results	\$ (760)	\$ (402)
Non-cash items included in net operating results		
Amortization	<u>14</u>	<u>2</u>
	(746)	(400)
Increase in accounts receivable	(574)	(554)
(Decrease) increase in accounts payable and accrued liabilities	<u>(479)</u>	<u>118</u>
Cash applied to operating transactions	(1,799)	(836)
Capital transactions		
Acquisition of tangible capital assets	<u>-</u>	<u>(121)</u>
Decrease in cash and cash equivalents	(1,799)	(957)
Cash and cash equivalents, beginning of year	<u>4,989</u>	<u>5,946</u>
Cash and cash equivalents, end of year	<u>\$ 3,190</u>	<u>\$ 4,989</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Persons with Developmental Disabilities Calgary Region Community Board (the Board) is a corporation that was established on October 30, 1997 by way of a Ministerial Order. The Board operates under the authority of the *Persons with Developmental Disabilities Community Governance Act*, the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000, and directions provided by the Minister of Human Services.

The Board is responsible for developing, implementing, and evaluating plans for the provision of services for adults with developmental disabilities within the region.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Board, which is part of the Ministry of Human Services (the ministry), and for which the Minister of Human Services (the minister) is accountable. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Board's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Board complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Board is eligible to receive the funds.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Board has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as supplies and services, directly incurred expenses also include:

- amortization of tangible capital assets,
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay,
- costs of salaries, wages and benefits related to employees assigned to the Board through an arrangement with the Department of Human Services. The cost of their salaries, wages and benefits is included in manpower expense, and
- pension costs, which are the cost of employer contributions for current service of employees during the year.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Description of Program Expenses Reported on the Statement of Operations

Community Living Supports – expenses incurred to assist adults with developmental disabilities to live in their home.

Employment Supports – expenses incurred to assist adults with developmental disabilities in gaining and maintaining employment.

Community Access Supports – expenses incurred to assist adults with developmental disabilities to participate in community activities and personal development activities.

Specialized Community Supports – expenses incurred to provide other unique supports that are needed to assist adults with developmental disabilities in their environment or to enhance their access to the community.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Direct Operations – expenses incurred to operate the following facilities, and to provide the resident adults with developmental disabilities with residential care, supporting them to participate in community and personal development activities:

- Bow Park Court
- Scenic Bow Legion Group Homes
- Parkmont Achievement Center

Supports to Delivery Systems – expenses incurred to provide administrative and financial support for program delivery.

Board Governance – expenses incurred in support of Board related activities.

Incurred by Others

Services contributed by other entities in support of Board operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Cash and Cash Equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Board.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Board include cash and cash equivalents and financial claims, such as receivables from other organizations.

Tangible capital assets of the Board are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

Amortization is only charged if the tangible capital asset is in use.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Board and its liabilities.

Canadian Public Sector Accounting Standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Board operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

NOTE 3 ACCOUNTS RECEIVABLE

(in thousands)

	2013			2012	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value	
Service providers	\$ 1,897	\$ -	\$ 1,897	\$ 1,327	
Government	23	-	23	22	
Other	5	-	5	2	
	<u>\$ 1,925</u>	<u>\$ -</u>	<u>\$ 1,925</u>	<u>\$ 1,351</u>	

Accounts receivable are unsecured and non-interest bearing.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 4 TANGIBLE CAPITAL ASSETS
(in thousands)

	Vehicles	Equipment ⁽¹⁾	Equipment ⁽²⁾	Leasehold Improvements	Total
Estimated useful life	3 years	10 years	15 years	10 years	
Historical cost					
Beginning of year	\$ 348	\$ 52	\$ 13	\$ 79	\$ 492
Additions	-	-	-	-	-
	<u>\$ 348</u>	<u>\$ 52</u>	<u>\$ 13</u>	<u>\$ 79</u>	<u>\$ 492</u>
Accumulated amortization					
Beginning of year	\$ 348	\$ 8	\$ 8	\$ -	\$ 364
Amortization expense	-	5	1	8	14
	<u>\$ 348</u>	<u>\$ 13</u>	<u>\$ 9</u>	<u>\$ 8</u>	<u>\$ 378</u>
Net book value at March 31, 2013	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ 4</u>	<u>\$ 71</u>	<u>\$ 114</u>
Net book value at March 31, 2012	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ 5</u>	<u>\$ 79</u>	<u>\$ 128</u>

⁽¹⁾ includes communication equipment.

⁽²⁾ includes bathing equipment.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	<u>2013</u>	<u>2012</u>
Accrued grants	\$ 1,679	\$ 1,674
Employees' accrued vacation pay and manpower costs	1,413	1,335
Accrued supplies and services	1,180	1,467
Due to Treasury Board and Finance	1,067	1,342
	<u>\$ 5,339</u>	<u>\$ 5,818</u>

NOTE 6 VOLUNTARY CONTRIBUTIONS

These financial statements do not include amounts relating to voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

NOTE 7 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Board to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 10,156</u>	<u>\$ 132,180</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 10,005
2014-15	151
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 10,156</u>

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

The Board is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Board has been named in 1 (2012: 2) claim of which the outcome is not determinable. This claim has no amount specified but is covered in whole by the Alberta Risk Management Fund.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The Board administers trust funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Board's financial statements.

At March 31, 2013 trust funds under administration were as follows:

	2013	2012
Client trust funds	\$ 71	\$ 64

NOTE 10 BENEFIT PLANS
(in thousands)

The Board participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$1,288 for the year ended March 31, 2013 (2012 – \$1,113). The Board is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of \$303,423 (2011 – deficiency \$517,726), the Public Service Pension Plan reported a deficiency of \$1,645,141 (2011 – deficiency \$1,790,383), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870 (2011 – deficiency \$53,489).

The Board also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of \$51,717 (2012 – surplus \$9,136) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$18,327 (2012 – surplus \$10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 11 GRANDFATHERED CLIENTS
(in thousands)

When the *Persons with Developmental Disabilities Community Governance Act* (the *Act*) was passed by the Alberta Legislature in 1997, the new legislation narrowed the service mandate from the previous disability supports program and established eligibility criteria.

Certain individuals and agencies were receiving services prior to the passing of the *Act* but they no longer met the new criteria for Persons with Developmental Disabilities (PDD).

In response to a recommendation from the *Building Better Bridges* report, government directed that PDD Boards continue providing services to these individuals and agencies until service responsibility is handed-off to a more appropriate provincial program. Accordingly, expenses related to these grandfathered individuals and agencies do not comply with the *Act*.

During the year, there were 18 grandfathered individuals and one grandfathered agency in the Calgary Region. The total cost of services to 18 grandfathered individuals that has been included in the Statement of Operations is estimated to be \$521 (2012 – 19 individuals totalling \$496). The total cost of the grandfathered agency, which provides services to an additional 11 individuals, that has been included in the Statement of Operations is estimated to be \$1,144 (2012 – one grandfathered agency serving 11 individuals totalling \$1,095).

NOTE 12 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 13 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were prepared by management and approved by the Board.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Expenses – Directly Incurred Detailed By Object
Year ended March 31, 2013**

SCHEDULE 1

	2013		2012
	Budget	Actual	Actual
	(in thousands)		
Salaries, wages and employee benefits	\$ 14,434	\$ 12,267	\$ 11,930
Supplies and services	158,987	161,380	147,616
Grants	250	6,649	6,626
Amortization of tangible capital assets	29	14	2
Total expenses before recoveries	173,700	180,310	166,174
Less recovery from support service arrangement with related parties ^(a)	-	-	(58)
	\$ 173,700	\$ 180,310	\$ 166,116

^(a) In prior year, the Board provided specialized program supports to children who were the responsibility of Calgary and Area Child and Family Services Authority. Costs incurred for these activities were recovered from the Calgary and Area Child and Family Services Authority.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Budget
Year ended March 31, 2013**

SCHEDULE 2

	2012-13 Estimate	Adjustments ^(a)	2012-13 Authorized Budget
	(in thousands)		
Revenue			
Transfer from Department of Human Services	\$ 173,722	\$ 5,722	\$ 179,444
Expenses – Directly Incurred			
Community Living Supports	75,658	4,005	79,663
Employment Supports	6,294	185	6,479
Community Access Supports	36,563	1,065	37,628
Specialized Community Supports	2,171	1,500	3,671
Direct Operations	10,522	(2,191)	8,331
Supports to Delivery Systems	42,317	1,158	43,475
Board Governance	175	-	175
	173,700	5,722	179,422
Net operating results	\$ 22	\$ -	\$ 22
Capital investment	\$ 135	\$ -	\$ 135

^(a) Adjustments have been approved by the Deputy Minister.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure
Year ended March 31, 2013**

SCHEDULE 3

	2013			2012	
	Base Salary ^(a)	Other Cash Benefits ^(b)	Other Non-cash Benefits ^(c)	Total	Total
	(in thousands)				
Chair of the Board ^(d)	\$ -	\$ 27	\$ -	\$ 27	\$ 27
Board Members ^(e)	-	40	-	40	69
Chief Executive Officer ^(f)	157	-	42	199	202
Executive Director, Graduated Supports ^(f)	114	11	30	155	154
Senior Manager, Strategic Planning and Development ^(f)	120	-	32	152	142
Senior Manager, Finance and Resource Allocation ^(f)	114	-	31	145	140
Manager, Community Supports ^(f)	103	14	27	144	151

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(a) Base Salary includes pensionable base pay.

(b) Other cash benefits include vacation payouts, lump sum payments and honoraria. There were no bonuses paid in 2013.

(c) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(d) These amounts represent honoraria payments made to the Chair of the Board.

(e) There are 8 board member positions. These amounts represent honoraria payments made to the board members during the year.

(f) Executives and managers are assigned to the Board from the Department of Human Services and are not employees of the Board.

PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013

SCHEDULE 4

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management and the Board.

The Board and the employees seconded to it from the Department of Human Services paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Board had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Revenues				
Department of Human Services	\$ 179,444	\$ 165,550	\$ -	\$ -
Expenses – Directly Incurred				
Department of Enterprise and Advanced Education	\$ -	\$ -	\$ 150	\$ 157
Service Alberta	-	-	15	20
	\$ -	\$ -	\$ 165	\$ 177
Receivable from/(Payable to):				
Treasury Board and Finance	\$ -	\$ -	\$ (1,067)	\$ (1,342)
Department of Enterprise and Advanced Education (net)	-	-	11	1
	\$ -	\$ -	\$ (1,056)	\$ (1,341)
Contractual obligations				
Department of Enterprise and Advanced Education	\$ -	\$ -	\$ 35	\$ 33

The above transactions do not include support service arrangement transactions disclosed in Schedule 1.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013**

SCHEDULE 4 (continued)

The Board also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Expenses – Incurred by Others				
Department of Infrastructure	\$ -	\$ -	\$ 3,355	\$ 3,455
Department of Justice and Solicitor				
General	-	-	22	10
Service Alberta	-	-	237	193
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,614</u>	<u>\$ 3,658</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
CALGARY REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs
Year ended March 31, 2013**

SCHEDULE 5

Program	2013				2012	
	Expenses ^(a)	Accommodation Costs ^(b)	Legal Services ^(c)	Other Services	Total Expenses	Total Expenses
Community Living Supports	\$ 81,464	-	\$ -	-	\$ 81,464	\$ 74,232
Employment Supports	5,987	-	-	-	5,987	5,685
Community Access Supports	38,559	-	-	-	38,559	34,112
Specialized Community Supports	3,008	-	-	-	3,008	2,742
Direct Operations	7,068	2,788	-	-	9,856	10,107
Supports to Delivery Systems	44,120	567	22	237	44,946	42,783
Board Governance	104	-	-	-	104	113
	\$ 180,310	\$ 3,355	\$ 22	\$ 237	\$ 183,924	\$ 169,774

(in thousands)

(a) Expenses - Directly Incurred as per Statement of Operations.
(b) Accommodation Costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Persons with Developmental Disabilities Calgary Region Community Board's buildings costs allocated by the number of employees per program.
(c) Costs for legal services, which were paid by the Department of Justice and Solicitor General, were allocated to Supports to Delivery Systems Program since the legal services provided were in relation to proceedings under the *Persons with Developmental Disabilities Community Governance Act*.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD**

FINANCIAL STATEMENTS

Year ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 Expenses – Directly Incurred Detailed by Object

Schedule 2 Budget

Schedule 3 Salary and Benefits Disclosure

Schedule 4 Related Party Transactions

Schedule 5 Allocated Costs



Independent Auditor's Report

To the Members of the Persons with Developmental Disabilities South
Region Community Board and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Persons with Developmental Disabilities South Region Community Board, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Persons with Developmental Disabilities South Region Community Board as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 29, 2013

Edmonton, Alberta

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
STATEMENT OF OPERATIONS
Year ended March 31, 2013**

	2013		2012
	Budget (Schedule 2)	Actual	Actual
	(in thousands)		
Revenues			
Transfer from Department of Human Services	\$ 74,092	\$ 76,465	\$ 65,620
Previous year's refund of expenditures	100	-	106
	74,192	76,465	65,726
Expenses – Directly Incurred (Note 2(b), Schedules 1 and 5)			
Programs			
Community Living Supports	41,304	42,207	38,284
Employment Supports	3,215	3,124	2,909
Community Access Supports	15,649	15,593	14,567
Specialized Community Supports	176	1,054	150
Supports to Delivery Systems	13,636	14,482	13,639
Board Governance	120	118	118
	74,100	76,578	69,667
Net operating results	\$ 92	\$ (113)	\$ (3,941)

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
STATEMENT of FINANCIAL POSITION
As at March 31, 2013**

	2013	2012
	(in thousands)	
Assets		
Cash and cash equivalents	\$ 1,407	\$ 326
Accounts receivable (Note 3)	3,908	3,647
	<u>\$ 5,315</u>	<u>\$ 3,973</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 5,382	\$ 3,927
Net (liabilities) assets		
Net assets at beginning of year	46	3,987
Net operating results	(113)	(3,941)
	<u>(67)</u>	<u>46</u>
	<u>\$ 5,315</u>	<u>\$ 3,973</u>

Contractual obligations (Note 6)

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
STATEMENT OF CASH FLOWS
Year ended March 31, 2013**

	<u>2013</u>	<u>2012</u>
	(in thousands)	
Operating transactions		
Net operating results	\$ (113)	\$ (3,941)
Increase in accounts receivable	(261)	(1,049)
Increase (decrease) in accounts payable and accrued liabilities	<u>1,455</u>	<u>(5,251)</u>
Cash provided by (applied to) operating transactions	1,081	(10,241)
Cash and cash equivalents, beginning of year	<u>326</u>	<u>10,567</u>
Cash and cash equivalents, end of year	<u>\$ 1,407</u>	<u>\$ 326</u>

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

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Persons with Developmental Disabilities South Region Community Board (the Board) is a corporation that was established on October 30, 1997 by way of a Ministerial Order. The Board operates under the authority of the *Persons with Developmental Disabilities Community Governance Act*, the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000, and directions provided by the Minister of Human Services.

The Board is responsible for developing, implementing, and evaluating plans for the provision of services for adults with developmental disabilities within the region.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Board, which is part of the Ministry of Human Services (the ministry), and for which the Minister of Human Services (the minister) is accountable. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Board's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Board complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Board is eligible to receive the funds.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Board has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as supplies and services, directly incurred expenses also include:

- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay,
- costs of salaries, wages and benefits related to employees assigned to the Board through an arrangement with the Department of Human Services. The cost of their salaries, wages and benefits is included in manpower expense, and
- pension costs, which are the cost of employer contributions for current service of employees during the year.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Description of Program Expenses Reported on the Statement of Operations

Community Living Supports – expenses incurred to assist adults with developmental disabilities to live in their home.

Employment Supports – expenses incurred to assist adults with developmental disabilities in gaining and maintaining employment.

Community Access Supports – expenses incurred to assist adults with developmental disabilities to participate in community activities and personal development activities.

Specialized Community Supports – expenses incurred to provide other unique supports that are needed to assist adults with developmental disabilities in their environment or to enhance their access to the community.

Supports to Delivery Systems – expenses incurred to provide administrative and financial support for program delivery.

Board Governance – expenses incurred in support of Board related activities.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Incurred by Others

Services contributed by other entities in support of Board operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Cash and Cash Equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Board.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Board include cash and cash equivalents and financial claims, such as receivables from other organizations.

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

Amortization is only charged if the tangible capital asset is in use.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Board and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Board operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

NOTE 3 ACCOUNTS RECEIVABLE
(in thousands)

	2013			2012	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value	
Service providers	\$ 3,860	\$ -	\$ 3,860	\$ 3,542	
Other	48	-	48	105	
	<u>\$ 3,908</u>	<u>\$ -</u>	<u>\$ 3,908</u>	<u>\$ 3,647</u>	

Accounts receivable are unsecured and non-interest bearing.

NOTE 4 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2013	2012
Accrued supplies and services	\$ 3,973	\$ 3,343
Accrued grants	900	162
Due to Treasury Board and Finance	300	198
Employees' accrued vacation pay and manpower costs	209	224
	<u>\$ 5,382</u>	<u>\$ 3,927</u>

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 5 VOLUNTARY CONTRIBUTIONS

These financial statements do not include amounts relating to voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

NOTE 6 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Board to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 17,728</u>	<u>\$ 37,840</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 17,728
2014-15	-
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 17,728</u>

NOTE 7 BENEFIT PLANS

(in thousands)

The Board participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$248 for the year ended March 31, 2013 (2012 – \$204). The Board is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of \$303,423 (2011 – deficiency \$517,726), the Public Service Pension Plan reported a deficiency of \$1,645,141 (2011 – deficiency \$1,790,383), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870 (2011 – deficiency \$53,489).

The Board also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of \$51,717 (2012 – surplus \$9,136) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$18,327 (2012 – surplus \$10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 8 GRANDFATHERED CLIENTS
(in thousands)

When the *Persons with Developmental Disabilities Community Governance Act* (the *Act*) was passed by the Alberta Legislature in 1997, the new legislation narrowed the service mandate from the previous disability supports program and established eligibility criteria.

Certain individuals and agencies were receiving services prior to the passing of the *Act* but they no longer met the new criteria for Persons with Developmental Disabilities (PDD).

In response to a recommendation from the *Building Better Bridges* report, government directed that PDD Boards continue providing services to these individuals and agencies until service responsibility is handed-off to a more appropriate provincial program. Accordingly, expenses related to these grandfathered individuals and agencies do not comply with the *Act*.

The total cost of these services for 6 individuals that has been included in the Statement of Operations is estimated to be \$236 (2012 – 7 individuals totalling \$253).

NOTE 9 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were prepared by management and approved by the Board.

**PERSONS WITH DEVELOPMENTAL DISABILITIES
 SOUTH REGION COMMUNITY BOARD
 SCHEDULE TO FINANCIAL STATEMENTS
 Expenses – Directly Incurred Detailed By Object
 Year ended March 31, 2013**

SCHEDULE 1

	2013		2012
	Budget	Actual	Actual
	(in thousands)		
Salaries, wages and employee benefits	\$ 2,223	\$ 2,162	\$ 2,000
Supplies and services	71,877	71,164	65,223
Grants	-	3,252	2,444
	\$ 74,100	\$ 76,578	\$ 69,667

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Budget
Year ended March 31, 2013**

SCHEDULE 2

	2012-13 Estimate	Adjustments ^(a)	2012-13 Authorized Budget
	(in thousands)		
Revenue			
Transfer from Department of Human Services	\$ 74,092	\$ 2,373	\$ 76,465
Previous year's refund of expenditures	100	-	100
	<u>74,192</u>	<u>2,373</u>	<u>76,565</u>
Expenses – Directly Incurred			
Community Living Supports	41,304	692	41,996
Employment Supports	3,215	-	3,215
Community Access Supports	15,649	-	15,649
Specialized Community Supports	176	900	1,076
Supports to Delivery Systems	13,636	781	14,417
Board Governance	120	-	120
	<u>74,100</u>	<u>2,373</u>	<u>76,473</u>
Net operating results	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 92</u>

^(a) Adjustments have been approved by the Deputy Minister..

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure
Year ended March 31, 2013**

SCHEDULE 3

	2013			2012	
	Base Salary ^(a)	Other Cash Benefits ^(b)	Other Non-cash Benefits ^(c)	Total	Total
	(in thousands)				
Chair of the Board ^(d)	\$ -	\$ 33	\$ -	\$ 33	\$ 18
Board Members ^(e)	-	54	-	54	70
Chief Executive Officer ^(f)	135	-	34	169	156
Director of Operations ^(f)	114	-	30	144	139
Manager, Finance ^(f)	94	-	25	119	113

Prepared in accordance with Treasury Board Directive 12/98 as amended.

^(a) Base Salary includes pensionable base pay.

^(b) Other cash benefits include vacation payouts, lump sum payments and honoraria. There were no bonuses paid in 2013.

^(c) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

^(d) These amounts represent honoraria payments made to the Chair of the Board.

^(e) There are 8 board member positions. These amounts represent honoraria payments made to the board members during the year.

^(f) Executives and managers are assigned to the Board from the Department of Human Services and are not employees of the Board.

PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2013

SCHEDULE 4

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management and the Board.

The Board and the employees seconded to it from the Department of Human Services paid or collected certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Board had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Revenues				
Department of Human Services	\$ 76,465	\$ 65,620	\$ -	\$ -
Expenses – Directly Incurred				
Service Alberta	\$ -	\$ -	\$ 9	\$ 9
Payable to:				
Treasury Board and Finance	\$ -	\$ -	\$ 300	\$ 198

The Board also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
	(in thousands)			
Expenses – Incurred by Others				
Department of Infrastructure	\$ -	\$ -	\$ 426	\$ 368
Department of Justice and Solicitor General	-	-	2	6
Service Alberta	-	-	99	81
	\$ -	\$ -	\$ 527	\$ 455

**PERSONS WITH DEVELOPMENTAL DISABILITIES
SOUTH REGION COMMUNITY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs
Year ended March 31, 2013**

SCHEDULE 5


Program	2013				2012	
	Expenses – Incurred by Others					
	Expenses ^(a)	Accommodation Costs ^(b)	Legal Services ^(c)	Other Services	Total Expenses	Total Expenses
Community Living Supports	\$ 42,207	\$ 204	\$ -	\$ -	\$ 42,411	\$ 38,461
Employment Supports	3,124	-	-	-	3,124	2,909
Community Access Supports	15,593	-	-	-	15,593	14,567
Specialized Community Supports	1,054	-	-	-	1,054	150
Supports to Delivery Systems	14,482	222	2	99	14,805	13,917
Board Governance	118	-	-	-	118	118
	\$ 76,578	\$ 426	\$ 2	\$ 99	\$ 77,105	\$ 70,122

(in thousands)

^(a) Expenses - Directly Incurred as per Statement of Operations.

^(b) Accommodation Costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Persons with Developmental Disabilities South Region Community Board's buildings costs allocated by the number of employees per program.

^(c) Costs for legal services, which were paid by the Department of Justice and Solicitor General, were allocated to Supports to Delivery Systems Program since the legal services provided were in relation to proceedings under the *Persons with Developmental Disabilities Community Governance Act*.



Child and
Family Services
Authorities

FINANCIAL STATEMENTS

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY

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Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Members of Southwest Alberta Child and Family Services Authority
and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Southwest Alberta Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Southwest Alberta Child and Family Services Authority as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 21, 2013

Edmonton, Alberta

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 50,487	\$ 52,747	\$ 50,254
Other Revenue			
Inter-Authority Services	78	48	588
Other Revenue	40	266	399
Total Revenues	50,605	53,061	51,241
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	10,425	10,480	10,066
Prevention of Family Violence and Bullying	-	73	71
Child Intervention Services	17,652	18,483	15,583
Support for Permanency	2,267	2,371	2,145
Early Intervention Services for Children and Youth	2,328	3,369	3,160
Foster Care Support	9,470	8,914	8,504
Family Support for Children with Disabilities	8,186	7,260	7,690
Protection of Sexually Exploited Children	277	287	254
Inter-Authority Services	-	48	588
Total Expenses	50,605	51,285	48,061
Net Operating Results	\$ -	\$ 1,776	\$ 3,180

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

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 10,038	\$ 7,893
Accounts Receivable (Note 4)	1,437	1,219
Prepays	23	21
	<u>\$ 11,498</u>	<u>\$ 9,133</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	<u>\$ 5,155</u>	<u>\$ 4,566</u>
Net Assets		
Net Assets at Beginning of Year	4,567	1,387
Net Operating Results	<u>1,776</u>	<u>3,180</u>
Net Assets at End of Year	<u>6,343</u>	<u>4,567</u>
	<u>\$ 11,498</u>	<u>\$ 9,133</u>

Contractual obligations and contingent liabilities (Notes 6 and 7)

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

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ 1,776	\$ 3,180
Decrease (Increase) in Accounts Receivable	(218)	349
Increase in Prepays	(2)	(6)
Increase in Accounts Payable and Accrued Liabilities	589	505
Cash Provided by (Applied to) Operating Transactions	<u>2,145</u>	<u>4,028</u>
Increase in Cash	2,145	4,028
Cash and Cash Equivalents, Beginning of Year	7,893	3,865
Cash and Cash Equivalents, End of Year	<u><u>\$ 10,038</u></u>	<u><u>\$ 7,893</u></u>

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

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Southwest Alberta Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the *Public Service Act*, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

a) Reporting Entity

The reporting entity is the Southwest Alberta Child and Family Services Authority, which is part of the Ministry of Human Services.

b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

Government transfers

Transfers from the Government of Alberta, Federal and other governments are referred to as government transfers.

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

b) Basis of Financial Reporting (Cont'd)

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer, create a liability. These transfers are recognized revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- Pension costs, which are the cost of employer contributions for current services of employees during the year, and
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from provision for accrued vacation pay for the employees assigned to the Authority by the Department of Human Services.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

Cash and Cash Equivalents

Cash and cash equivalents includes deposits in the Consolidated Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

b) Basis of Financial Reporting (Cont'd)

Assets

Assets acquired by right are not included. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Authority and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

b) Basis of Financial Reporting (Cont'd)

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statements of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 21, 2012. The Authority approved the budget of \$50,605 on March 7, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accounts receivable and accounts payable and accrued liabilities recorded as \$1,437 and \$5,155 respectively in these financial statements are subject to measurement uncertainty.

The accrued receivables and liabilities are based on estimates, calculated using linear analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimate.

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES

(in thousands)

The grant is determined as follows:	2013	2012
Initial (original) budget	\$ 50,487	\$ 47,988
Additional funding for the current year	2,260	2,266
Grant for the year	<u>\$ 52,747</u>	<u>\$ 50,254</u>

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2013		2012	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Child & Family Services Authorities	\$ 34	\$ -	\$ 34	\$ 16
Department of Human Services	1,281	-	1,281	1,150
Refunds from Suppliers	123	1	122	53
	<u>\$ 1,438</u>	<u>\$ 1</u>	<u>\$ 1,437</u>	<u>\$ 1,219</u>

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2013	2012
Trade Payable	\$ 2,567	\$ 2,246
Accrued Vacation Pay and Manpower Expenses	1,368	1,219
Department of Human Services	12	11
Child and Family Services Authorities	2	1
Department of Treasury Board and Finance	1,206	1,089
	<u>\$ 5,155</u>	<u>\$ 4,566</u>

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 6 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Authority to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 5,007</u>	<u>\$ 3,454</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 5,007
2014-15	-
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 5,007</u>

NOTE 7 CONTINGENT LIABILITIES
(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Authority has been named in 3 (2012: 3) claims of which the outcome is not determinable. Of these claims, 3 (2012: 3) have specified amounts totalling \$334,200 (2012: \$334,200). Included in the total claims, 3 claims totalling \$334,200 (2012: 1 claim totalling \$1,300) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 8 BENEFIT PLANS

(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension Plan, Public Services Pension Plan, and The Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$1,391 for the year ended March 31, 2013 (2012 - \$1,162 – March 31, 2012). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 9 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board on May 21, 2013.

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object - Schedule 1
Year ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 14,339	\$ 15,041	\$ 13,733
Supplies and Services	19,493	19,357	16,710
Grants	16,695	16,838	17,027
Inter-Authority Services	78	48	588
Other	-	1	3
Total Expenses	\$ 50,605	\$ 51,285	\$ 48,061

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Schedule 2
Year ended March 31, 2013

(in thousands)

	2013				2012
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
Co-Chair of the Authority	\$ -	\$ 47	\$ -	\$ 47	\$ 44
Co-Chair of the Authority	-	26	-	26	26
Board Members (6 members)	-	55	-	55	52
Chief Executive Officer	140	-	35	175	164

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
 Co-chairs and board members receive honoraria only.
 The Department of Human Services paid \$23 of the total honoraria expenses disclosed in this Schedule.
- (3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees, including position, health care, dental coverage, group life insurance, short term disability plans, Health Spending Account, professional memberships and tuition fees.

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3
Year ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this schedule.

The Authority had the following transactions with related parties that are on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from the Department Human Services	\$ 52,747	\$ 50,254	\$ -	\$ -
Recoveries - Inter-Authority Services	48	588	-	-
	\$ 52,795	\$ 50,842	\$ -	\$ -
Expenses - Directly Incurred				
Inter-Authority Services Received	\$ 66	\$ 9	\$ -	\$ -
Department of Human Services	177	177	-	-
Department of Education	-	-	87	87
Department of Health and Wellness	-	-	753	686
Department of Service Alberta	-	-	79	78
	\$ 243	\$ 186	\$ 919	\$ 851
Receivable from/(Payable to):				
Department of Human Services (Net)	\$ 1,269	\$ 1,139	\$ -	\$ -
Department of Treasury Board and Finance	-	-	(1,206)	(1,089)
Department of Education	-	-	4	-
Southeast Alberta Child and Family Services Authority	9	16	-	-
Calgary and Area Child and Family Services Authority	1	(1)	-	-
Edmonton and Area Child and Family Services Authority	22	-	-	-
	\$ 1,301	\$ 1,154	\$ (1,202)	\$ (1,089)

The above transactions do not include support services arrangements disclosed in Schedule 1.

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3 (Cont'd)
Year ended March 31, 2013

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but disclosed in Schedule 4.

	(in thousands)	
	Other Entities	
	2013	2012
Expenses: Incurred by Others		
Accommodation	\$ 1,700	\$ 1,588
Administrative	321	367
Legal Services	2	-
	\$ 2,023	\$ 1,955

SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs - Schedule 4
Year ended March 31, 2013

Program	(in thousands)					
	2013			2012		
	Expenses ⁽¹⁾	Expenses - Incurred by Others		Total	Expenses	Total
	Accommodation Costs ⁽²⁾	Administration Costs ⁽³⁾	Legal Services ⁽⁴⁾	Expenses	Expenses	Expenses
Child Care Subsidy and Supports	\$ 10,480	\$ 289	\$ 55	\$ -	\$ 10,824	\$ 10,229
Prevention of Family Violence and Bullying	73	-	-	-	73	81
Child Intervention Services	18,483	1,147	217	2	19,847	16,909
Supports of Permanency	2,371	-	-	-	2,371	2,145
Early Intervention Services for Children and Youth	3,369	-	-	-	3,369	3,218
Foster Care Support	8,914	-	-	-	8,914	8,735
Family Support for Children with Disabilities	7,260	264	49	-	7,573	7,850
Protection of Sexually Exploited Children	287	-	-	-	287	261
Inter-Authority Services	48	-	-	-	48	588
	\$ 51,285	\$ 1,700	\$ 321	\$ 2	\$ 53,306	\$ 50,016

(1) Expenses - Directly Incurred as per the Statement of Operations.

(2) Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the

Southwest Alberta Child and Family Services Authority's buildings costs allocated by the number of Authority employees per program.

(3) Administration costs for financial, human resources and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY

FINANCIAL STATEMENTS

Year Ended March 31, 2013

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Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Board Members of the Southeast Alberta Child and Family Services Authority
and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Southeast Alberta Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Southeast Alberta Child and Family Services Authority at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 23, 2013

Edmonton, Alberta

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year Ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 28,876	\$ 29,970	\$ 28,646
Other Revenue			
Inter-Authority Services		2	3
Other	19	94	8
Total Revenues	28,895	30,066	28,657
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	6,459	6,302	6,276
Prevention of Family Violence and Bullying	74	56	77
Child Intervention Services	11,177	10,925	11,215
Support for Permanency	1,608	1,335	1,282
Early Intervention Services for Children and Youth	1,760	2,755	2,637
Foster Care Support	4,383	4,269	4,299
Family Support for Children with Disabilities	3,368	3,488	2,888
Protection of Sexually Exploited Children	66	50	77
Inter-Authority Services		2	3
Total Expenses	28,895	29,182	28,753
Net Operating Results	\$ -	\$ 884	\$ (96)

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

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 2,334	\$ 1,372
Accounts Receivable (Note 4)	924	1,096
Prepaid Expenses	13	38
Tangible Capital Assets (Note 5)		
	<u>\$ 3,271</u>	<u>\$ 2,506</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	<u>\$ 2,567</u>	<u>\$ 2,686</u>
Net Assets (Liabilities)		
Net (Liabilities) Assets at Beginning of Year	(180)	(84)
Net Operating Results	<u>884</u>	<u>(96)</u>
Net (Liabilities) Assets at End of Year	<u>704</u>	<u>(180)</u>
	<u>\$ 3,271</u>	<u>\$ 2,506</u>

Contractual obligations and contingent liabilities (Note 7 and 8)

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

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ 884	\$ (96)
Non-Cash Items included in Net Operating Results:		
Amortization	-	2
	<u>884</u>	<u>(94)</u>
Decrease (Increase) in Accounts Receivable	172	(40)
Decrease (Increase) in Prepaid Expenses	25	(25)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	<u>(119)</u>	<u>538</u>
Cash Provided by Operating Transactions	<u>962</u>	<u>379</u>
Increase (Decrease) in Cash and Cash Equivalents	962	379
Cash and Cash Equivalents at Beginning of Year	1,372	993
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,334</u></u>	<u><u>\$ 1,372</u></u>

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

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Southeast Alberta Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the *Public Service Act*, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared primarily in accordance with Canadian Public Sector Accounting Standards.

a) Reporting Entity

The reporting entity is the Southeast Alberta Child and Family Services Authority, which is part of the Ministry of Human Services.

b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

b) Basis of Financial Reporting (Cont'd)

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents. These are included in the Statement of Operations and Schedule 1.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations related to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amount can be made.

Incurred by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

b) Basis of Financial Reporting (Cont'd)

Cash and cash equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Authority are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new system development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

b) Basis of Financial Reporting (Cont'd)

Net Assets (Liabilities)

Net assets represent the difference between the carrying value of assets held by the Authority and its liabilities.

Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statement of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 21, 2012. The Authority approved the budget of \$28,895 on April 19, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accounts receivable and accounts payable and accrued liabilities recorded as \$924 (2012 - \$1,096) and \$2,567 (2012 – 2,686) respectively in these financial statements are subject to measurement uncertainty.

The accrued receivables and liabilities are based on estimates, calculated using linear analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimated.

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

b) Basis of Financial Reporting (Cont'd)

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES

(in thousands)

The grant is determined as follows:

	2013	2012
Initial (original) budget	\$ 28,876	\$ 26,608
Additional funding for the current year	1,094	2,038
Grant for the year	\$ 29,970	\$ 28,646

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 912	\$ -	\$ 912	\$ 1,079
Refunds from suppliers	10	-	10	14
Child and Family Services Authorities	2	-	2	3
	\$ 924	\$ -	\$ 924	\$ 1,096

Accounts receivable are unsecured and non-interest bearing.

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 5 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment*	Leasehold Improvements	Computer hardware and software	2013 Total
Estimated Useful Life	5 Years	7 Years	5 Years	
Historical Cost				
Beginning of Year	\$ 6	\$ -	\$ -	\$ 6
Additions	-	-	-	-
	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>
Accumulated Amortization				
Beginning of Year	6	-	-	6
Amortization Expense	-	-	-	-
	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>
Net Book Value at March 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Book Value at March 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Equipment includes office equipment, furniture and other equipment

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	<u>2013</u>	<u>2012</u>
Trade Payable	\$ 868	\$ 816
Accrued Vacation Pay and Manpower Expenses	935	879
Department of Human Services	9	2
Child and Family Services Authorities	12	52
Department of Treasury Board and Finance	743	937
	<u>\$ 2,567</u>	<u>\$ 2,686</u>

NOTE 7 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Authority to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 4,723</u>	<u>\$ 6,216</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 4,536
2014-15	187
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 4,723</u>

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 8 CONTINGENT LIABILITIES
(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Authority has been named in 2 (2012: 3) claims of which the outcome is not determinable. Of these claims, 2 (2012: 2) have specified amounts totalling \$332,900 (2012: \$332,900). Included in the total claims, 2 claims totalling \$332,900 (2012: 0 claims) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 BENEFIT PLANS
(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension Plan, and Public Services Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$835 for the year ended March 31, 2013 (2012 – \$752). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 10 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board May 23, 2013.

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object - Schedule 1
Year Ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 8,693	\$ 8,837	\$ 8,476
Supplies and Services	12,921	12,771	12,866
Grants	7,281	7,572	7,406
Inter-Authority Services	-	2	3
Other	-	-	2
Total Expenses	\$ 28,895	\$ 29,182	\$ 28,753

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Schedule 2
Year Ended March 31, 2013

	2013				2012
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
	(in thousands)				
Co-Chair of the Authority	\$ -	\$ 22	\$ -	\$ 22	\$ 23
Co-Chair of the Authority	-	20	-	20	23
Board Members (5 Members)	-	30	-	30	27
Chief Executive Officer	174	-	49	223	234

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base Salary includes regular pay.

(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
 Co-chairs and board members receive honoraria only.
 The Department of Human Services paid \$30 (2012 - \$28) of the total honoraria expenses disclosed in this schedule.

(3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental coverage, group life insurance, short term disability plans, Health Spending Account, professional memberships and tuition fees.

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3
Year Ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this schedule.

The Authority had the following transactions with related parties that are on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from the Department of Human Services	\$ 29,970	\$ 28,646	\$ -	\$ -
Recoveries - Inter-Authority Services	2	-	-	-
	<u>\$ 29,972</u>	<u>\$ 28,646</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses - Directly Incurred				
Inter-Authority Services Received	\$ 106	\$ 632		
Department of Human Services	295	295		
Department of Education			390	330
Department of Health and Wellness			142	136
Department of Service Alberta			45	44
	<u>\$ 401</u>	<u>\$ 927</u>	<u>\$ 577</u>	<u>\$ 510</u>
Receivable from/(Payable to):				
Department of Human Services (Net)	\$ 903	\$ 1,077	\$ -	\$ -
Calgary and Area Child and Family Services Authority	(1)	(13)	-	-
Southwest Alberta Child and Family Services Authority	(9)	(16)	-	-
Edmonton and Area Child and Family Services Authority	-	(20)	-	-
Department of Treasury Board and Finance	-	-	(743)	(937)
	<u>\$ 893</u>	<u>\$ 1,028</u>	<u>\$ (743)</u>	<u>\$ (937)</u>

The above transactions do not include support services arrangements disclosed in Schedule 1.

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but disclosed in Schedule 4.

	(in thousands)	
	Other Entities	
	2013	2012
Expenses - Incurred by Others		
Accommodation	\$ 979	\$ 911
Administrative	185	220
Legal Services	-	-
	<u>\$ 1,164</u>	<u>\$ 1,131</u>

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs - Schedule 4
Year Ended March 31, 2013

Program	(in thousands)					2012 Total Expenses
	2013					
	Expenses - Incurred by Others					
Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Administration Costs ⁽³⁾	Legal Services ⁽⁴⁾	Total Expenses	Total Expenses	
Child Care Subsidy and Supports	\$ 6,302	\$ 77	\$ 18	\$ -	\$ 6,397	\$ 6,276
Prevention of Family Violence and Bullying	56	5	1	-	62	77
Child Intervention Services	10,925	791	146	-	11,862	11,215
Support for Permanency	1,335	62	-	-	1,397	1,282
Early Intervention Services for Children and Youth	2,755	-	-	-	2,755	2,637
Foster Care Support	4,269	38	12	-	4,319	4,299
Family Support for Children with Disabilities	3,488	6	7	-	3,501	2,888
Protection of Sexually Exploited Children	50	-	1	-	51	77
Inter-Authority Services	2	-	-	-	2	3
	\$ 29,182	\$ 979	\$ 185	\$ -	\$ 30,346	\$ 28,753

⁽¹⁾ Expenses - Directly incurred as per the Statement of Operations.

⁽²⁾ Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure represent the Southeast Alberta and Area Child and Family Services Authority's building costs allocated by the number of Authority employees per program.

⁽³⁾ Administration costs for financial, human resources and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

⁽⁴⁾ Costs for legal services, which were paid by the Department of Justice and Attorney General, were allocated to the Child Intervention Services Program since the legal services provided were in relation to proceedings under the *Child Youth and Family Enhancement Act*.

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY

FINANCIAL STATEMENTS

Year Ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Board Members of the Calgary and Area Child and Family Services Authority and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Calgary and Area Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Calgary and Area Child and Family Services Authority at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 27, 2013

Edmonton, Alberta

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year Ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 278,960	\$ 290,985	\$ 274,500
Other Revenue			
Inter-Authority Services	100	165	138
Other Revenue	905	920	869
Total Revenues	279,965	292,070	275,507
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	45,493	46,570	42,378
Prevention of Family Violence and Bullying	784	1,022	1,033
Child Intervention Services	102,750	109,804	98,984
Support for Permanency	15,251	13,667	13,153
Early Intervention Services for Children and Youth	13,458	17,590	17,353
Foster Care Support	47,155	53,926	49,551
Family Support for Children with Disabilities	52,838	55,824	51,071
Protection of Sexually Exploited Children	2,136	2,074	1,835
Inter-Authority Services	100	165	138
Total Expenses	279,965	300,642	275,496
Net Operating Results	\$ -	\$ (8,572)	\$ 11

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

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 10,033	\$ 14,190
Accounts Receivable (Note 4)	6,377	6,781
Tangible Capital Assets (Note 5)	30	50
	<u>\$ 16,440</u>	<u>\$ 21,021</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	<u>\$ 27,647</u>	<u>\$ 23,656</u>
Net Liabilities		
Net Liabilities at Beginning of Year	(2,635)	(2,646)
Net Operating Results	<u>(8,572)</u>	<u>11</u>
Net Liabilities at End of Year	<u>(11,207)</u>	<u>(2,635)</u>
	<u>\$ 16,440</u>	<u>\$ 21,021</u>

Contractual obligations and contingent liabilities (Note 7 and 8)

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

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ (8,572)	\$ 11
Non-Cash Items included in Net Operating Results:		
Amortization (Note 5)	20	20
	<u>(8,552)</u>	<u>31</u>
Decrease in Accounts Receivable	404	1,001
Increase in Accounts Payable and Accrued Liabilities	3,991	3,901
Cash Provided (Applied to) by Operating Transactions	<u>(4,157)</u>	<u>4,933</u>
Increase (Decrease) in Cash and Cash Equivalents	(4,157)	4,933
Cash and Cash Equivalents at Beginning of Year	14,190	9,257
Cash and Cash Equivalents at End of Year	<u>\$ 10,033</u>	<u>\$ 14,190</u>

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

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Calgary and Area Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the *Public Service Act*, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared primarily in accordance with Canadian Public Sector Accounting Standards.

a) Reporting Entity

The reporting entity is the Calgary and Area Child and Family Services Authority, which is part of the Ministry of Human Services.

b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

b) Basis of Financial Reporting (Cont'd)

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents. These are included in the Statement of Operations and Schedule 1.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations related to vacation pay, guarantees and indemnities.

grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amount can be made.

Incurring by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

b) Basis of Financial Reporting (Cont'd)

Cash and cash equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals. Assets acquired by right are not included. Tangible capital assets of the Authority are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new system development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

Net Liabilities

Net assets represent the difference between the carrying value of assets held by the Authority and its liabilities.

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

b) Basis of Financial Reporting (Cont'd)

Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statement of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 21, 2012. The Authority approved the budget of \$279,965 on May 28, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accounts receivable and accounts payable and accrued liabilities recorded as \$6,377 and \$27,647 respectively in these financial statements are subject to measurement uncertainty.

The accrued receivables and liabilities are based on estimates, calculated using linear analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimated.

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES

(in thousands)

The grant is determined as follows:

	<u>2013</u>	<u>2012</u>
Initial (original) budget	\$ 278,960	\$ 244,894
Additional funding for the current year	<u>12,025</u>	<u>29,606</u>
Grant for the year	<u><u>\$ 290,985</u></u>	<u><u>\$ 274,500</u></u>

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	<u>2013</u>			<u>2012</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 5,429	\$ -	\$ 5,429	\$ 5,515
Refunds from suppliers	928	-	928	1,240
Child and Family Services Authorities	20	-	20	26
	<u><u>\$ 6,377</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,377</u></u>	<u><u>\$ 6,781</u></u>

Accounts receivable are unsecured and non-interest bearing.

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 5 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment*	Leasehold Improvements	Computer hardware and software	Total
Estimated Useful Life	10 Years	7 Years	5 Years	
Historical Cost				
Beginning of Year	\$ 199	\$ 59	\$ 329	\$ 587
Additions	-	-	-	-
	<u>199</u>	<u>59</u>	<u>329</u>	<u>587</u>
Accumulated Amortization				
Beginning of Year	149	59	329	537
Amortization Expense	20	-	-	20
	<u>169</u>	<u>59</u>	<u>329</u>	<u>557</u>
Net Book Value at March 31, 2013	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>
Net Book Value at March 31, 2012	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>

*Equipment includes office equipment, furniture and other equipment

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	<u>2013</u>	<u>2012</u>
Trade Payable	\$ 15,865	\$ 13,730
Accrued Vacation Pay and Manpower Expenses	5,666	5,127
Department of Treasury Board and Finance	5,955	4,628
Department of Human Services	153	154
Child and Family Services Authorities	8	13
Other	-	4
	<u>\$ 27,647</u>	<u>\$ 23,656</u>

NOTE 7 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Authority to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 262,992</u>	<u>\$ 212,457</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 87,659
2014-15	87,655
2015-16	87,648
2016-17	15
2017-18	15
Thereafter	-
	<u>\$ 262,992</u>

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate.

The Authority has been named in ten (2012: ten) claims of which the outcome is not determinable. Of these claims, ten (2012: ten) have specified amounts totalling \$389,892 (2012: \$388,659). Included in the total claims, ten claims totalling \$389,892 (2012: eight claims totalling \$55,759) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 BENEFIT PLANS

(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension Plan, Public Services Pension Plan, and the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$5,349 for the year ended March 31, 2013 (2012 – \$4,469). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 10 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board on May 27, 2013.

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object - Schedule 1
Year Ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 58,400	\$ 59,161	\$ 52,899
Supplies and Services	133,845	145,628	134,284
Grants	87,620	95,296	88,052
Inter-Authority Services	100	165	138
Other	-	372	103
Amortization of Tangible Capital Assets	-	20	20
Total Expenses	\$ 279,965	\$ 300,642	\$ 275,496

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Schedule 2
Year Ended March 31, 2013

	2013				2012
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
	(in thousands)				
Co-Chair of the Authority	\$ -	\$ 22	\$ -	\$ 22	\$ 15
Co-Chair of the Authority	-	10	-	10	9
Board Members (9 members)	-	47	-	47	62
Chief Executive Officer ⁽⁴⁾	171	57	7	235	253

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base Salary includes regular pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
 Co-chairs and board members receive honoraria only.
 The Department of Human Services paid \$6 (2012 - \$8) of the total honoraria expenses disclosed in this schedule.
- (3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental coverage, group life insurance, short term disability plans, Health Spending Account, professional memberships and tuition fees.
- (4) The position was occupied by two different individuals during the period.

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3
Year Ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this schedule.

The Authority had the following transactions with related parties that are on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from the Department of Human Services	\$ 290,985	\$ 274,500	\$ -	\$ -
Recoveries - Inter-Authority Services	165	138	-	-
	<u>\$ 291,150</u>	<u>\$ 274,638</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses - Directly Incurred				
Inter-Authority Services Received	\$ 186	\$ 156	\$ -	\$ -
Department of Human Services	1,416	1,416	-	-
Department of Advanced Education and Technology	-	-	160	198
Department of Education	-	-	871	880
Department of Health and Wellness	-	-	1,855	1,087
Department of Service Alberta	-	-	155	164
Department of Infrastructure	-	-	16	19
	<u>\$ 1,602</u>	<u>\$ 1,572</u>	<u>\$ 3,057</u>	<u>\$ 2,348</u>
Receivable from/(Payable to):				
Department of Human Services (Net)	\$ 5,276	\$ 5,361	\$ -	\$ -
Department of Health and Wellness	-	-	-	(452)
Department of Treasury Board and Finance	-	-	(5,955)	(4,628)
Southwest Alberta Child and Family Services Authority	(1)	1	-	-
Southeast Alberta Child and Family Services Authority	1	13	-	-
Edmonton and Area Child and Family Services Authority	-	(9)	-	-
Central Alberta Child and Family Services Authority	12	8	-	-
	<u>\$ 5,288</u>	<u>\$ 5,374</u>	<u>\$ (5,955)</u>	<u>\$ (5,080)</u>

The above transactions do not include support service arrangement transactions disclosed in Schedule 1.

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 4.

	(in thousands)	
	Other Entities	
	2013	2012
Expenses: Incurred by Others		
Accommodation	\$ 5,507	\$ 5,195
Administrative	1,228	1,352
Legal Services	3,188	1,898
	<u>\$ 9,923</u>	<u>\$ 8,445</u>

CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs - Schedule 4
Year Ended March 31, 2013

Program	(in thousands)					Total Expenses	Total Expenses	
	2013							2012
	Expenses ⁽¹⁾	Expenses - Incurred by Others			Total Expenses			
Accommodation Costs ⁽²⁾		Administration Costs ⁽³⁾	Legal Services ⁽⁴⁾	Total Expenses				
Child Care Subsidy and Supports	\$ 46,570	\$ 376	\$ 84	\$ -	\$ 47,030	\$ 42,809		
Prevention of Family Violence and Bullying	1,022	1	-	-	1,023	1,034		
Child Intervention Services	109,804	4,068	907	3,188	117,967	105,769		
Support for Permanency	13,667	262	58	-	13,987	13,460		
Early Intervention Services for Children and Youth	17,590	-	-	-	17,590	17,352		
Foster Care Support	53,926	208	47	-	54,181	49,780		
Family Support for Children with Disabilities	55,824	575	128	-	56,527	51,753		
Protection of Sexually Exploited Children	2,074	17	4	-	2,095	1,846		
Inter-Authority Services	165	-	-	-	165	138		
	\$ 300,642	\$ 5,507	\$ 1,228	\$ 3,188	\$ 310,565	\$ 283,941		

⁽¹⁾ Expenses - Directly incurred as per the Statement of Operations.

⁽²⁾ Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure represent the Calgary and Area Child and Family Services Authority's building costs allocated by the number of Authority employees per program.

⁽³⁾ Administration costs for financial, human resources and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

⁽⁴⁾ Costs shown for Legal Services on Schedule 3, which were paid by the Department of Justice and Attorney General, were allocated to the Child Intervention Services Program since the legal services provided were in relation to proceedings under the *Child Youth and Family Enhancement Act*.

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY

FINANCIAL STATEMENTS

Year Ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Members of Central Alberta Child and Family Services Authority
and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Central Alberta Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Central Alberta Child and Family Services Authority at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 27, 2013

Edmonton, Alberta

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 79,762	\$ 82,876	\$ 77,844
Other Revenue			
Inter-Authority Services	75	32	30
Other Revenue	1,600	1,940	2,187
Total Revenues	81,437	84,848	80,061
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	10,849	11,416	10,324
Prevention of Family Violence and Bullying	749	634	629
Child Intervention Services	31,830	31,955	30,921
Support for Permanency	3,762	4,056	3,615
Early Intervention Services for Children and Youth	4,732	6,884	6,705
Foster Care Support	17,948	18,343	18,788
Family Support for Children with Disabilities	10,453	7,975	7,702
Protection of Sexually Exploited Children	1,039	1,064	1,005
Inter-Authority Services	75	32	30
Total Expenses	81,437	82,359	79,719
Net Operating Results	\$ -	\$ 2,489	\$ 342

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

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 9,813	\$ 8,526
Accounts Receivable (Note 4)	3,476	2,552
Advances	1	
	<u>\$ 13,290</u>	<u>\$ 11,078</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	\$ 7,740	\$ 8,017
Net Assets		
Net Assets at Beginning of Year	3,061	2,719
Net Operating Results	<u>2,489</u>	<u>342</u>
Net Assets at End of Year	<u>5,550</u>	<u>3,061</u>
	<u>\$ 13,290</u>	<u>\$ 11,078</u>

Contractual Obligations and Contingent Liabilities (Note 6 and 7)

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

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ 2,489	\$ 342
(Increase) Decrease in Accounts Receivable	(924)	179
Increase in Advances	(1)	-
(Decrease) Increase in Accounts Payable and Accrued Liabilities	<u>(277)</u>	<u>1,530</u>
Cash Provided by Operating Transactions	<u>(1,202)</u>	<u>1,709</u>
 Increase in Cash and Cash Equivalents	 1,287	 2,051
Cash and Cash Equivalents at Beginning of Year	8,526	6,475
 Cash and Cash Equivalents at End of Year	 <u><u>\$ 9,813</u></u>	 <u><u>\$ 8,526</u></u>

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

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Central Alberta Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the *Public Service Act*, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

a) Reporting Entity

The reporting entity is the Central Alberta Child and Family Services Authority, which is part of the Ministry of Human Services.

b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

b) Basis of Financial Reporting (Cont'd)

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents. These are included in the Statement of Operations and Schedule 1.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current services of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amount can be made.

Incurred by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

b) Basis of Financial Reporting (Cont'd)

Cash and cash equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals. Assets acquired by right are not included.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Authority and its liabilities.

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

b) Basis of Financial Reporting (Cont'd)

Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statement of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 21, 2012. The Authority approved the budget of \$81,437 on March 26, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accounts receivable and accounts payable and accrued liabilities recorded as \$3,476 and \$7,740 respectively (2012 - \$2,552 and \$8,017) in these financial statements are subject to measurement uncertainty. The receivables and liabilities are based on estimates, calculated using linear analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimated.

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES
(in thousands)

The grant is determined as follows:

	<u>2013</u>	<u>2012</u>
Initial (original) budget	\$ 79,762	\$ 73,812
Additional funding for the current year	3,114	4,032
Grant for the year	<u>\$ 82,876</u>	<u>\$ 77,844</u>

NOTE 4 ACCOUNTS RECEIVABLE
(in thousands)

	<u>2013</u>		<u>2012</u>	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 1,807	\$ -	\$ 1,807	\$ 1,651
Other Receivables	1,344	-	1,344	764
Refunds from suppliers	314	-	314	136
Child and Family Services Authorities	11	-	11	1
	<u>\$ 3,476</u>	<u>\$ -</u>	<u>\$ 3,476</u>	<u>\$ 2,552</u>

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	<u>2013</u>	<u>2012</u>
Trade Payable	\$ 3,000	\$ 2,868
Accrued Vacation Pay and Manpower Expenses	1,848	1,704
Department of Human Services	370	173
Department of Treasury Board and Finance	2,133	2,905
Child and Family Services Authorities	52	38
Other	337	329
	<u>\$ 7,740</u>	<u>\$ 8,017</u>

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 6 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Authority to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under contracts and programs	<u>\$ 14,604</u>	<u>\$ 16,406</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013 - 14	\$ 14,296
2014 - 15	308
2015 - 16	-
2016 - 17	-
2017 - 18	-
Thereafter	-
	<u>\$ 14,604</u>

NOTE 7 CONTINGENT LIABILITIES

(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Authority has been named in two (2012: two) claims of which the outcome is not determinable. Of these claims, two (2012: two) have specified amounts totalling \$332,900 (2012: \$332,900). Included in the total claims, two claims totalling \$332,900 (2012: no claims) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 8 BENEFIT PLANS

(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension Plan, Public Services Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$1,909 for the year ended March 31, 2013 (2012 – \$1,748). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 9 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board on May 27, 2013.

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENT
Expenses - Directly Incurred Detailed by Object - Schedule 1
For the Year ended March 31, 2013

	<i>(in thousands)</i>		
	<u>2013</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
Salaries, Wages and Employee Benefits	\$ 21,705	\$ 21,422	\$ 20,038
Supplies and Services	45,394	45,170	45,096
Grants	14,263	15,676	14,487
Inter-Authority Services	75	32	30
Other	-	59	68
Total Expenses	<u>\$ 81,437</u>	<u>\$ 82,359</u>	<u>\$ 79,719</u>

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENT
Salary and Benefits Disclosure - Schedule 2
For the Year ended March 31, 2013**

	2013			2012
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total
	<i>(in thousands)</i>			
Co-Chair of the Authority ⁽⁵⁾		\$ 37		\$ 37
Co-Chair of the Authority ⁽⁵⁾		35		42
Board Members (10 members)		98		87
Chief Executive Officer ⁽⁴⁾	149	6	40	195
				186

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
Co-chairs and board members receive honoraria only.
The Department of Human Services paid \$18 of the total honoraria expenses disclosed in this schedule.
- (3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, group life insurance, short term disability plans Health Spending Account, professional memberships and tuition fees.
- (4) Automobile provided, no dollar amount included in other non-cash benefits.
- (5) Change of Co-Chairs in August 2012.

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENT
Related Party Transactions - Schedule 3
For the Year ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this schedule.

The Authority had the following transactions with related parties that are on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	<i>(in thousands)</i>			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from Department of Human Services	\$ 82,876	\$ 77,844	\$ -	\$ -
Recoveries - Inter-Authority Services	32	30	-	-
	\$ 82,908	\$ 77,874	\$ -	\$ -
Expenses - Directly Incurred				
Inter-Authority Services Received	\$ 310	\$ 308	\$ -	\$ -
Department of Human Services	472	472	-	-
Department of Education	-	-	1,629	1,262
Department of Infrastructure	-	-	2	-
Department of Service Alberta	-	-	153	148
	\$ 782	\$ 780	\$ 1,784	\$ 1,410
Receivable from/(Payable to):				
Department of Human Services (Net)	\$ 1,437	\$ 1,479	\$ -	\$ -
Calgary & Area Child and Family Services Authority	6	1	-	-
Edmonton Child and Family Services Authority	5	-	-	-
Department of Treasury Board and Finance	-	-	(2,133)	(2,905)
Edmonton & Area Child and Family Services Authority	(15)	(30)	-	-
North Central Alberta Child and Family Services Authority	(18)	-	-	-
Calgary and Area Child and Family Services Authority	(18)	(9)	-	-
East Central Alberta Child and Family Services Authority	(1)	-	-	-
	\$ 1,396	\$ 1,441	\$ (2,133)	\$ (2,905)

The above transactions do not include service arrangements disclosed in Schedule 1.

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENT
Related Party Transactions - Schedule 3 (Cont'd)
For the Year ended March 31, 2013

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but disclosed in Schedule 4.

	<i>(in thousands)</i>	
	Other Entities	
	2013	2012
Expenses - Incurred by Others		
Accommodation	\$ 2,941	\$ 2,907
Administrative	450	513
Legal Services	33	38
	\$ 3,424	\$ 3,458

CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENT
Allocated Costs- Schedule 4
For the Year ended March 31, 2013

(in thousands)

Program	2013				2012	
	Expenses - Incurred by Others				Total	Total
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Admin Costs ⁽³⁾	Legal Services ⁽⁴⁾	Expenses	Expenses
Child Care Subsidy and Supports	11,416	153	23	-	11,592	10,491
Prevention of Family Violence and Bullying	634	26	4	-	664	657
Child Intervention Services	31,955	2,175	333	33	34,496	33,644
Supports for Permanency	4,056	15	2	-	4,073	3,615
Early Intervention and Early Childhood Development	6,884	97	15	-	6,996	6,705
Foster Care Support	18,343	245	38	-	18,626	19,049
Family Support for Children with Disabilities	7,975	230	35	-	8,240	7,981
Protection of Sexually Exploited Children	1,064	-	-	-	1,064	1,005
Inter-Authority Services	32	-	-	-	32	30
	\$ 82,359	\$ 2,941	\$ 450	\$ 33	\$ 85,783	\$ 83,177

(1) Expenses - Directly Incurred as per the Statement of Operations.

(2) Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Central Alberta Child and Family Services Authority's buildings costs allocated by the number of authority employees per program.

(3) Administration costs for financial, human resources, and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

(4) Costs for legal services, which were paid by the Department of Justice and Attorney General, were allocated to the Child Intervention Services program since the legal services provided were in relation to proceedings under the *Child Youth and Family Enhancement Act*.

EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY

FINANCIAL STATEMENTS

March 31, 2013

Independent Auditor's Report

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Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Members of East Central Alberta Child and Family Services Authority
and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the East Central Alberta Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the East Central Alberta Child and Family Services Authority as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 22, 2013

Edmonton, Alberta

EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 22,074	23,689	\$ 22,794
Other Revenue			
Inter-Authority Services	-	15	-
Other Revenue	16	38	254
Total Revenues	22,090	23,742	23,048
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	2,964	3,231	2,936
Prevention of Family Violence and Bullying	32	151	142
Child Intervention Services	8,161	8,665	7,870
Support for Permanency	1,397	1,266	1,082
Early Intervention Services for Children and Youth	1,145	2,208	2,054
Foster Care Support	3,159	3,938	3,396
Family Support for Children with Disabilities	5,145	4,363	4,365
Protection of Sexually Exploited Children	87	84	83
Inter-Authority Services	-	15	-
Total Expenses	22,090	23,921	21,928
Net Operating Results	\$ -	(179)	\$ 1,120

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

EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 5,029	\$ 5,303
Accounts Receivable (Note 4)	669	679
	<u>\$ 5,698</u>	<u>\$ 5,982</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	<u>\$ 2,462</u>	<u>\$ 2,567</u>
Net Assets		
Net Assets at Beginning of Year	3,415	2,295
Net Operating Results	<u>(179)</u>	<u>1,120</u>
Net Assets at End of Year	<u>3,236</u>	<u>3,415</u>
	<u>\$ 5,698</u>	<u>\$ 5,982</u>

Contractual obligations and contingent liabilities (Note 6 and 7)

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

EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ (179)	\$ 1,120
Decrease in Accounts Receivable	10	30
(Decrease) Increase in Accounts Payable and Accrued Liabilities	<u>(105)</u>	<u>425</u>
Cash Provided by Operating Transactions	(274)	1,575
Cash and Cash Equivalents, Beginning of Year	5,303	3,728
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,029</u></u>	<u><u>\$ 5,303</u></u>

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

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The East Central Alberta Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the *Public Service Act*, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the East Central Alberta Child and Family Services Authority, which is part of the Ministry of Human Services.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents. These are included in the Statement of Operations and Schedule 1.

In addition to program operating expenses such as salaries, supplies, etc, directly incurred expenses also include:

- Pension costs, which are the cost of employer contributions for current service of employees during the year, and
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting

Cash and Cash Equivalents

Cash and cash equivalents consists of deposits in the Consolidated Investment Trust Fund of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals. Assets acquired by right are not included.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Authority and its liabilities.

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting

Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statement of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 22, 2012. The Authority approved the budget of \$22,090 on February 22, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accounts receivable and accounts payable and accrued liabilities recorded as \$669 (2012-679) and \$2,462 (2012-\$2,567) respectively in these financial statements are subject to measurement uncertainty. The accrued receivables and liabilities are based on estimates, calculated using linear and aging analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimated.

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES

(in thousands)

The grant is determined as follows:

	<u>2013</u>	<u>2012</u>
Initial (original) budget	\$ 22,074	\$ 21,448
Additional funding for the current year	<u>1,615</u>	<u>1,346</u>
Grant for the year	<u><u>\$ 23,689</u></u>	<u><u>\$ 22,794</u></u>

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	<u>2013</u>			<u>2012</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 588	\$ -	\$ 588	\$ 587
Child and Family Services Authorities	4	-	4	-
Refunds from Suppliers	77	-	77	92
	<u><u>\$ 669</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 669</u></u>	<u><u>\$ 679</u></u>

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	<u>2013</u>	<u>2012</u>
Trade Payable	\$ 1,647	\$ 1,805
Department of Treasury Board and Finance	706	640
Accrued Vacation Pay and Manpower Expenses	38	28
Department of Human Services	56	79
Child and Family Services Authorities	15	15
	<u><u>\$ 2,462</u></u>	<u><u>\$ 2,567</u></u>

EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 6 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Authority to others that will become liabilities in the future when the terms of those contracts or agreements are met. Estimated payment required for fiscal 2014 is \$1,225 with no contractual obligations thereafter.

NOTE 7 CONTINGENT LIABILITIES

(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Authority has been named in two (2012: two) claims of which the outcome is not determinable. Of these claims, two (2012: two) have specified amounts totalling \$332,900 (2012: \$332,900). Included in the total claims, two claims totalling \$332,900 (2012: zero claims) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 8 BENEFIT PLANS

(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension Plan, Public Services Pension Plan, and the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$703 for the year ended March 31, 2013 (2012 – \$569). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 9 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board on May 22, 2013.

EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object - Schedule 1
Year ended March 31, 2013

	(in thousands)		
	2013		
	Budget	Actual	2012
			Actual
Salaries, Wages and Employee Benefits	\$ 6,756	\$ 7,354	\$ 6,337
Supplies and Services	8,823	9,905	9,008
Grants	6,511	6,618	6,571
Inter-Authority Services	-	15	-
Other	-	29	12
Total Expenses	\$ 22,090	\$ 23,921	\$ 21,928

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefit Disclosure - Schedule 2
Year ended March 31, 2013**

	2013				2012
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
	(in thousands)				
Co-Chair of the Authority	\$ -	\$ 41	\$ -	\$ 41	\$ 37
Co-Chair of the Authority	-	32	-	32	23
Board Members (6 members)	-	57	-	57	49
Chief Executive Officer ⁽⁴⁾	148	20	40	208	178

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
Co-chairs and board members receive honoraria only.
The Department of Human Services paid \$22 (2012-\$26) of the total honoraria expenses disclosed in this schedule.
- (3) Other non-cash benefits include the government's share of all employee benefits and contribution or payments made on behalf of employees, including health care, dental coverage, group life insurance, short term disability plans, Health Spending Account, professional memberships, and tuition fees.
- (4) Automobile provided, no dollar amount included in other non-cash benefits.

EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3
Year ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Authority had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from the Department of Human Services	\$ 23,689	\$ 22,794	\$ -	\$ -
Recoveries - Inter-Authority Services	15	-	-	-
	\$ 23,704	\$ 22,794	\$ -	\$ -
Expenses - Directly Incurred				
Inter-Authority Services Received	\$ 161	\$ 116	\$ -	\$ -
Department of Human Services	177	177	-	1
Department of Education	-	-	41	52
Department of Health and Wellness	-	-	52	50
Department of Service Alberta	-	-	69	68
	\$ 338	\$ 293	\$ 162	\$ 171
Receivable from/(Payable to):				
Department of Human Services (Net)	\$ 532	\$ 508	\$ -	\$ -
Central Alberta Child and Family Services Authority	1	-	-	-
Edmonton and Area Child and Family Services Authority	(14)	(29)	-	-
North Central Alberta Child and Family Services Authority	2	(6)	-	-
Department of Treasury Board and Finance	-	-	(705)	(640)
	\$ 521	\$ 473	\$ (705)	\$ (640)

The above transactions do not include support services arrangements disclosed in Schedule 1.

EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3 (Cont'd)
Year ended March 31, 2013

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 4.

Expenses - Incurred by Others	(in thousands)	
	Other Entities	
	2013	2012
Accommodation	\$ 806	\$ 896
Administrative	142	151
Legal Services	97	22
	\$ 1,045	\$ 1,069

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS**

**Allocated Costs - Schedule 4
Year ended March 31, 2013**

(in thousands)

Program	2013					2012	
	Expenses - Incurred by Others					Total	Total
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Administration Costs ⁽³⁾	Legal Services ⁽⁴⁾	Expenses	Expenses	
Child Care Subsidy and Supports	\$ 3,231	\$ 70	\$ 12	\$ 8	\$ 3,321	\$ 2,936	
Prevention of Family Violence and Bullying	151	13	2	2	168	142	
Child Intervention Services	8,665	556	98	67	9,386	7,870	
Supports for Permanency	1,266	-	-	-	1,266	1,082	
Early Intervention Services for Children and Youth	2,208	9	2	1	2,220	2,054	
Foster Care Support	3,938	44	8	5	3,995	3,396	
Family Support for Children with Disabilities	4,363	114	20	14	4,511	4,365	
Protection of Sexually Exploited Children	84	-	-	-	84	83	
Inter-Authority Services	15	-	-	-	15	-	
	\$ 23,921	\$ 806	\$ 142	\$ 97	\$ 24,966	\$ 21,928	

⁽¹⁾ Expenses - Directly Incurred as per the Statement of Operations.

⁽²⁾ Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the East Central Alberta Child and Family Services Authority's buildings costs allocated by the number of Authority employees per program.

⁽³⁾ Administration costs for financial, human resources, and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

⁽⁴⁾ Costs for legal services, which were paid by the Department of Justice and Attorney General, were allocated to the Child Intervention Services Program since the legal services provided were in relation to proceedings under the *Child Youth and Family Enhancement Act*.

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY

FINANCIAL STATEMENTS

March 31, 2013

Independent Auditor's Report

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Notes to the Financial Statements

Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Members of the Edmonton and Area Child and Family Services Authority and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Edmonton and Area Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Edmonton and Area Child and Family Services Authority at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 3, 2013

Edmonton, Alberta

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	(in thousands)		2012 Actual
	2013 Budget	2013 Actual	
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 350,829	\$ 366,988	\$ 345,736
Other Revenue			
Inter-Authority Services	266	1,040	922
Other	488	1,309	1,453
Total Revenues	351,583	369,337	348,111
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	66,985	73,481	65,659
Prevention of Family Violence and Bullying	551	611	594
Child Intervention Services	147,619	147,302	139,352
Support for Permanency	12,224	13,360	11,895
Early Intervention Services for Children and Youth	13,311	18,840	19,054
Foster Care Support	66,869	70,307	65,851
Family Support for Children with Disabilities	41,290	42,759	43,575
Protection of Sexually Exploited Children	2,468	2,359	2,240
Inter-Authority Services	266	1,040	922
Total Expenses	351,583	370,059	349,142
Net Operating Results	\$ -	\$ (722)	\$ (1,031)

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

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 7,339	\$ 7,539
Accounts Receivable (Note 4)	10,657	12,523
Tangible Capital Assets (Note 5)	8	9
	<u>\$ 18,004</u>	<u>\$ 20,071</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	<u>\$ 31,363</u>	<u>\$ 32,708</u>
Net Liabilities		
Net Liabilities at Beginning of Year	(12,637)	(11,606)
Net Operating Results	<u>(722)</u>	<u>(1,031)</u>
Net Liabilities at End of Year	<u>(13,359)</u>	<u>(12,637)</u>
	<u>\$ 18,004</u>	<u>\$ 20,071</u>

Contractual obligations and contingent liabilities (Note 7 and 8)

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

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ (722)	\$ (1,031)
Non-Cash Items included in Net Operating Results:		
Amortization (Note 5)	<u>1</u>	<u>1</u>
	(721)	(1,030)
Decrease (Increase) in Accounts Receivable	1,866	(1,721)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(1,345)	7,037
Cash (Applied to) Provided by Operating Transactions	<u>(200)</u>	<u>4,286</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	<u>-</u>	<u>(10)</u>
Cash (Applied to) Capital Transactions	<u>-</u>	<u>(10)</u>
(Decrease) Increase in Cash	(200)	4,276
Cash and Cash Equivalents at Beginning of Year	7,539	3,263
Cash and Cash Equivalents at End of Year	<u><u>\$ 7,339</u></u>	<u><u>\$ 7,539</u></u>

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

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Edmonton and Area Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the *Public Service Act*, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared primarily in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Edmonton and Area Child and Family Services Authority, which is part of the Ministry of Human Services.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents. These are included in the Statement of Operations and Schedule 1.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- Amortization of tangible capital assets.
- Pension costs, which are the cost of employer contributions for current service of employees during the year, and
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amount can be made.

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Incurring by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

Cash and Cash Equivalents

Cash and cash equivalents consists of deposits in the Consolidated Investment Trust Fund of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals. Assets acquired by rights are not included. Tangible capital assets of the Authority are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Net Liabilities

Net liabilities represent the difference between the carrying value of assets held by the Authority and its liabilities.

Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statements of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 21, 2012. The Authority approved the budget of \$351,583 on May 31, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accounts receivable and accounts payable and accrued liabilities recorded as \$10,657 (2012-\$12,523) and \$31,363 (2012-\$32,708) respectively in these financial statements are subject to measurement uncertainty. The accrued receivables and liabilities are based on estimates, calculated using linear analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimated.

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES

(in thousands)

The grant is determined as follows:	<u>2013</u>	<u>2012</u>
Initial (original) budget	\$ 350,829	\$ 323,396
Increase in funding for the current year	<u>16,159</u>	<u>22,340</u>
Grant for the year	<u>\$ 366,988</u>	<u>\$ 345,736</u>

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	<u>2013</u>		<u>2012</u>
	Gross Amount	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 9,131	\$ 9,131	\$ 10,798
Refunds from Suppliers	1,379	1,379	1,504
Child and Family Services Authorities	74	74	137
Persons with Developmental Disabilities	73	73	84
	<u>\$ 10,657</u>	<u>\$ 10,657</u>	<u>\$ 12,523</u>

Accounts receivable are unsecured and non-interest bearing.

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 5 TANGIBLE CAPITAL ASSETS
(in thousands)

	<u>Equipment*</u>	<u>Total</u>
Estimated Useful Life	10 Years	
Historical Cost		
Beginning of Year	\$ 74	\$ 74
Additions	<u>-</u>	<u>-</u>
	<u>74</u>	<u>74</u>
Accumulated Amortization		
Beginning of Year	65	65
Amortization Expense	<u>1</u>	<u>1</u>
	<u>66</u>	<u>66</u>
Net Book Value at March 31, 2013	<u>\$ 8</u>	<u>\$ 8</u>
Net Book Value at March 31, 2012	<u>\$ 9</u>	<u>\$ 9</u>

*Equipment includes office equipment, furniture and other equipment.

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	<u>2013</u>	<u>2012</u>
Trade Payables	\$ 15,646	\$ 17,196
Accrued Vacation Pay and Manpower Expenses	8,718	7,966
Department of Treasury Board and Finance	6,598	7,197
Department of Human Services	374	345
Child and Family Services Authorities	27	4
	<u>\$ 31,363</u>	<u>\$ 32,708</u>

NOTE 7 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Authority to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 41,601</u>	<u>\$ 846</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 41,601
2014-15	-
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 41,601</u>

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The total amount claimed for all likely claims is \$122,870 (2012: \$121,250). Included in the total likely claims are claims in which the Authority has been jointly named with other entities. Included in the total likely claims are claims covered in whole or in part by the Alberta Risk Management Fund. The resulting liability, if any, from likely claims is not determinable.

The Authority has been named in 14 (2012: 20) claims of which the outcome is not determinable. Of these claims, 14 (2012: 20) have specified amounts totalling \$349,022 (2012: \$371,449). Included in the total claims, 12 claims totalling \$340,877 (2012: 14 claims totalling \$9,372) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 BENEFIT PLANS

(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension Plan, and Public Services Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$7,639 for the year ended March 31, 2013 (2012 – \$6,590). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 10 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board on June 3, 2013.

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object - Schedule 1
Year ended March 31, 2013

	(in thousands)		
	2013		
	Budget	Actual	2012 Actual
Salaries, Wages and Employee Benefits	\$ 87,109	\$ 83,446	\$ 77,586
Supplies and Services	175,889	187,593	179,765
Supplies and Services from Support Service Arrangements with Related Parties ^(a)	-	-	26
Grants	88,319	97,583	90,243
Inter-Authority Services	266	1,040	922
Other-Write off and Bad Debts	-	396	599
Amortization of Tangible Capital Assets	-	1	1
Total Expenses	\$ 351,583	\$ 370,059	\$ 349,142

(a) The Authority receives residential placement services from the Department of Justice and Solicitor General and Public Security. (include if applicable).

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Schedule 2
Year ended March 31, 2013**

	2013			2012	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
Co-Chair of the Authority	\$ -	\$ 24	-	\$ 24	\$ 26
Co-Chair of the Authority	-	20	-	20	25
Board Members (12 members)	-	136	-	136	118
Chief Executive Officer	195	30	53	278	278

(in thousands)

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payments and lump sum payments. There were no bonuses paid in 2013. Co-chairs and board members receive honoraria only. The Department of Human Services paid \$7 of the total honoraria expenses disclosed in this schedule.
- (3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, group life insurance, short term disability plans, Health Spending Account, professional memberships and tuition fees.

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3
Year ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this schedule.

The Authority had the following transactions with related parties that are on the Statements of Operations and the Statements of Financial Position, measured at the amount of consideration agreed upon between the related parties:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from the Department of Human Services	\$ 366,988	\$ 345,736	\$ -	\$ -
Recoveries - Inter-Authority Services	1,040	922	-	-
Miscellaneous Revenue:				
Department of Health	-	-	307	168
Department of Human Services	55	-	-	-
Persons with Developmental Disabilities	148	158	-	-
	\$ 368,231	\$ 346,816	\$ 307	\$ 168
Expenses - Directly Incurred				
Inter-Authority Services Received	\$ 49	\$ 46	\$ -	\$ -
Department of Human Services	1,828	1,828	-	-
Department of Enterprise and Advanced Education	-	-	162	126
Department of Education	-	-	475	221
Department of Health	-	-	118	116
Department of Infrastructure	-	-	5	7
Department of Service Alberta	-	-	178	175
Department of Justice and Solicitor General	-	-	-	26
	\$ 1,877	\$ 1,874	\$ 938	\$ 671

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3 (Continued)
Year ended March 31, 2013

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Receivable from/(Payable to):				
Department of Human Services (Net)	\$ 8,757	\$ 10,453	\$ -	\$ -
Persons with Developmental Disabilities	73	84	-	-
Southwest Alberta Child and Family Services Authority	(22)	-	-	-
Southeast Alberta Child and Family Services Authority	-	20	-	-
Calgary and Area Child and Family Services Authority	-	9	-	-
Central Alberta Child and Family Services Authority	10	30	-	-
East Central Alberta Child and Family Services Authority	14	29	-	-
North Central Alberta Child and Family Services Authority	18	8	-	-
Northwest Alberta Child and Family Services Authority	-	16	-	-
Northeast Alberta Child and Family Services Authority	-	(4)	-	-
Metis Settlements Child And Family Services Authority	27	25	-	-
Department of Treasury Board and Finance	-	-	(6,598)	(7,197)
Department of Health	-	-	78	(40)
	<u>\$ 8,877</u>	<u>\$ 10,670</u>	<u>\$ (6,520)</u>	<u>\$ (7,237)</u>

The above transactions do not include support services arrangements disclosed in Schedule 1.

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but disclosed in schedule 4

	(in thousands)	
	Other Entities	
	2013	2012
Expenses : Incurred by Others		
Accommodation	\$ 9,685	\$ 8,831
Administrative	1,801	2,074
Legal Services	3,660	2,397
	<u>\$ 15,146</u>	<u>\$ 13,302</u>

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs - Schedule 4
Year ended March 31, 2013

Program	(in thousands)					
	2013			2012		
	Expenses ⁽¹⁾	Expenses - Incurred by Others		Total Expenses	Total Expenses	Total Expenses
	Costs ⁽²⁾	Administration Costs ⁽³⁾	Legal Services ⁽⁴⁾			
Child Care Subsidy and Supports	\$ 73,481	\$ -	\$ -	\$ -	\$ 73,481	\$ 66,102
Prevention of Family Violence and Bullying	611	-	-	-	611	603
Child Intervention Services	147,302	9,685	1,801	3,660	162,448	150,830
Support for Permanency	13,360	-	-	-	13,360	11,895
Early Intervention Services for Children and Youth	18,840	-	-	-	18,840	19,071
Foster Care Support	70,307	-	-	-	70,307	66,215
Family Support for Children with Disabilities	42,759	-	-	-	42,759	44,498
Protection of Sexually Exploited Children	2,359	-	-	-	2,359	2,308
Inter-Authority Services	1,040	-	-	-	1,040	922
	\$ 370,059	\$ 9,685	\$ 1,801	\$ 3,660	\$ 385,205	\$ 362,444

⁽¹⁾ Expenses - Directly Incurred as per the Statement of Operations.

⁽²⁾ Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Edmonton and Area Child and Family Services Authority's buildings costs allocated by the number of Authority employees per program.

⁽³⁾ Administration costs for financial, human resources and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

⁽⁴⁾ Costs for legal services, which were paid by the Department of Justice and Attorney General, were allocated to the Child Intervention Services Program since the legal services provided were in relation to proceedings under the *Child, Youth and Family Enhancement Act*.

NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY

FINANCIAL STATEMENTS

March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Members of North Central Alberta Child and Family Services Authority
and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the North Central Alberta Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the North Central Alberta Child and Family Services Authority as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 22, 2013

Edmonton, Alberta

NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 56,521	\$ 59,018	\$ 55,170
Other Revenue			
Inter-Authority Services	395	273	616
Other Revenue	42	207	503
Total Revenues	56,958	59,498	56,289
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	6,534	6,260	5,773
Prevention of Family Violence and Bullying	-	45	44
Child Intervention Services	23,063	22,794	21,502
Support for Permanency	4,123	4,238	4,054
Early Intervention Services for Children and Youth	3,375	4,758	4,725
Foster Care Support	13,777	14,216	13,485
Family Support for Children with Disabilities	5,629	5,377	4,864
Protection of Sexually Exploited Children	62	59	60
Inter-Authority Services	395	273	616
Total Expenses	56,958	58,020	55,123
Net Operating Results	\$ -	1,478	\$ 1,166

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

NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 11,022	\$ 9,003
Accounts Receivable (Note 4)	1,493	1,752
Prepaid Expenses	43	40
Tangible Capital Assets (Note 5)	8	13
	<u>\$ 12,566</u>	<u>\$ 10,808</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	<u>\$ 6,091</u>	<u>\$ 5,811</u>
Net Assets		
Net Assets at Beginning of Year	4,997	3,831
Net Operating Results	<u>1,478</u>	<u>1,166</u>
Net Assets at End of Year	<u>6,475</u>	<u>4,997</u>
	<u>\$ 12,566</u>	<u>\$ 10,808</u>

Contractual obligations and contingent liabilities (Note 7 and 8)

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

NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ 1,478	\$ 1,166
Non-Cash Items included in Net Operating Results:		
Amortization	5	5
	<u>1,483</u>	<u>1,171</u>
Decrease in Accounts Receivable	259	355
(Increase) Decrease in Prepaid Expenses	(3)	12
Increase in Accounts Payable and Accrued Liabilities	280	1,098
Cash provided by Operating Transactions	<u>2,019</u>	<u>2,636</u>
Increase (Decrease) in Cash	2,019	2,636
Cash and Cash Equivalents at Beginning of Year	9,003	6,367
Cash and Cash Equivalents at End of Year	<u><u>\$ 11,022</u></u>	<u><u>\$ 9,003</u></u>

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

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The North Central Alberta Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the Public Service Act, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting standards.

(a) Reporting Entity

The reporting entity is the North Central Alberta Child and Family Services Authority, which is part of the Ministry of Human Services.

(b) Basis of Financial Reporting

Revenues Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents. These are included in the Statements of Operations and Schedule 1.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- Amortization of tangible capital assets
- Pension costs, which are the cost of employer contributions for current service of employees during the year, and
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

Cash and cash equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals. Assets acquired by rights are not included.

Tangible capital assets of the Authority are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Net Assets

Net assets represent the difference between the carrying value of assets held by the Authority and its liabilities. Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statements of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 22, 2012. The Authority approved the budget of \$56,958 on April 25, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accrued accounts receivable and accounts payable and accrued liabilities recorded as \$1,493 (2012 - \$1,752) and \$6,091 (2012 – \$5,811) respectively in these financial statements are subject to measurement uncertainty. The accrued receivables and liabilities are based on estimates, calculated using linear analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimated.

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES
(in thousands)

The grant is determined as follows:	<u>2013</u>	<u>2012</u>
Initial (original) budget	\$ 56,521	\$ 52,208
Additional funding for the current year	<u>2,497</u>	<u>2,962</u>
Grant for the year	<u>\$ 59,018</u>	<u>\$ 55,170</u>

NOTE 4 ACCOUNTS RECEIVABLE
(in thousands)

	<u>2013</u>		<u>2012</u>	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 1,401	\$ -	\$ 1,401	\$ 1,649
Child and Family Services Authorities	22	-	22	43
Refunds from Suppliers	47	-	47	12
Accounts Receivable - Other	23	-	23	48
	<u>\$ 1,493</u>	<u>\$ -</u>	<u>\$ 1,493</u>	<u>\$ 1,752</u>

Accounts receivable are unsecured and non-interest bearing.

NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 5 TANGIBLE CAPITAL ASSETS
(in thousands)

	<u>Equipment*</u>	<u>Total</u>
Estimated Useful Life	5 Years	
Historical Cost		
Beginning of Year	\$ 30	\$ 30
Additions		
Disposals, including write-downs	(5)	(5)
	<u>25</u>	<u>25</u>
Accumulated Amortization		
Beginning of Year	17	17
Amortization Expense	5	5
Effect of Disposals	(5)	(5)
	<u>17</u>	<u>17</u>
Net Book Value at March 31, 2013	<u>\$ 8</u>	<u>\$ 8</u>
Net Book Value at March 31, 2012	<u>\$ 13</u>	<u>\$ 13</u>

*Equipment includes office equipment, furniture and other equipment.

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	<u>2013</u>	<u>2012</u>
Trade Payables	\$ 1,671	\$ 1,583
Accrued Vacation Pay and Manpower Expenses	1,374	1,288
Department of Human Services	114	78
Child and Family Services Authorities	79	100
Department of Treasury Board and Finance	1,760	1,978
Other	1,093	784
	<u>\$ 6,091</u>	<u>\$ 5,811</u>

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 7 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Authority to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 12,893</u>	<u>\$ 7,633</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 7,388
2014-15	5,505
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 12,893</u>

NOTE 8 CONTINGENT LIABILITIES
(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Authority has been named in 4 (2012: 5) claims of which the outcome is not determinable. Of these claims, 3 (2012: 4) have specified amounts totalling \$339,520 (2012: \$339,665). The remaining 1 (2012: 1) claim has no amounts specified. Included in the total claims, 4 claims totalling \$339,520 (2012: 3 claims totalling \$6,765) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 9 BENEFIT PLANS
(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension, Public Services Pension Plan, and the Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$1,353 for the year ended March 31, 2013 (2012 – \$1,127).

The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 10 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board on May 22, 2013.

NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULES TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object - Schedule 1
Year ended March 31, 2013

	(in thousands)		
	2013		
	Budget	Actual	2012
			Actual
Salaries, Wages and Employee Benefits	\$ 15,278	\$ 15,306	\$ 14,498
Supplies and Services	31,206	31,245	29,562
Grants	10,074	11,150	10,404
Inter-Authority Services	395	273	616
Other	-	41	38
Amortization of Tangible Capital Assets	5	5	5
Total Expenses	\$ 56,958	\$ 58,020	\$ 55,123

NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULES TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Schedule 2
Year ended March 31, 2013

	(in thousands)				2012
	2013				
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	
Co-Chair of the Authority (4)	\$ 15	\$ -	\$ -	\$ 15	\$ 35
Co-Chair of the Authority	46	-	-	46	42
Co-Chair of the Authority (4)	27	-	-	27	-
Board Members	61	-	-	61	74
Chief Executive Officer	157	53	7	217	226

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
 Co-chairs and board members receive honoraria only.
 The Department of Human Services paid \$17 of the total honoraria expenses disclosed in this schedule.
- (3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, group life insurance, short term disability plans, Health Spending Account, professional memberships and tuition fees.
- (4) Co-Chair of the Authority changed within the fiscal year.

NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULES TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3
Year ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this schedule.

The Authority had the following transactions with related parties that are on the Statement of Operations and the Statement of Financial Position, measured at the amount of consideration agreed upon between the related parties:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from the Department of Human Services	\$ 59,018	\$ 55,170	\$ -	\$ -
Recoveries - Inter-Authority Services	273	616	-	-
	\$ 59,291	\$ 55,786	\$ -	\$ -
Expenses - Directly Incurred				
Inter-Authority Services Received	\$ 856	\$ 817	\$ -	\$ -
Department of Human Services	609	846	-	-
Department of Enterprise and Advanced Education	-	-	12	7
Department of Education	-	-	1	11
Department of Health	-	-	7	3
Department of Infrastructure	-	-	1	1
Department of Service Alberta	-	-	148	134
	\$ 1,465	\$ 1,663	\$ 169	\$ 156
Receivable from/(Payable to):				
Department of Human Services (Net)	\$ 1,287	\$ 1,571	\$ -	\$ -
Department of Treasury Board and Finance	-	-	(1,760)	(1,978)
East Central Alberta Child and Family Services Authority	(2)	6	-	-
Edmonton and Area Child and Family Services Authority	(17)	(8)	-	-
Central Area Child and Family Services Authority	18	-	-	-
Northwest Alberta Child and Family Services Authority	(26)	-	-	-
Northeast Alberta Child and Family Services Authority	-	36	-	-
Métis Settlements Child And Family Services Authority	(30)	(91)	-	-
	\$ 1,230	\$ 1,514	\$ (1,760)	\$ (1,978)

the above transactions do not include support services arrangements disclosed in Schedule 1.

NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULES TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3 (Cont'd)
Year ended March 31, 2013

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	(in thousands)	
	Other Entities	
	2013	2012
Expenses - Incurred Directly		
Accommodation	\$ 1,896	\$ 1,816
Administration	325	376
Legal Services	109	79
	\$ 2,330	\$ 2,271

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULES TO FINANCIAL STATEMENTS**

**Allocated Costs - Schedule 4
Year ended March 31, 2013**

(in thousands)

Program	2013				2012	
	Expenses ⁽¹⁾	Expenses - Incurred by Others			Total Expenses	Total Expenses
		Accommodation Costs ⁽²⁾	Administration Costs ⁽³⁾	Legal Services ⁽⁴⁾		
Child Care Subsidy and Supports	\$ 6,260	\$ 98	\$ 17	\$ -	\$ 6,375	\$ 5,894
Prevention of Family Violence and Bullying	45	-	1	-	46	50
Child Intervention Services	22,794	1,520	261	109	24,684	23,331
Support for Permanency	4,238	42	7	-	4,287	4,104
Early Intervention Services for Children and Youth	4,758	12	2	-	4,772	4,739
Foster Care Support	14,216	136	23	-	14,375	13,637
Family Support for Children with Disabilities	5,377	83	14	-	5,474	4,963
Protection of Sexually Exploited Children	59	5	-	-	64	60
Inter-Authority Services	273	-	-	-	273	616
	\$ 58,020	\$ 1,896	\$ 325	\$ 109	\$ 60,350	\$ 57,394

(1) Expenses - Directly Incurred as per the Statement of Operations.

(2) Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the North Central Alberta Child and Family Services Authority's buildings costs allocated by the number of Authority employees per program.

(3) Administration costs for financial, human resources, and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

(4) Costs for legal services, which were paid by the Department of Justice and Attorney General, were allocated to the Child Intervention Services Program since the legal services provided were in relation to proceedings under the *Child, Youth and Family Enhancement Act*.

NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY

FINANCIAL STATEMENTS

Year Ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Board Members of the Northwest Alberta Child and Family Services Authority and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Northwest Alberta Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northwest Alberta Child and Family Services Authority at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 27, 2013

Edmonton, Alberta

NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	(in thousands)		
	2013	2012	
	Budget	Actual	Actual (Restated)
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 42,438	\$ 44,056	\$ 42,111
Other Revenue			
Inter-Authority Services	350	121	127
Other Revenue	215	187	96
Total Revenues	43,003	44,364	42,334
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	5,876	5,208	5,369
Prevention of Family Violence and Bullying	118	154	146
Child Intervention Services	19,172	16,734	16,913
Supports for Permanency	2,052	1,895	1,878
Early Intervention Services Children and Youth	4,001	5,877	5,409
Foster Care Support	5,900	9,065	7,211
Family Support for Children with Disabilities	5,297	4,782	4,877
Protection of Sexually Exploited Children	237	163	156
Inter-Authority Services	350	121	127
Total Expenses	43,003	43,999	42,086
Net Operating Results	\$ -	\$ 365	\$ 248

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

NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 8,716	\$ 6,721
Accounts Receivable (Note 4)	1,191	2,176
Prepaid Expenses	-	9
Tangible Capital Assets (Note 5)	1	5
	<u><u>\$ 9,908</u></u>	<u><u>\$ 8,911</u></u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	<u>\$ 4,806</u>	<u>\$ 4,174</u>
Net Assets		
Net Assets at Beginning of Year	4,737	4,489
Net Operating Results	365	248
Net Assets at End of Year	<u>5,102</u>	<u>4,737</u>
	<u><u>\$ 9,908</u></u>	<u><u>\$ 8,911</u></u>

Contractual obligations and contingent liabilities (Note 7 and 8)

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

NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ 365	\$ 248
Non-Cash Items included in Net Operating Results:		
Amortization	4	4
	<u>369</u>	<u>252</u>
Decrease (Increase) in Accounts Receivable	985	(573)
Decrease in Advances	-	2
Decrease (Increase) in Prepaid Expenses	9	(9)
Increase in Accounts Payable and Accrued Liabilities	632	381
Cash Provided by Operating Transactions	<u>1,995</u>	<u>53</u>
Increase in Cash	1,995	53
Cash and Cash Equivalents at Beginning of Year	6,721	6,668
Cash and Cash Equivalents at End of Year	<u><u>\$ 8,716</u></u>	<u><u>\$ 6,721</u></u>

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

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Northwest Alberta Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the *Public Service Act*, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

a) Reporting Entity

The reporting entity is the Northwest Alberta Child and Family Services Authority, which is part of the Ministry of Human Services.

b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

b) Basis of Financial Reporting (Cont'd)

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents. These are included in the Statements of Operations and Schedule 1.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets
- pension costs which are the cost of employer contributions for current services of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from provision for accrued vacation pay for the employees assigned to the Authority by the Department of Human Services.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

Cash and Cash Equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

b) Basis of Financial Reporting (Cont'd)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals. Assets acquired by right are not included. Tangible capital assets of the Authority are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Authority and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

b) Basis of Financial Reporting (Cont'd)

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statements of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 22, 2012. The Authority approved the budget of \$43,003 on March 9, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accounts receivable and accounts payable and accrued liabilities recorded as \$1,191 and \$4,806 respectively in these financial statements are subject to measurement uncertainty. The accrued receivables and liabilities are based on estimates, calculated using linear analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimated.

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES

(in thousands)

	<u>2013</u>	<u>2012</u>
The grant is determined as follows:		
Initial (original) budget	\$ 42,438	\$ 40,130
Increase funding for the current year	<u>1,618</u>	<u>1,981</u>
Grant for the year	<u>\$ 44,056</u>	<u>\$ 42,111</u>

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	<u>2013</u>			<u>2012</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 1,123	\$ -	\$ 1,123	\$ 1,294
Child and Family Services Authorities	26	-	26	-
Refunds from Suppliers	25	-	25	879
Other Receivables	17	-	17	3
	<u>\$ 1,191</u>	<u>\$ -</u>	<u>\$ 1,191</u>	<u>\$ 2,176</u>

Accounts receivable are unsecured and non-interest bearing.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 5 TANGIBLE CAPITAL ASSETS

(in thousands)

	<u>Equipment*</u>	<u>Computer Hardware and Software</u>	<u>2013 Total</u>
Estimated Useful Life	5 Years	5 Years	
Historical Cost			
Beginning of Year	\$ 11	\$ 122	\$ 133
Additions	<u>-</u>	<u>-</u>	<u>-</u>
	<u>11</u>	<u>122</u>	<u>133</u>
Accumulated Amortization			
Beginning of Year	7	121	128
Amortization Expense	<u>3</u>	<u>1</u>	<u>4</u>
	<u>10</u>	<u>122</u>	<u>132</u>
Net Book Value at March 31, 2013	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>
Net Book Value at March 31, 2012	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 5</u>

*Equipment includes office equipment, furniture and other equipment.

NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	<u>2013</u>	<u>2012</u>
Department of Treasury Board and Finance	\$ 1,798	\$ 1,841
Accrued Vacation Pay and Manpower Expenses	1,665	1,152
Trade Payable	1,333	1,155
Department of Human Services	10	10
Child and Family Services Authorities	-	16
	<u>\$ 4,806</u>	<u>\$ 4,174</u>

NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 7 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Authority to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under contracts and programs	<u>\$ 13,019</u>	<u>\$ 11,786</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 13,019
2014-15	-
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 13,019</u>

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Authority has been named in 2 (2012: 2) claims of which the outcome is not determinable. Of these claims, 2 (2012: 2) have specified amounts totalling \$332,900 (2012: \$332,900). Included in the total claims, 2 claims totalling \$332,900 (2012: 0 claims) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 BENEFIT PLANS

(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension, Public Services Pension Plan, and the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$1,370 for the year ended March 31, 2013 (2012 – \$1,234). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 10 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board on May 27, 2013.

NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object - Schedule 1
Year ended March 31, 2013

	(in thousands)		
	2013	2012	
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 15,551	\$ 14,774	\$ 14,398
Supplies and Services	19,085	20,893	19,444
Grants	8,013	8,092	8,057
Inter-Authority Services	350	121	127
Other	-	115	56
Amortization of Tangible Capital Assets	4	4	4
Total Expenses	\$ 43,003	\$ 43,999	\$ 42,086

NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Schedule 2
Year ended March 31, 2013

	2013				2012
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
	(in thousands)				
Co-Chair of the Authority	\$ -	\$ 33	\$ -	\$ 33	\$ 31
Co-Chair of the Authority	-	31	-	31	28
Board Members (7 members)	-	91	-	91	111
Chief Executive Officer	144	6	37	187	177

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
 Co-chairs and board members receive honoraria only.
 The Department of Human Services paid \$17 of the total honoraria expenses disclosed in this schedule.
- (3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees, including position, health care, dental coverage, group life insurance, short term disability plans, Health Spending Account, professional memberships and tuition fees.

NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions- Schedule 3
Year ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this schedule.

The Authority had the following transactions with related parties that are on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from the Department of Human Services	\$ 44,056	\$ 42,111	\$ -	\$ -
Recoveries - Inter-Authority Services	121	127	-	-
Miscellaneous Revenue:				
Maintenance Enforcement Program	-	-	21	12
	\$ 44,177	\$ 42,238	\$ 21	\$ 12
Expenses - Directly Incurred				
Department of Human Services	\$ 354	\$ 354	\$ -	\$ -
Inter-Authority Services Received	8	53	-	-
Department of Education	-	-	720	670
Department of Service Alberta	-	-	179	181
	\$ 362	\$ 407	\$ 899	\$ 851
Receivable from/(Payable to):				
Department of Treasury Board and Finance	\$ -	\$ -	\$ (1,798)	\$ (1,841)
Department of Human Services (Net)	1,113	1,284	-	-
Edmonton and Area Child and Family Services Authority	26	(16)	-	-
	\$ 1,139	\$ 1,268	\$ (1,798)	\$ (1,841)

The above transactions do not include support services arrangements disclosed in Schedule 1.

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider provided the service. These amounts are not recorded in the financial statements but disclosed in Schedule 4.

	(in thousands)	
	Other Entities	
	2013	2012
Expenses - Incurred by Others		
Accommodation	\$ 1,526	\$ 1,306
Administrative	297	346
Legal Services	5	4
	\$ 1,828	\$ 1,656

NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs - Schedule 4
Year ended March 31, 2013

Program	(in thousands)					
	2013			2012		
	Expenses ⁽¹⁾	Expenses - Incurred by Others		Legal Services ⁽⁴⁾	Total Expenses	Total Expenses
	Accommodation Costs ⁽²⁾	Administration Costs ⁽³⁾				
Child Care Subsidy and Supports	\$ 5,208	\$ 92	\$ 18	\$ 1	\$ 5,319	\$ 5,483
Prevention of Family Violence and Bullying	154	9	2	-	165	157
Child Intervention Services	16,734	1,103	215	3	18,055	18,127
Supports for Permanency	1,895	-	-	-	1,895	1,878
Early Intervention Services Children and Youth	5,877	82	16	-	5,975	5,471
Foster Care Support	9,065	120	23	1	9,209	7,333
Family Support for Children with Disabilities	4,782	120	23	-	4,925	5,010
Protection of Sexually Exploited Children	163	-	-	-	163	156
Inter-Authority Services	121	-	-	-	121	127
	\$ 43,999	\$ 1,526	\$ 297	\$ 5	\$ 45,827	\$ 43,742

⁽¹⁾ Expenses - Directly Incurred as per the Statement of Operations.

⁽²⁾ Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Northwest Alberta Child and Family Services Authority's buildings costs allocated by the number of authority employees per program.

⁽³⁾ Administration costs for financial, human resources and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

⁽⁴⁾ Costs for legal services, which were paid by the Department of Justice and Attorney General, were allocated to the Child Intervention Services program since the legal services provided were in relation to proceedings under the *Child Youth and Family Enhancements Act*.

NORTHEASTALBERTA CHILD AND FAMILY SERVICES AUTHORITY

FINANCIAL STATEMENTS

Year Ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Members of Northeast Alberta Child and Family Services Authority
and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of Northeast Alberta Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northeast Alberta Child and Family Services Authority as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 17, 2013

Edmonton, Alberta

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	(in thousands)		
	2013 Budget	Actual	2012 Actual
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 14,474	\$ 15,400	\$ 14,347
Other Revenue			
Other	310	423	463
Total Revenue	14,784	15,823	14,810
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	1,041	1,271	1,213
Prevention of Family Violence and Bullying	105	49	47
Child Intervention Services	6,942	6,315	6,157
Support for Permanency	495	577	492
Early Intervention Services for Children and Youth	1,360	2,354	2,218
Foster Care Support	2,472	2,666	2,195
Family Support for Children with Disabilities	2,309	2,219	2,165
Protection of Sexually Exploited Children	60	-	-
Total Expenses	14,784	15,451	14,487
Net Operating Results	\$ -	\$ 372	\$ 323

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

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 3,910	\$ 3,816
Accounts Receivable (Note 4)	419	434
	<u>\$ 4,329</u>	<u>\$ 4,250</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	\$ 1,126	\$ 1,419
	<u>1,126</u>	<u>1,419</u>
Net Assets		
Net Assets at Beginning of Year	2,831	2,508
Net Operating Results	372	323
Net Assets at End of Year	<u>3,203</u>	<u>2,831</u>
	<u>\$ 4,329</u>	<u>\$ 4,250</u>

Contractual Obligations and Contingent Liabilities (Note 6 and 7)

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

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ 372	\$ 323
	<u>372</u>	<u>323</u>
Decrease in Accounts Receivable	15	30
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(293)	499
Cash Provided by Operating Transactions	<u>94</u>	<u>852</u>
Increase in Cash	94	852
Cash and Cash Equivalents, Beginning of Year	3,816	2,964
Cash and Cash Equivalents, End of Year	<u>\$ 3,910</u>	<u>\$ 3,816</u>

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

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Northeast Alberta Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the *Public Service Act*, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Northeast Alberta Child and Family Services Authority, which is part of the Ministry of Human Services.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents. These are included in the Statement of Operations and Schedule 1.

In addition to program operating expenses such as salaries, supplies, etc, directly incurred expenses also include:

- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Cash and Cash Equivalents

Cash and cash equivalents includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals. Assets acquired by right are not included.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Authority and its liabilities.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)**

(b) Basis of Financial Reporting (Cont'd)

Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financials assets” as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statement of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 21, 2012. The Authority approved the budget of \$14,784 on May 7, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accounts receivable and accounts payable and accrued liabilities recorded as \$419 (2012 – \$434) and \$1,126 (2012 – \$1,419) respectively in these financial statements are subject to measurement uncertainty. The accrued receivables and liabilities are based on estimates, calculated using linear analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimated.

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES

(in thousands)

The grant is determined as follows:	<u>2013</u>	<u>2012</u>
Initial (original) budget	\$ 14,474	\$ 13,424
Additional funding for the current year	<u>926</u>	<u>923</u>
Grant for the year	<u>\$ 15,400</u>	<u>\$ 14,347</u>

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	<u>2013</u>			<u>2012</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 302	\$ -	\$ 302	\$ 283
Child and Family Services Authorities	-	-	-	4
Other	127	10	117	147
	<u>\$ 429</u>	<u>\$ 10</u>	<u>\$ 419</u>	<u>\$ 434</u>

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	<u>2013</u>	<u>2012</u>
Trade Payable	\$ 412	\$ 502
Department of Treasury Board and Finance	384	576
Accrued Vacation Pay and Manpower Expenses	322	303
Department of Human Services	8	2
Child and Family Services Authorities	-	36
	<u>\$ 1,126</u>	<u>\$ 1,419</u>

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 6 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Authority to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	<u>2013</u>	<u>2012</u>
Obligations under operating leases, contracts and programs	<u>\$ 4,782</u>	<u>\$ 4,053</u>

Estimated payment requirements for each of the next five years and thereafter are as follows:

	<u>Total</u>
2013-14	\$ 4,782
2014-15	-
2015-16	-
2016-17	-
2017-18	-
Thereafter	-
	<u>\$ 4,782</u>

NOTE 7 CONTINGENT LIABILITIES
(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The Authority has been named in 2 (2012: 2) claims of which the outcome is not determinable. Of these claims, 2 (2012: 2) have specified amounts totalling \$332,900 (2012: \$332,900) Included in the total claims, 2 claims totalling \$332,900 (2012: 0 claims) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 8 THIRD PARTY AGREEMENTS

(in thousands)

The Authority has entered into a third party agreement with the Student Health Partnership to deliver various program services. The revenues of \$422 (2012 - \$418) and expenses of \$422 (2012 - \$418) are included in the financial statements.

Student Health Partnership	2013	2012
Revenue	\$ 422	\$ 418
Expense	(422)	(418)
	\$ -	\$ -

NOTE 9 BENEFIT PLANS

(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension Plan, Public Services Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$352 for the year ended March 31, 2013 (2012 - \$313). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 10 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board on May 17, 2013.

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object - Schedule 1
Year ended March 31, 2013

	(in thousands)		
	2013	2013	2012
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 4,432	\$ 4,592	\$ 4,344
Supplies and Services	7,292	7,777	7,279
Grants	3,060	3,082	2,864
Total Expenses	\$ 14,784	\$ 15,451	\$ 14,487

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Schedule 2
Year ended March 31, 2013**

	(in thousands)				2012
	2013			Total	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾		
			Total	Total	
Co-Chair of the Authority	\$ -	\$ 25	\$ -	\$ 25	\$ 27
Co-Chair of the Authority	-	23	-	23	27
Board Members (6 members)	-	33	-	33	16
Chief Executive Officer ⁽⁴⁾	166	54	6	226	237

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes pensionable base pay.
- (2) Other cash benefits include vacation payouts, northern living allowances, and lump sum payments. There were no bonuses paid in 2013. Co-chairs and board members receive honoraria only. The Department of Human Services paid \$12 of the total honoraria expenses disclosed in this schedule.
- (3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees, including position, health care, dental coverage, group life insurance, short term disability plans Health Spending Account, professional memberships and tuition fees.
- (4) Automobile provided, no dollar amount included in other non-cash benefits.

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3
Year ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Authority had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from the Department of Human Services	\$ 15,400	\$ 14,347	\$ -	\$ -
Recoveries - Inter-Authority Services	-	-	-	-
	\$ 15,400	\$ 14,347	\$ -	\$ -
Expenses - Directly Incurred				
Inter-Authority Services Received	\$ 197	\$ 437	\$ -	\$ -
Department of Human Services	28	25	-	-
Department of Education	-	-	562	359
Department of Health and Wellness	-	-	114	121
Department of Service Alberta	-	-	74	21
	\$ 226	\$ 462	\$ 750	\$ 501
Receivable from/(Payable to):				
Department of Human Services (Net)	\$ 294	\$ 281	\$ -	\$ -
Edmonton and Area Child and Family Services Authority	-	(4)	-	-
North Central Alberta Child and Family Services Authority	-	36	-	-
Department of Treasury Board & Finance	-	-	(384)	(576)
	\$ 294	\$ 313	\$ (384)	\$ (576)

The above transactions do not include support services arrangements disclosed in Schedule 1.

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3 (Cont'd)
Year ended March 31, 2013

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 4:

	(in thousands)	
	Other Entities	
	2013	2012
Expenses - Incurred by Others		
Accommodation	\$ 427	\$ 402
Administrative	81	96
Legal Services	22	7
	\$ 530	\$ 505

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs - Schedule 4
Year ended March 31, 2013

Program	(in thousands)					
	2013			2012		
	Expenses ⁽¹⁾	Expenses - Incurred by Others		Total	Expenses	Total
	Accommodation Costs ⁽²⁾	Administration Costs ⁽³⁾	Legal Services ⁽⁴⁾	Expenses	Expenses	Expenses
Child Care Subsidy and Supports	\$ 1,271	\$ 41	\$ 9	\$ 2	\$ 1,323	1,265
Prevention of Family Violence and Bullying	49	6	1	-	56	54
Child Intervention Services	6,315	271	48	13	6,647	6,492
Support for Permanency	577	27	6	2	612	520
Early Intervention Services for Children and Youth	2,354	27	6	2	2,389	2,246
Foster Care Support	2,666	-	-	-	2,666	2,195
Family Support for Children with Disabilities	2,219	55	11	3	2,288	2,220
Protection of Sexually Exploited Children	-	-	-	-	-	-
	\$ 15,451	\$ 427	\$ 81	\$ 22	\$ 15,981	\$ 14,992

(1) Expenses - Directly Incurred as per the Statement of Operations.

(2) Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Northeast Alberta Child and Family Services Authority's buildings costs allocated by the number of Authority employees per program.

(3) Administration costs for financial, human resources and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

(4) Costs for legal services, which were paid by the Department of Justice and Attorney General, were allocated to the Child Intervention Services Program since the legal services provided were in relation to proceedings under the *Child, Youth and Family Enhancement Act*.

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY

FINANCIAL STATEMENTS

Year ended March 31, 2013

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Salary and Benefits Disclosure

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs



Independent Auditor's Report

To the Members of the Métis Settlements Child and Family Services Authority and the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Métis Settlements Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Métis Settlements Child and Family Services Authority at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 13, 2013

Edmonton, Alberta

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF OPERATIONS
Year ended March 31, 2013

	(in thousands)		
	2013		2012
	Budget	Actual	Actual
Revenues			
Government Transfers			
Transfers from Department (Note 3)	\$ 12,345	\$ 13,253	\$ 12,785
Other Revenue			
Inter-Authority Services	419	521	650
Other Revenue	6	(30)	2
Total Revenues	<u>12,770</u>	<u>13,744</u>	<u>13,437</u>
Expenses - Directly Incurred (Note 2b, Schedule 1 and 4)			
Child Care Subsidy and Supports	1,196	1,076	1,042
Prevention of Family Violence and Bullying	406	359	360
Child Intervention Services	5,815	7,910	6,093
Support for Permanency	1,307	966	967
Early Intervention Services for Children and Youth	813	1,013	1,197
Foster Care Support	2,442	2,189	1,835
Family Support for Children with Disabilities	318	270	323
Protection of Sexually Exploited Children	54	-	-
Inter-Authority Services	419	521	650
Total Expenses	<u>12,770</u>	<u>14,304</u>	<u>12,467</u>
Net Operating Results	<u>\$ -</u>	<u>\$ (560)</u>	<u>\$ 970</u>

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

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Assets		
Cash and Cash Equivalents	\$ 3,115	\$ 3,165
Accounts Receivable (Note 4)	403	494
Prepaid Expenses	1	-
	<u>\$ 3,519</u>	<u>\$ 3,659</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	<u>\$ 1,948</u>	<u>\$ 1,528</u>
Net Assets		
Net Assets at Beginning of Year	2,131	1,161
Net Operating Results	(560)	970
Net Assets at End of Year	<u>1,571</u>	<u>2,131</u>
	<u>\$ 3,519</u>	<u>\$ 3,659</u>

Contingent Liabilities (Note 6)

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

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOWS
Year ended March 31, 2013

	(in thousands)	
	<u>2013</u>	<u>2012</u>
Operating Transactions		
Net Operating Results	\$ (560)	\$ 970
Decrease in Accounts Receivable	91	27
(Increase) in Prepaid Expenses	(1)	-
Increase in Accounts Payable and Accrued Liabilities	420	680
Cash provided by Operating Transactions	<u>510</u>	<u>707</u>
(Decrease) Increase in Cash	(50)	1,677
Cash and Cash Equivalents, Beginning of Year	3,165	1,488
Cash and Cash Equivalents, End of Year	<u>\$ 3,115</u>	<u>\$ 3,165</u>

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

**MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

NOTE 1 AUTHORITY AND PURPOSE

The Métis Settlements Child and Family Services Authority (the Authority) operates under the authority of the *Child and Family Services Authorities Act* and directions provided by the Minister of Human Services.

The Authority is to provide community-based child and family services, programs and other supports that build on community strengths and individual and family responsibility with organizations and community groups by utilizing partnerships and sharing resources.

Pursuant to the "Management Services Agreement" between the Authority and the Minister, the Department of Human Services has assigned certain departmental staff to the Authority. With the exception of the Chief Executive Officer (CEO), all individuals working for the Authority are assigned under this agreement. The agreement provides that the Minister will delegate to the Chief Executive Officer of the Authority, powers and duties under the *Public Service Act*, as are necessary to appoint, manage and direct these individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Métis Settlements Child and Family Services Authority, which is part of the Ministry of Human Services.

(b) Basis of Financial Reporting

Revenue Accounting Policy

All revenues are reported on the accrual basis of accounting. Revenue includes grants from the Department of Human Services and other miscellaneous reimbursements and recoveries.

Monetary donations from external sources are recorded as revenue when received.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Authority's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Authority complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Authority is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Government's budget documents. These are included in the Statement of Operations and Schedule 1.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- Pension costs, which are the cost of employer contributions for current service of employees during the year, and
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Authority's operations are not recognized and are disclosed and allocated to programs in Schedule 4.

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Cash and Cash Equivalents

Cash and cash equivalents consists of deposits in the Consolidated Investment Trust Fund of the Province of Alberta. Interest on these deposits does not accrue to the Authority.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Authority are limited to financial claims such as advances to and receivables from other organizations, employees and other individuals. Assets acquired by rights are not included.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short term nature of these instruments.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Authority and its liabilities.

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Canadian public sector accounting standards require a “net debt” presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as “net debt” or “net financial assets” as an indicator of the future revenues required to pay for past transactions and events. The Authority operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Budget

(in thousands)

The Authority receives its financing by way of a grant from the Department of Human Services. The Authority is economically dependent upon the Department of Human Services since the viability of its on-going operations depends on the grant revenues from the Department. The budget presented in the Statement of Operations was included in the 2012-13 Government and Lottery Fund Estimates tabled in the Legislative Assembly on March 21, 2012. The Authority approved the budget of \$12,770 on March 24, 2012.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The accounts receivable and accounts payable and accrued liabilities recorded as \$403 (2012 - \$494) and \$1,948 (2012 - \$1,528) respectively in these financial statements are subject to measurement uncertainty. The accrued receivables and liabilities are based on estimates, calculated using linear analysis of current expense trends as well as management input. The actual amount could vary significantly from that estimated.

Voluntary Contribution

These financial statements do not include voluntary contributions received for materials and services because of the difficulty in determining their fair market values.

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES

(in thousands)

The grant is determined as follows:

	<u>2013</u>	<u>2012</u>
Initial (original) budget	\$ 12,345	\$ 11,872
Additional funding for the current year	<u>908</u>	<u>913</u>
Grant for the year	<u>\$ 13,253</u>	<u>\$ 12,785</u>

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	<u>2013</u>			<u>2012</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 363	\$ -	\$ 363	\$ 364
North Central Alberta Child and Family Service Authority	33	-	33	92
Refund from others	7	-	7	34
Refund from Suppliers	-	-	-	4
	<u>\$ 403</u>	<u>\$ -</u>	<u>\$ 403</u>	<u>\$ 494</u>

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	<u>2013</u>	<u>2012</u>
Trade Payable	\$ 1,071	\$ 622
Department of Human Services	11	7
Accrued Vacation Pay and Manpower Expenses	437	335
Child and Family Services Authorities	30	26
Department of Treasury Board & Finance	<u>399</u>	<u>538</u>
	<u>\$ 1,948</u>	<u>\$ 1,528</u>

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 6 CONTINGENT LIABILITIES

(in thousands)

The Authority is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities. The Authority has been named in four (2012: 4) claims of which the outcome is not determinable. Of these claims, 4 (2012: 4) have specified amounts totalling \$333,750 (2012: \$333,750). Included in the total claims, 4 claims totalling \$333,750 (2012: 2 claims totalling \$850) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 7 BENEFIT PLANS

(in thousands)

The Authority participates in the multi-employer Pension Plan: Management Employees Pension, Public Services Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$426 for the year ended March 31, 2013 (2012 – \$362). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 8 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 9 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Authority's Board on June 1, 2013.

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object - Schedule 1
Year ended March 31, 2013

	(in thousands)		
	2013	2013	2012
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 4,935	\$ 4,495	\$ 4,092
Supplies and Services	6,455	8,204	6,773
Grants	961	1,084	955
Inter-Authority Services	419	521	650
Other	-	-	(3)
Total Expenses	\$ 12,770	\$ 14,304	\$ 12,467

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure- Schedule 2
Year ended March 31, 2013

	(in thousands)				
	2013				2012
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
Co-Chair of the Authority	\$ -	\$ 30	\$ -	\$ 30	\$ 47
Co-Chair of the Authority	-	39	-	39	44
Board Members (6 members)	-	50	-	50	50
Chief Executive Officer	161	-	42	203	221

Prepared in accordance with Treasury Board Directive 12/98 as amended.

- (1) Base salary includes regular pay.
- (2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2013.
 Co-chairs and board members receive honoraria only.
 The Department of Human Services paid \$119 (2012-\$141) of the total honoraria expenses disclosed in this schedule.
- (3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, group life insurance, short term disability plans, Health Spending Account, professional memberships and tuition fees.

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3
Year ended March 31, 2013

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and the Board of the Authority.

The Authority and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users and have been excluded from this schedule.

The Authority had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Revenues:				
Grant from the Department of Human Services	\$ 13,253	\$ 12,785	\$ -	\$ -
Recoveries - Inter-Authority Services	521	650	-	-
	\$ 13,774	\$ 13,435	\$ -	\$ -
Expenses - Directly Incurred				
Inter-Authority Services Received	\$ 314	\$ 540	\$ -	\$ -
Department of Enterprise and Advanced Education	-	-	12	2
Department of Education	-	-	145	37
Department of Service Alberta	-	-	51	45
	\$ 314	\$ 540	\$ 208	\$ 84
Receivable from/(Payable to):				
Department of Human Services (Net)	\$ 353	\$ 357	\$ -	\$ -
Payable to Department of Treasury & Finance	-	-	(399)	(538)
Department of Education	-	-	(39)	-
Edmonton and Area Child and Family Services Authority	(27)	(26)	-	-
North Central Alberta Child and Family Services Authority	30	91	-	-
	\$ 356	\$ 422	\$ (438)	\$ (538)

The above transactions do not include support services arrangements disclosed in Schedule 1.

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions - Schedule 3 (Cont'd)
Year ended March 31, 2013

The Authority also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 4.

	(in thousands)	
	Other Entities	
	2013	2012
Expenses - Incurred by Others		
Accommodation	\$ 487	\$ 379
Administrative	91	99
Legal Services	61	36
	\$ 639	\$ 514

MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs - Schedule 4
Year ended March 31, 2013


Program	(in thousands)					
	2013			2012		
	Expenses ⁽¹⁾	Expenses - Incurred by Others		Expenses	Total Expenses	
	Accommodation Costs ⁽²⁾	Administration Costs ⁽³⁾	Legal Services ⁽⁴⁾			
Child Care Subsidy and Supports	\$ 1,076	\$ 37	\$ 7	\$ 5	\$ 1,125	955
Prevention of Family Violence and Bullying	359	12	2	2	375	359
Child Intervention Services	7,910	269	50	36	8,265	6,845
Support for Permanency	966	33	6	4	1,009	967
Early Intervention Services for Children and Youth	1,013	34	7	4	1,058	1,198
Foster Care Support	2,189	75	14	9	2,287	1,835
Family Support for Children with Disabilities	270	9	2	1	282	172
Protection of Sexually Exploited Children	-	-	3	-	3	-
Inter-Authority Services	521	18	-	-	539	650
	\$ 14,304	\$ 487	\$ 91	\$ 61	\$ 14,943	\$ 12,981

(1) Expenses - Directly Incurred as per the Statement of Operations.

(2) Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure, represent the Métis Settlements Child and Family Services Authority's buildings costs allocated by the number of Authority employees per program.

(3) Administration costs for financial, human resources, and administrative services provided by the Department of Service Alberta and paid for by the Department of Human Services.

(4) Costs for legal services, which were paid by the Department of Justice and Attorney General, were allocated to the Child Intervention Services Program since the legal services provided were in relation to proceedings under the *Child Youth and Family Enhancement Act*.



Workers'
Compensation
Board Alberta

WCB-Alberta

Management Discussion and Analysis of Financial Statements and Operating Results

For the year ended December 31, 2012

Business Overview

2012 Financial Performance

Customer Operations

Premiums

Premium Rates

Claims and Claims Management Expenses

Corporate Administration

Financial Management

Investments

Claim Benefit Liabilities

Funding Policy

Funded Position

Risk Management

Oversight

Risk Assessment

Significant Risks

Implications of Accounting Policies and Estimates

Governance and Compliance

Emerging Issues

Looking Ahead

Appendix: Glossary

Management Discussion and Analysis of 2012 Financial Statements and Operating Results

The Management Discussion and Analysis (MD&A) provides management's perspective on key issues that affect current and future performance of the Workers' Compensation Board – Alberta (WCB). The MD&A, prepared as of April 30, 2013, should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2012.

Forward-looking statements

This report contains forward-looking statements about certain matters that are by their nature subject to many risks and uncertainties, which may cause actual results to differ materially from the statements made herein. Forward-looking statements include, but are not limited to, WCB objectives, strategies, targeted and expected financial results. They also include the outlook for WCB's business and for the Alberta and global economies. Risks and uncertainties include, but are not limited to, changing market, industry and general economic factors or conditions; changes in legislation affecting WCB policies and practices; changes in accounting standards; the ability to retain and recruit qualified personnel; and other risks, known or unknown. Some are predictable or within WCB's control; many are not. The reader is hereby cautioned to not place undue reliance on these forward-looking statements.

Unless otherwise indicated, all amounts shown are in millions of Canadian dollars.

Business Overview

Corporate profile

Founded in 1918, WCB is a not-for-profit organization with a legislative mandate under the *Workers' Compensation Act* (the Act) to administer the workers' compensation system for the province of Alberta. While accountable to the Minister and Associate Minister of Human Services, WCB is independently funded and operated as an insurance enterprise. Through the payment of premiums, almost 155,000 employers fund the system, which covers more than 1.9 million workers.

WCB's mandate

In Canada, workers' compensation is a no-fault disability insurance system that protects both employers and workers against the economic impact of work-related injuries and occupational diseases. Based on the Meredith Principles, the system covers injured workers for lost employment income and provides health care, rehabilitation and other services required because of a work-related injury, while employers are shielded from litigation. This system brings economic stability to the workplace through collective liability that minimizes the risks and expenses of injury. To achieve these objectives, the Act established the Accident Fund and imposed a statutory obligation on WCB to ensure that it be fully funded.

At the highest and simplest level, WCB is involved in two significant and complementary business activities — customer operations and financial management.

Customer operations provides disability insurance for workplace injuries. Key business processes include rate setting, assessment and collection of premiums from employers, payment of compensation benefits to injured workers, return-to-work services and administration.

Financial management uses an integrated risk-based approach to managing assets and liabilities, generating an adequate return on invested assets to pay for claim-related obligations. Key business processes include strategic financial planning, investment management, claim benefit liability valuation, financial risk management and financial performance reporting. Strong financial management not only ensures security of benefits for workers and fair premiums for employers, but also provides appropriate tools for evaluating how effectively WCB is meeting its financial obligations.

WCB's vision and mission

The core principles set out in WCB's vision and mission shape the corporate beliefs and values that guide the organization's operating philosophy.

Vision

Albertans working—a safe, healthy and strong Alberta.

Mission

WCB-Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans.

WCB's strategic vision is to make a positive and lasting impact on the people, society and economy of Alberta through what it does, while the mission statement describes the guidelines for how it intends to conduct business.

2012 Financial Performance

OPERATING HIGHLIGHTS

Customer care was one of the drivers behind WCB's positive operating results.

Customer operations teams demonstrated their commitment to service excellence, decision fairness and return to work for the clients they cared for in 2012.

Supported by Alberta's strongly growing economy, customer service teams provided cost effective rehabilitation support, successfully negotiated safe modified work and helped permanently injured workers achieve financial independence through timely vocational programs.

WCB maintained its sound financial position

WCB maintained a sound financial position, despite continued uncertainty within capital markets. Important themes that underscore 2012 performance include the following:

- Surplus from customer operations was \$185.6 million, up from \$53.2 million in 2011, due to higher premium revenues and lower claims costs than expected.
- Financial management activities generated a surplus of \$268.3 million, up significantly from \$18.8 million in 2011. Higher equity and infrastructure returns were major contributors to the overall portfolio return of 10.5 per cent, which exceeded the claim benefit liability requirement of 4.6 per cent. This generated a \$504.8 million surplus, which was partially offset by actuarial remeasurement adjustments of \$236.5 million.
- Combined, the operating surplus for 2012 was \$453.9 million, up \$381.9 million from 2011. The strong results in 2012 contributed to the Funded Position of \$1,981.4 million, or 130.2 per cent, which is net of surplus distributions of \$85.5 million payable in 2013.
- Growth of 11.6 per cent in employer insurable earnings closely paralleled premium revenue growth of 13.3 per cent to \$1,157.2 million in 2012. The actual average premium rate increased slightly to \$1.24, from \$1.23 in 2011.
- Total claims and claims management expenses of \$842.6 million decreased \$1.9 million from the previous year. This was \$70.9 million lower than budget due to lower costs primarily associated with health care. Average claim duration decreased significantly in 2012, ending the year at 34.2 days due to an increase in the use of modified work and positive return-to-work outcomes. Lost-time claim volume of 28,300 was up 1.4 per cent from 2011.

In its simplest terms, the funding model for WCB operates on the premise that in a given year, rates are set to generate premiums to cover all operating costs on a break-even basis, while investment returns are expected to cover the annual interest requirement on the liability. Surpluses or deficits arise when actual costs and returns are different from forecast expectations, which rely on economic and business assumptions based on available information at a point in time. Given the volatile performance of local and global economies, forecasting is subject to a great deal of uncertainty and risk. Consequently, actual results will likely differ significantly from even the most rigorously developed plans.

The factors contributing to surpluses or deficits are better understood when our Statement of Comprehensive Income is reorganized to represent our operations as two significant and complementary business activities — customer operations and financial management. The tables that follow represent this view, with the first presenting the major contributors to WCB's operating surplus. The second table presents the revenues and expenses that are associated with each business activity.

Sources of operating surplus

(\$ millions)	2012 Budget	2012 Actual	2011 Actual
Surplus from Customer Operations			
Premiums			
Surplus premium revenue resulting from the actual premium rate collected of \$1.24 (2011 – \$1.23) being higher than the required premium rate of \$1.05 (2011 – \$1.17), based on insurable earnings	\$ 17.5	\$ 177.8	\$ 47.4
Other revenue (expense) items	3.6	7.8	5.8
	<u>21.1</u>	<u>185.6</u>	<u>53.2</u>
Surplus from Financial Management			
Investments			
Net excess of investment revenue over the claim benefit liability interest expense of \$242.5 million (2011 – \$228.8 million)	109.5	510.2	59.0
Other expense items	(2.8)	(5.4)	(4.5)
	<u>106.7</u>	<u>504.8</u>	<u>54.5</u>
Actuarial remeasurement			
Changes in actuarial methods and assumptions	-	305.3	(26.9)
Liability for latent occupational diseases	-	(686.4)	-
Gains (losses) due to claims experience and policy changes	30.5	144.6	(8.8)
	<u>30.5</u>	<u>(236.5)</u>	<u>(35.7)</u>
	<u>137.2</u>	<u>268.3</u>	<u>18.8</u>
OPERATING SURPLUS	\$ 158.3	\$ 453.9	\$ 72.0

Operating surplus by business activity

(\$ millions)	2012 Budget	2012 Actual	2011 Actual
Customer Operations			
Premiums	\$ 1,066.5	\$ 1,157.2	\$ 1,021.7
Claims and claims management	(913.5)	(842.6)	(844.5)
Corp admin and injury reduction	(131.9)	(129.0)	(124.0)
	<u>21.1</u>	<u>185.6</u>	<u>53.2</u>
Financial Management			
Investment income	378.2	782.1	310.8
Investment management expense	(26.5)	(29.4)	(23.0)
Investment revenue	<u>351.7</u>	<u>752.7</u>	<u>287.8</u>
Interest expense on claim benefit liabilities	(242.2)	(242.5)	(228.8)
Remeasurement of claim benefit liabilities	30.5	(236.5)	(35.7)
Other expense items	(2.8)	(5.4)	(4.5)
Financial management expenses	<u>(214.5)</u>	<u>(484.4)</u>	<u>(269.0)</u>
	<u>137.2</u>	<u>268.3</u>	<u>18.8</u>
OPERATING SURPLUS	\$ 158.3	\$ 453.9	\$ 72.0

Customer Operations

PREMIUMS

Insurable earnings

↗ \$6.4 billion (7.4 per cent) over budget

↗ \$9.6 billion (11.6 per cent) over prior year

Alberta's economy continued to exhibit strong growth in 2012. This resulted in better-than-expected year over year increases in payrolls due to both wage escalation and employment growth. 2012 insurable earnings of \$92.5 billion were 7.4 per cent higher than the budget of \$86.1 billion, and 11.6 per cent higher than 2011.

Insurable earnings were higher in eight out of nine sectors, with construction (\$1.7B) and manufacturing (\$1.3B) showing the highest increases compared to budget for the year.

Sectors that experienced the greatest increases over 2011 were construction (\$2.5B); mining, oil and gas (\$1.4B); and business, personal and professional services (\$1.2B).



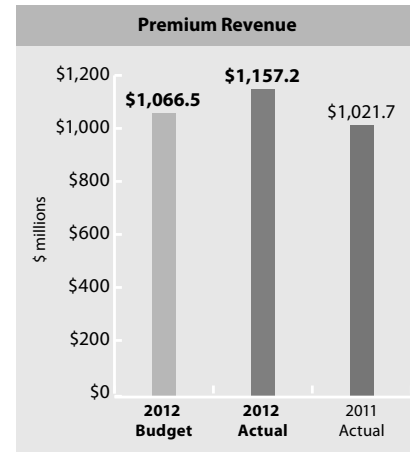
Premium revenue

↗ \$90.7 million (8.5 per cent) over budget

The 2012 positive budget variance in premium revenue of \$90.7 million was consistent with the positive budget variance in insurable earnings. Contributing sectors were transportation; mining, oil and gas; municipal government; and education and health, with an offset in construction.

↗ \$135.5 million (13.3 per cent) over prior year

Consistent with the year over year growth of 11.6 per cent in employer insurable earnings, premium revenue grew by 13.3 per cent to \$1,157.2 million in 2012.



PREMIUM RATES

Total premium revenue requirements for rate-setting purposes are based on projected expenses for the year. Base revenue requirements are composed of fully funded costs of claims arising in the current year, administration costs related to those claims, general administration expenses for WCB operations and transfer levies.

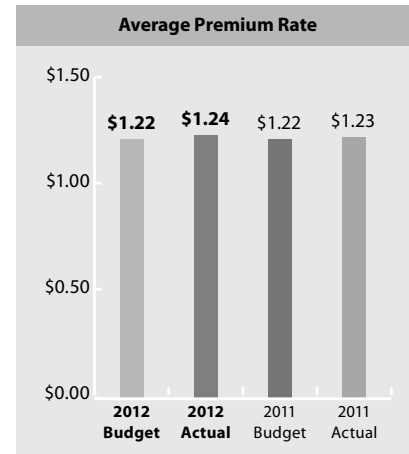
Average premium rate

↗ \$0.02 (1.6 per cent) over budget

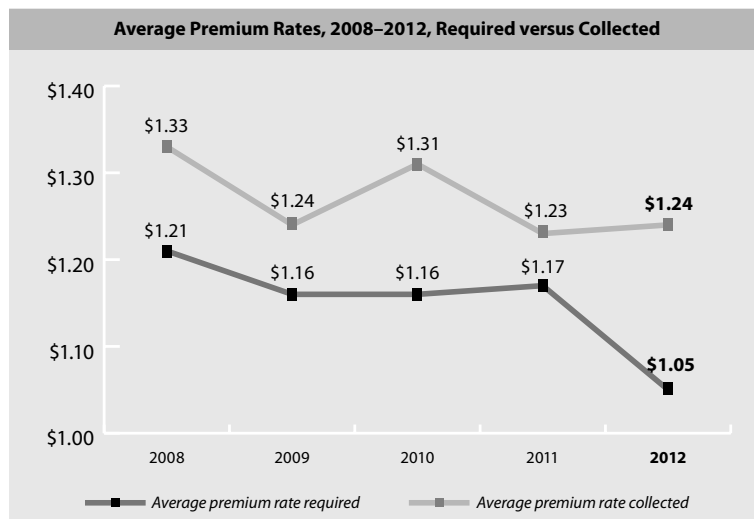
The actual average premium rate of \$1.24 was slightly above the average budgeted premium rate of \$1.22.

No budget increase from prior year

The average budgeted premium rate remained constant in 2012 at \$1.22. The projected increases in operating costs in 2012 were to be offset by projected increases in insurable earnings over 2011.



The chart presents a five-year trend comparison of required versus collected premium rates. The Funding Policy stipulates that the required rate and resulting revenue cover the current-year fully funded claim costs, administration expenses and transfer levies.



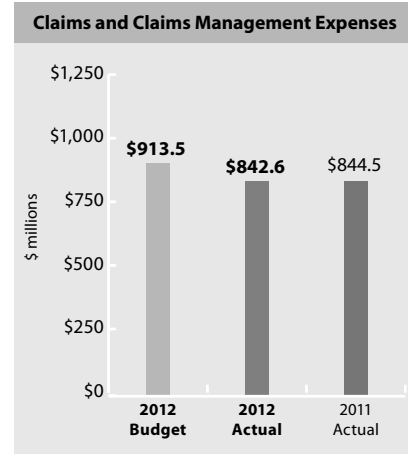
The 2012 premium requirement and rate were based on projected base revenue requirements and insurable earnings using the best information available in early Q4 2011. The surplus from premium revenue and the favourable variance in claim costs resulted in an increase in surplus from customer operations.

CLAIMS AND CLAIMS MANAGEMENT EXPENSES

Claim expenses are an estimate of current and future costs arising from compensable injuries and exposures occurring in 2012, and the future costs to administer these claims.

Claims and claims management expenses

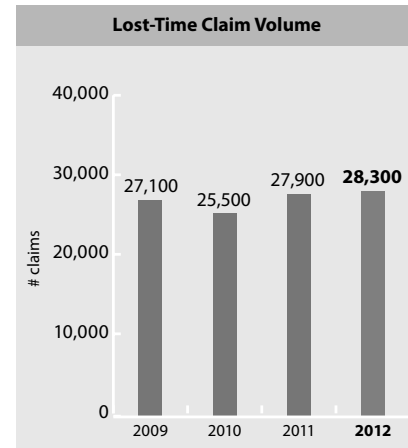
- ↘ \$70.9 million (7.8 per cent) lower than budget
 - ↘ \$1.9 million (0.2 per cent) lower than prior year
- Claims and claims management expenses were below budget and prior year's costs due primarily to lower health care costs.



Lost-time claim volume

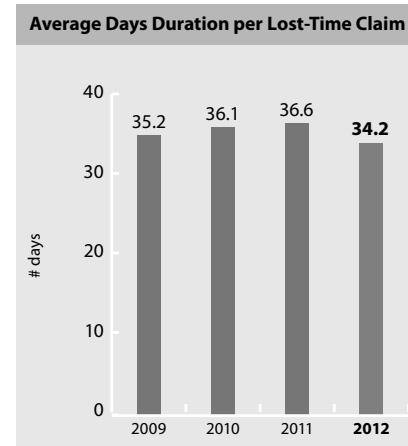
Lost-time claim (LTC) volume rose 1.4 per cent from 27,900 in 2011 to 28,300 in 2012.

The rise in LTCs coincided with an increase in covered workers of approximately 146,000. The 2012 LTC rate fell to a new low of 1.46 claims per 100 workers from 1.56 in 2011, a decrease of 6.4 per cent. Similarly, the disabling-injury rate (LTC + modified work-only cases = disabling injuries) fell by 3.2 per cent, to 2.73 disabling injuries per 100 workers.



Claim duration

Claim duration (the average elapsed time from injury to return to work) decreased significantly in 2012 to 34.2 days, from 36.6 days in 2011. The decrease was primarily due to increased modified work opportunities, which more than offset a modest increase in LTC volume.



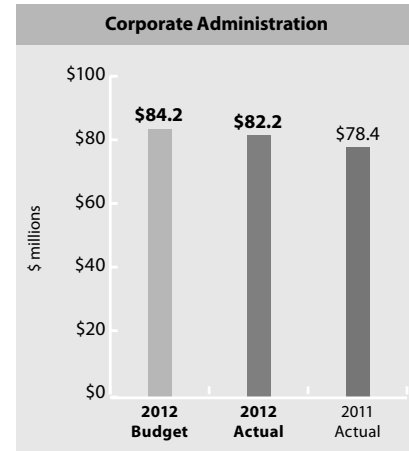
CORPORATE ADMINISTRATION

↘ \$2.0 million (2.4 per cent) under budget

Corporate administration came in under budget due to effective expenditure management.

↗ \$3.8 million (4.8 per cent) higher than prior year

The increase over 2011 reflects inflationary impacts. Corporate administration expenses exclude costs for administering claims (2012 – \$93.3 million, 2011 – \$84.8 million) that are included in claims management expenses.



Financial Management

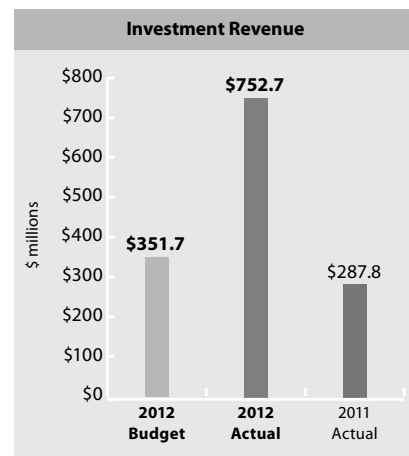
INVESTMENTS

Investment revenue

↗ \$401.0 million (114.0 per cent) over budget

↗ \$464.9 million (161.5 per cent) over prior year

Investment revenue was higher than budget primarily due to higher equity market and real estate returns. Equities and infrastructure contributed to the strong increase year over year. The portfolio earned a nominal market rate of return of 10.5 per cent for the year as compared to 4.4 per cent in 2011.



Investment returns played a key role in WCB's 2012 financial results. The following discussion provides an overview of the economic and market forces that had a direct impact on WCB's investment portfolio and returns.

Capital markets overview

2012 was another year of uncertainty and large swings in sentiment and capital market performance. Politics continued to play a large role as the fiscal cliff deadline in the U.S., and ongoing issues in peripheral European countries, dominated market news. As year-end approached, there were some signs of economic recovery in the U.S., particularly in the housing and energy markets. Fears of a sharp slowdown in China did not materialize and overall capital markets provided strong returns for most investors. With interest rates remaining very low, investors searched for other assets that provide yield and this resulted in price gains for non-government bonds, real estate, infrastructure and high dividend equities.

Portfolio performance

Market returns

The portfolio earned a nominal market rate of return of 10.5 per cent for 2012 (2.0 per cent above the policy benchmark) and 9.7 per cent for the four-year period ended December 31, 2012 (0.9 per cent above policy benchmark). The primary goal of the investment portfolio is to earn a real rate of return (nominal rate less inflation) that meets or exceeds the long-term actuarial real rate of return (referred to as the real discount rate). On this basis, the real rate of return for 2012 of 9.4 per cent (nominal rate of 10.5 per cent less inflation of 1.1 per cent) was significantly above the long-term actuarial required rate of 3.0 per cent.

For further information on WCB's Investments and Investment Policy, the *2012 Annual Investment Report* can be found online at www.wcb.ab.ca.

CLAIM BENEFIT LIABILITIES

At the end of each fiscal year, WCB determines its claim benefit liabilities for all injuries and illnesses occurring on or prior to that date as well as exposures that may result in future occupational disease claims. These liabilities represent the actuarial present value of all future benefit and related administration costs, excluding costs attributable to self-insured employers. As at December 31, 2012, claim benefit liabilities totalled \$6,175.5 million, an increase of \$547.0 million over 2011.

Significant changes in liabilities

The overall \$547.0 million increase in claim benefit liabilities was attributable to the following:

(\$ millions)	2012 changes
Customer Operations related	
Provision for future costs of current-year injuries	\$ 591.0
Benefit payments for prior years' injuries	(523.0)
	<u>68.0</u>
Financial Management related	
Liability for latent occupational diseases	686.4
Changes in actuarial methods and assumptions	(305.3)
Interest expense on the liability	242.5
Claims experience gain	(162.0)
Policy changes	17.4
	<u>479.0</u>
	<u>\$ 547.0</u>

Latent occupational diseases

In 2011, the Actuarial Standards of Practice for Public Personal Injury Compensation Plans were revised to require actuarial valuations to include a provision for all long latency occupational disease claims expected to arise in the future as a result of past exposures. WCB adopted this provision in 2012 resulting in a \$686.4 million increase to the liabilities.

Actuarial methods and assumptions

The following actuarial methods and assumptions changes decreased claim benefit liabilities by \$305.3 million:

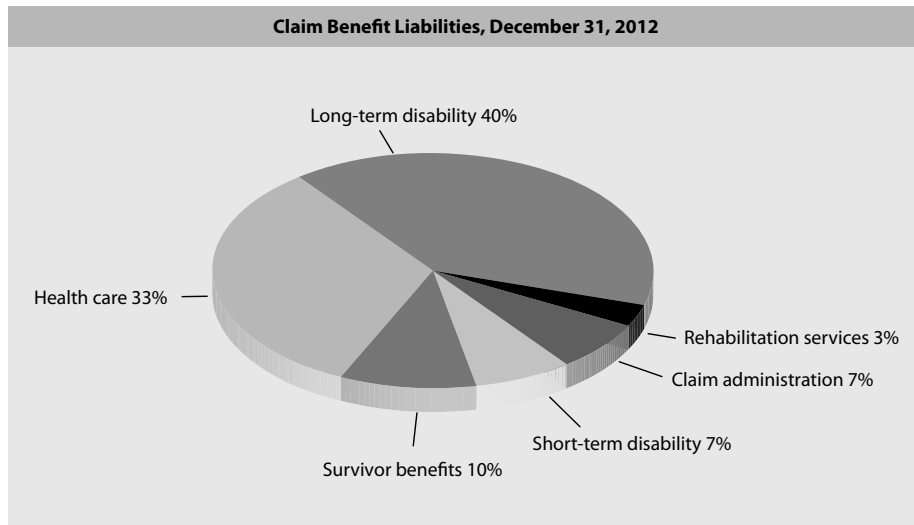
- The health care escalation assumption was revised to 5 per cent to reflect the result of an extensive study completed in 2012 (\$232.0 million decrease).
- Updates to economic loss payment assumptions (\$96.5 million decrease).
- The real rate of return for the 2011 valuation was set at 2 per cent up to 2015 and 3 per cent thereafter, reflecting low bond market yields. The short-term period has been extended to include 2016 as market yields have remained the same (\$37.2 million increase).
- Updates to other assumptions (\$14.0 million decrease).

Impact of claims experience

Differences between actual experience and what was expected in the prior valuation result in experience gains (which decrease the liability) or losses (which increase the liability). The impact of actual claims experience resulted in an overall gain of \$162.0 million that arose from the following areas:

(\$ millions)	2012 impact
Actual claim costs less than expected	\$ (68.5)
Actual cost-of-living and inflation different than expected	(59.8)
Experience gains from other sources	(33.7)
	<u>\$ (162.0)</u>

The following chart shows the breakdown of the claim benefit liabilities as at December 31, 2012, by benefit type:



FUNDING POLICY

The Funding Policy is the primary instrument through which WCB manages its capital or fund structure and provides direction for setting premium rates and optimum funding level. Details of the Funding Policy may be found under WCB Information in the Policy and Legislation section of WCB's website at www.wcb.ab.ca.

Funding principles and objectives

The strategic aim of funding and investment policies is to strive for balance between financial risk (i.e., volatility), investment returns and funding stability. Specifically, the Funding Policy embodies these financial objectives:

- Minimize the risk of becoming unfunded.
- Minimize cost volatility to employers.
- Charge premiums that reflect the cost of current-year injuries.

The funding mechanisms that evolve from these objectives address those risks that may affect the financial stability of WCB—primarily investment volatility. Funding Policy rules are in place to minimize these risks, with ongoing monitoring and evaluation to ensure they continue to respond effectively to changing economic conditions.

Funding rules

The rules guiding financial decisions under the Funding Policy include the following:

- Premium rate design based on current-year fully funded claim costs (i.e., full cost recovery with no rate subsidization or smoothing).
- Minimum premium cost to employers set at 60 per cent of industry-rated premiums.
- Multiple target ranges to guide funding decisions and accommodate volatility.
- Surplus distribution or fund replenishment levy used as funding adjustment mechanisms.

These rules help achieve equity and consistency in the attribution of costs among employers and ensure intergenerational equity by requiring current employers to cover the cost of current-year injuries.

The Accident Fund represents all WCB assets available to discharge its legislative mandate. The funding status is expressed as a percentage of total liabilities as at the reporting date and is referred to as the Funded Ratio. The Accident Fund is considered fully funded when it is within the Funded Ratio target range of 114-128 per cent. Surplus assets exceeding the 128 per cent funding level are available for distribution to employers as a surplus distribution, whereas replenishment levies would be required if assets fall below 114 per cent.

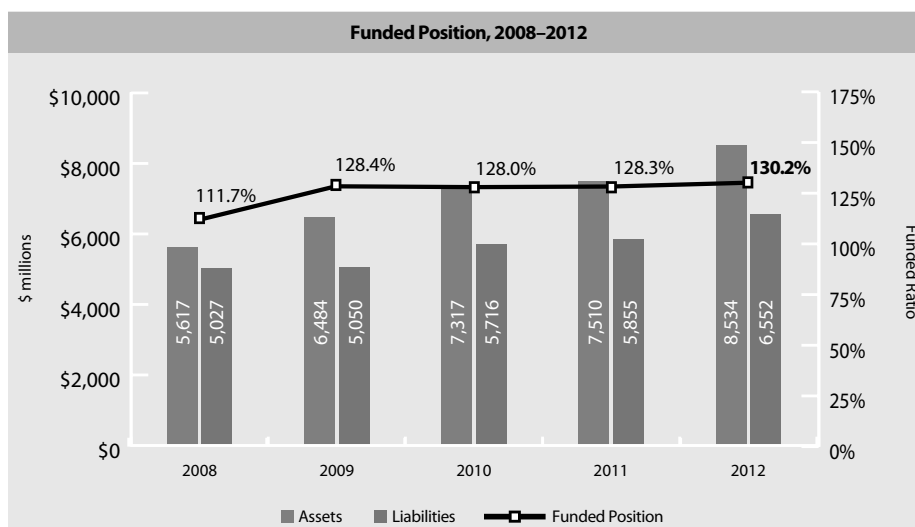
Funded Position

The major changes in Funded Position and the ending balance as at December 31, 2012 were:

(\$ millions)	Opening	2012 Change	Ending
Accumulated surplus for the year	\$ 1,358.1	\$ 369.0	\$ 1,727.1
Occupational Disease Reserve maintenance funding	-	(32.8)	(32.8)
Accumulated surplus for the year	1,358.1	336.2	1,694.3
Accumulated other comprehensive loss	(40.7)	(42.7)	(83.4)
Fund Balance	1,317.4	293.5	1,610.9
Occupational Disease Reserve	337.7	32.8	370.5
Funded Position	\$ 1,655.1	\$ 326.3	\$ 1,981.4

As at December 31, 2012, the Funded Ratio (total assets to total liabilities) was 130.2 per cent, compared to 128.3 per cent at the end of 2011. Viewed from another perspective, WCB has total assets of \$8.5 billion to cover its total estimated liabilities of \$6.6 billion. The increase in Funded Ratio is the result of positive investment returns in 2012. As a result of the strong returns, WCB will be paying a surplus distribution in 2013 of \$85.5 million to employers.

The chart below presents the Funded Position from 2008 through 2012*.



*2008 and 2009 are calculated based on Canadian Generally Accepted Accounting Principles; 2010-2012 are calculated based on International Financial Reporting Standards (IFRS), consistent with the accompanying financial statements and notes.

Risk Management

OVERSIGHT

Under WCB's corporate governance structure, the Board of Directors is responsible for overall risk management. The executive team, which has a mandate to identify and manage enterprise-level risk, is assisted by the Risk Management Committee, composed of a group of senior managers with responsibility for risk identification, assessment and mitigation at the operating level.

RISK ASSESSMENT

WCB has three primary processes for managing risk in the corporation. First, risk management is embedded as an inherent function of day-to-day business. Major projects and changes to business processes must go through a documented risk analysis to assess risk and identify mitigation plans and controls to lessen the likelihood or impact of these risks. The second process is to complete a systematic and comprehensive risk assessment of emerging corporate risks as they develop throughout the year. Finally, WCB also completes an annual corporate risk assessment that engages departmental management teams and senior managers to develop a comprehensive organizational risk register. The executive team prioritizes those risks with the highest potential residual impact to WCB and selects a number for comprehensive risk assessment and mitigation.

SIGNIFICANT RISKS

WCB has identified the following risk exposures that could have significant impact on the organization and its operations.

Benefit cost risk

Many of WCB's claim-related benefits are subject to external factors that have potentially significant impacts on the amount and duration of related benefit costs. These risks and uncertainties are driven largely by economic conditions such as health care inflation and utilization, and wage growth. Other factors may also arise through administrative precedents established through the appeals process, legislative changes or from new medical findings for occupational disease. All these factors add significant uncertainty to WCB's cost structure and may impose, over time, pressures on the funding model.

Fraud-related risk

Every year, WCB collects approximately one billion dollars in premium revenue and distributes or reserves a similar amount for claim benefits and administrative costs. The magnitude of these costs and the number of individuals and companies involved in these processes—approximately 155,000 employers, 199,000 claimants and thousands of service providers—creates inherent risk for fraud. WCB employs an extensive audit program to monitor the organization's ability to protect against fraud and implements additional controls, as required, to strengthen WCB's management of fraud risk.

Funding risk

Managing the components of WCB's overall Funded Position (Fund Balance and Occupational Disease Reserve) is a complex process that involves forecasting, liability projection, investment management and operational performance. Although these processes are within management's influence or control, many of the assumptions used in forecasting involve significant uncertainty regarding the future. Asset-liability management continues to be enhanced to provide better systems, tools, processes and information to enhance forecasting, financial planning and decision-making processes within WCB.

Investment risk

In its investment portfolio, WCB is exposed to financial risk, which includes market and portfolio risk, among others. Market risk is the risk that the fair value of investments and/or associated cash flows may change because of changing general economic conditions or events that broadly impact capital markets. Portfolio risk relates to specific composition and management of WCB's portfolio. Details of financial risks related to investments are discussed in Note 6, *Investment Risk Management*, in the accompanying financial statements and notes.

Premium risk

WCB has exposure to premium risk, which is the risk that premiums set for the coming fiscal period will not be sufficient to cover the operating costs in that year. These risks and uncertainties are largely driven by provincial economic conditions such as employment growth and wage escalation. To manage premium pricing risk, WCB has instituted a comprehensive forecasting program that leverages widely accepted economic-forecasting sources such as the Conference Board of Canada.

Technology risk

To support its core business processes, WCB uses a number of information systems for processing transactions and maintaining claimant and employer information. If these systems were to fail or were compromised, significant disruption to business processes and customer service could result. To mitigate technology risk, WCB maintains a business continuity plan, system controls and backup systems to prevent processing failures and provides extensive training to develop internal system expertise.

Implications of Accounting Policies and Estimates

Preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires management to make judgments, assumptions, and estimates that could materially affect the results of operations and financial condition of WCB. The following discusses those significant accounting policies that entail significant use of judgment and estimates. More detailed discussion may be found in the respective notes in the accompanying financial statements and notes.

Premiums

In advance of the fiscal year, and based on Funding Policy and projections in the Three-Year Plan, WCB estimates the total premium amount necessary to cover estimated claims costs, transfer levies, administration expenses and funding requirements. Because premium rates are set well in advance of revenue being realized, they reflect WCB's expectations of future macroeconomic and business conditions that will likely change before and during the fiscal period. Consequently, the premiums collected may be more or less than the estimated funding requirements. The difference could be significant in periods of economic volatility or uncertainty.

Investments

Investment assets are financial instruments and are measured at fair value at each reporting date. The primary purpose of investments is to maintain capital and generate investment income over the long term. Fair value measurement, which reflects realizable market value, could lead to significant volatility in the statement of financial position during periods of capital market turbulence. Details of the investment assets and inherent risks associated with holding such investments can be found in Note 5, *Investments*, and in Note 6, *Investment Risk Management*, in the accompanying financial statements and notes.

Derivatives

The fair value of a derivative contract is its change in value with respect to the change in the underlying security or reference index to which the contract is linked. Gains and losses on derivative contracts are recognized in income in the periods in which they arise. Since the fair value of a derivative is exposed to market changes, the underlying derivative positions could be volatile as well. Additional details may be found in Note 6, *Investment Risk Management*, in the accompanying financial statements and notes.

Valuation of claim benefit liabilities

WCB has significant obligations extending well into the future for benefits to injured workers. WCB applies the actuarial present-value methodology for its claim benefit liabilities. The actuarial process projects benefit cost streams into the future and discounts them to present value using a discount rate linked to the return on investment assets funding those liabilities. Measurement uncertainty is high because assumptions regarding the amount, timing and duration of the benefit commitments and future return on assets are difficult to predict accurately and are influenced by external factors outside management's control. Consequently, the selection of one assumption over another in estimating claim benefit liabilities could have a material impact on the liability valuation.

Valuation of employee benefit liabilities

WCB has applied defined benefit accounting for employee pension plans, which requires an actuarial determination of benefit obligations extending well into the future for pension benefits to employees. The actuarial process projects benefit cost streams into the future and discounts them to present value using a discount rate linked to market yields on high quality corporate bonds with similar characteristics as the liabilities. Measurement uncertainty is high because assumptions regarding the amount, timing, and duration of future benefit commitments are difficult to predict accurately and are influenced by factors outside management's control. Details of WCB's multi-employer and sponsored defined benefit plans may be found in Note 10, *Employee Benefits*, in the accompanying financial statements and notes.

Governance and Compliance

Legislative authority

Under the authority of the *Workers' Compensation Act*, WCB is a provincial board-governed organization that operates independently while reporting to the Minister and Associate Minister of Human Services.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (ICOFR) to provide reasonable assurance regarding the reliability of the entity's financial reporting and the preparation of its financial statements in accordance with IFRS. WCB has developed a framework and plan for the overall ICOFR program. The framework is based on best practices under the COSOⁱ and COBITⁱⁱ frameworks. The ICOFR program is assisted by WCB's Management Audit Services group and is reviewed by the Office of the Auditor General during the annual financial audit. The plan is updated annually to include a review of previously completed control assessments, and the completion of new control assessments, taking into account both risk and materiality.

ⁱ Committee of Sponsoring Organizations of the Treadway Commission, which developed a governance framework for internal control.

ⁱⁱ Control Objectives for Information and Related Technology, a collection of best practices for IT governance, control and assurance.

Framework of accountability reporting

In addition to the Annual Report, WCB is accountable to stakeholders through a number of key performance reports that form the foundation of its framework of accountability, as follows:

- Corporate scorecard, which reports progress on the organization's annual corporate objectives, published quarterly with final results reported in the Annual Report.
- Supplementary Measures Report, which shares additional measures that reflect information of interest to stakeholders and agreed to by the Ministry and WCB. A sample of these measures is reviewed by the Office of the Auditor General.
- Investment Report, which documents the organization's investment performance and plans.

These reports can be viewed at www.wcb.ab.ca.

Business planning

An important aspect of financial planning and budgeting is linkage to WCB's strategic plan and the resulting corporate objectives developed each year in support of the strategic plan. These objectives and the related performance indicators set the direction for the organization and identify the significant areas of focus for the coming year. The 2013 Budget and 2013–2015 Financial Plan establishes the foundation for appropriate resource allocation for achieving the corporate objectives. A copy of the plan can be viewed at www.wcb.ab.ca.

Emerging Issues

INTERNATIONAL FINANCIAL REPORTING STANDARDS

WCB prepares its financial statements under International Financial Reporting Standards (IFRS) and monitors the standard-setting landscape for key accounting topics that may have significant implications for WCB's results. Once the official standards are issued, WCB will analyze the key changes to ensure that major impacts are understood and implemented as required in order to ensure high-quality financial reporting under IFRS.

- **Insurance Contracts**

Current deliberations on the response to the IFRS 4 exposure draft consider a number of changes, primarily related to measurement of claim benefit liabilities. Most significant for WCB is the rate used to discount claim benefit cash flows. This rate might be based on the insurer's current yield curve for the actual portfolio of assets held or a reference portfolio of assets with similar characteristics as the liabilities. These requirements may result in volatility of claim benefit liabilities and the funded ratio, particularly during periods of interest rate instability, with further implications for funding decisions. A re-exposure draft is targeted for 2013, but release of the final standard and the effective date are both unknown at this time.

- **Leases**

Under existing IAS 17, operating leases are treated as rental expense as incurred. The new leasing standard proposes to recognize all leases (both finance and operating) in the statement of financial position as assets and corresponding liabilities. Current deliberations are focused on the pattern of expense recognition for operating leases. A re-exposure draft is expected to be released in 2013. No date has been announced for a final draft or a target effective date.

Looking Ahead

Looking forward to 2013, WCB will be tasked to manage its business in light of global and provincial economic uncertainty. WCB's business priorities are to build on operational and financial strategies that have contributed to its organizational success. Management will closely monitor economic and operating trends to develop proactive and measured responses to emerging business issues.

Economic outlook

The outlook for 2013 is saddled with new opportunities and challenges as a result of transitioning global and provincial economic landscapes. Over the past 12 months, there has been a considerable easing in global macroeconomic risk. Supportive policies from the European Central Bank have helped ease some of the pessimism related to their sovereign debt issues. The previous actions of corporate and consumer deleveraging in the U.S. have left the world's largest economy fundamentally stronger and with optimism for sustained economic growth heading into 2013. While there appear to be more positive economic signals and a general reduction in downside risk, the global economic outlook continues to call for subdued growth in most mature economies. Central banks and policymakers will need to balance the trade-off between continued economic stimulus with managing their expanding sovereign debt levels.

While the global economy seems to have reduced some of the downside risk from years past, Alberta's provincial economy now faces several unique challenges that could weigh on near-term growth. In particular, supply bottlenecks from insufficient pipeline capacity coupled with increased energy competition from the U.S. have forced Alberta energy exports to trade at a significant discount to major North American prices, prices which already trade at a discount to world prices. These diminished energy prices have strained public revenue streams, and in turn have forced the provincial government to find ways to minimize net cash outflows via spending and cost reductions. For the moment, the energy price discounts are primarily affecting only public revenue; however, the potential exists to diminish aggregate employment. Specifically, growth in industries dependent on government contracts will be uncertain moving forward. Employment growth in the public sector will likely be stagnant, and if the price discount rises to a level that becomes prohibitive to Alberta's energy sector, then there could be a significant impact on employment stemming from negative trickledown effects to all sectors of the economy.

An economic recovery appears to be underway in the U.S., while Europe seems to have mitigated much of its contagion risk and that of a deep recession. An improving U.S. economy coupled with strong growth in emerging markets will offset the impact of Europe. The Canadian economy has been slowing through the second half of 2012 and seems poised to muddle through 2013 with positive but still lackluster economic growth. Overall, this continues to be an environment that is cautiously optimistic for overall positive global growth.

Weighing improved optimism in the global economy against the challenges faced at the provincial level, the outlook for Alberta is that the energy supply and price related challenges will hinder short-term economic growth. This is likely a short-term problem and should only result in a moderation of employment and wage growth over the next few years. Baseline economic assumptions call for economic growth around 2.7 per cent and employment growth of 1.8 per cent in 2013. While this marks a departure from the heights of Alberta's recent expansion, provincial growth remains above the forecasted national level.

Capital market outlook

The capital market outlook remains uncertain heading into 2013. As predicted last year, equity markets rebounded in 2012. While another year of strong equity market performance is possible, after four years of strong markets since the global financial crisis in 2008/2009, it seems that modest equity returns are a more likely scenario for 2013. Bond yields have been inching upwards but continue to be near historic low levels, which will translate into very modest returns from bond investments over the next three to five years.

In the longer term, the key issue for markets and for investors like WCB, which have inflation-sensitive liabilities to pay, is the probability of periods of high inflation. The stimulus, both monetary and fiscal, that has been and

continues to be injected into the financial system and the global economy, may lead to a period of higher-than-expected inflation. This issue is probably still a few years away, as there is currently too much slack in labour markets (high unemployment and underemployment) and low levels of capacity utilization for inflation to be a near-term concern.

Forecasting short-term market performance is difficult at best. Studies show that investors typically cause themselves more harm than good by trying to time short-term capital market movements. WCB is a long-term investor with a strong financial position. This allows for patience and the ability to stay committed to proven investment principles and beliefs.

The total portfolio return for 2013 is budgeted at 5 per cent for planning purposes; however, continued market volatility suggests the actual returns for 2013 may be significantly different from the planning assumptions.

Business outlook

Customer operations

On the Customer Operations front, the strategic plan continues to keep WCB anchored on business fundamentals — a focus on return to work and a commitment to decision fairness.

Modified work opportunities continued to grow in 2012 as more employers were able to offer modified work to their injured employees. WCB's modified work program has helped injured workers take advantage of on-the-job rehabilitation, while giving employers the chance to support and keep their valued employees. In 2013, the momentum on modified work is expected to continue and grow. The focus will continue on return-to-work outcomes, suitable modified work and return to work with alternate employers whenever pre-injury employers no longer have jobs available.

The frequency with which individuals need help finding a new job (vocational rehabilitation services and benefits) declined in 2012 as the economy continued to improve. Provided there is continued economic growth in the province, it is reasonable to anticipate little growth in vocational rehabilitation benefits in 2013.

The commitment to decision fairness has also had a significant impact on results. Decision accuracy ensures clients receive the right benefits and services at the right time, resulting in better outcomes, stronger client relations and more effective service delivery.

Looking ahead, WCB will continue to work closely with injured workers, physicians, employers, unions and others to create return-to-work opportunities customized to meet each worker's unique needs while also ensuring a fair process, fair outcome and positive relationships. The main goal continues to be to ensure workers return to work as fairly, quickly, safely and successfully as possible.

Financial management

Financial management is based on an investment policy derived from asset-liability studies that consider the year-by-year liabilities of the fund together with the probabilities of associated investment returns. This results in an allocation to stocks, bonds and other assets that changes moderately from year to year and generally performs well, notwithstanding some volatility from year to year.

The Investment Policy's long-term direction is toward more inflation-sensitive assets, which will lower volatility further, yet provide a level of return over the long run, which will contribute to the continued financial strength of the fund.

2013 premium rate

In 2013, the average premium rate decreased to \$1.12 per \$100.00 of insurable earnings. Insurable earnings are forecast to grow by 2.7 per cent to \$95.0 billion, based on the overall assumption of a slow and steady recovery, assuming moderately higher wages and employment.

With all Workers' Compensation Boards in Canada having announced their premium rates for 2013, WCB continues to have the lowest average rate. Alberta's premium rates have been the lowest in Canada since 2006.

Outlook for financial condition

At the end of 2012, WCB's funded ratio was 130.2 per cent (assets over liabilities). Given economic uncertainty and the volatility of investment returns, it is difficult to determine, with any certainty, WCB's funding position into the future. Despite these uncertainties, WCB's broad based risk management framework has been designed to mitigate, where possible, these economic and capital market uncertainties.

Facing the future

The Alberta economy experienced continued growth in 2012, with Alberta employment and WCB covered worker figures up over 2011. In response to favourable momentum within the macro environment, WCB witnessed encouraging improvements in the area of return to work, particularly as modified work opportunities continued. Part of the success realized in 2012 stems from the sustained and proactive dialogue between WCB staff, injured workers and employers regarding the value of on-the-job rehabilitation. Keeping workers and employers engaged in the case planning process is vital to the success of return-to-work initiatives. It will remain a central strategic focus throughout 2013. Moving forward, WCB expects to:

- Continue with timely, suitable and safe return-to-work solutions within the context of specific economic sectors;
- Maintain a strong focus on effective financial management strategies to manage a balanced fund that protects the security of worker benefits; and
- Work with Alberta's employers on developing effective return-to-work programs and on fostering accountability through pricing initiatives.

Economic uncertainty aside, 2013 looks positive as WCB works with its partners to leverage the economy for the benefit of the workers' compensation system.

WCB-Alberta

2012 Financial Statements

For the year ended December 31, 2012

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Responsibility for Financial Reporting

The financial statements of the Workers' Compensation Board – Alberta were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The effectiveness of controls over financial reporting was assessed and found to provide reasonable assurance that internal controls at December 31, 2012 operated effectively with no material weaknesses in the design or operation of the controls.

The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the financial statements included in the annual report.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements and meets periodically with management, internal and external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

Eckler Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent actuarial valuation of the claim benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with generally accepted actuarial practice.

The Office of the Auditor General, the independent auditor of the WCB, has performed an independent audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Independent Auditor's Report outlines the scope of this independent audit and the opinion expressed.

(original signed by)

Bob Normand

Chair, Board of Directors
Workers' Compensation Board – Alberta

(original signed by)

Guy R. Kerr

President & Chief Executive Officer
Workers' Compensation Board – Alberta

(original signed by)

Ron J. Helmhold, CA

Chief Financial Officer
Workers' Compensation Board – Alberta

Independent Auditor's Report



To the Board of Directors of the Workers' Compensation Board – Alberta

Report on the Financial Statements

I have audited the accompanying financial statements of the Workers' Compensation Board – Alberta, which comprise the statement of financial position as at December 31, 2012, and the statements of comprehensive income, changes in funded position and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board – Alberta as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

(original signed by)

Auditor General

April 30, 2013
Edmonton, Alberta

Actuarial Statement of Opinion

on the Valuation of the Benefits Liabilities of
the Workers' Compensation Board – Alberta
as at December 31, 2012

I have completed the actuarial valuation of the benefits liabilities of the Workers' Compensation Board – Alberta (WCB) for the financial statements of the WCB as at December 31, 2012 (the "valuation date").

In my opinion, the actuarial liabilities of \$6,175.5 million make reasonable provision for future payments for short term disability, vocational rehabilitation, long term disability, survivor and health care benefits with respect to claims which occurred on or before the valuation date, and for all occupational disease claims expected to arise after the valuation date as a result of exposures incurred in the workplace on or before the valuation date in respect of occupational diseases with a long latency period that are recognized by the WCB. This amount provides for future claims administration costs, but does not include a provision for benefits and payments that are on a self-insured basis. The introduction of the provision for potential latent occupational diseases represented an increase of \$686.4 million in the benefits liabilities.

The valuation was based on the provisions of the *Workers' Compensation Act* of Alberta and on the WCB's policies and administrative practices in effect at the time of the valuation. The impact of the recent changes in the Act for post-traumatic stress disorder and in policy for the change in the cost of living adjustment has been considered.

The data on which the valuation is based were provided by the WCB; I applied such checks of reasonableness of the data as I considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and that the data are consistent with WCB's financial statements. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

The economic assumptions adopted for purposes of computing the liabilities are consistent with the WCB's funding and investment policies. For this valuation, an annual real rate of return of 2.00% for 2013 to 2016 and 3% thereafter was used to discount expected payments subject to inflation, a change from the 2.00% for 2013 to 2015 and 3.00% thereafter in the previous valuation. Other economic assumptions underlying the calculations include annual changes in the Consumer Price Index (CPI) of 2.50%, increase for benefits subject to cost of living adjustments at CPI minus 0.50%, as well as health care costs and vocational rehabilitation benefits assumed to grow at annual rates of 5.00% (6.00% for the previous valuation) and 3.50% respectively. In my opinion, the assumptions are appropriate for the purpose of the valuation.

The methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. Projections of future claim payments and awards have been made using factors developed from the WCB's claims experience, mortality and other assumptions. In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

Changes to the actuarial basis (i.e. actuarial methods and assumptions) caused liabilities to decrease by \$305.3 million. The revision of the real rate of return and health care escalation assumptions represented an increase of \$37.2 million and a decrease of \$232.0 million respectively, changes to assumptions for valuing economic loss payments represented a decrease of \$96.5 million, while updates made to other assumptions decreased liabilities by \$14.0 million. Details of the data, actuarial assumptions, valuation methods and analysis of results are set out in my actuarial report as at the valuation date, of which this statement of opinion forms part.

In my opinion, the amount of the benefits liabilities makes appropriate provision for all personal injury compensation obligations and the financial statements fairly represent the results of the valuation. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

(original signed by)

Richard Larouche, FSA, FCIA

Actuary

Eckler Ltd.

April 23, 2013

Workers' Compensation Board – Alberta

Statements of Financial Position

As at December 31

(\$ thousands)	Notes	2012	2011
ASSETS			
Cash and cash equivalents	19(a)	\$ 215,908	\$ 368,548
Trade and other receivables	19(b)	72,588	51,790
Investments	5	8,174,948	7,017,791
Property, plant and equipment	7	47,961	47,070
Intangible assets	8	22,370	24,481
		<u>\$ 8,533,775</u>	<u>\$ 7,509,680</u>
LIABILITIES			
Trade and other liabilities	19(c)	\$ 46,792	\$ 46,858
Surplus distributions	19(d)	85,733	850
Safety rebates	19(e)	90,339	73,327
Employee benefits	10	154,002	105,058
Claim benefits	11	6,175,500	5,628,500
		<u>6,552,366</u>	<u>5,854,593</u>
FUNDED POSITION			
Fund Balance	4	1,610,909	1,317,387
Occupational Disease Reserve	4	370,500	337,700
		<u>1,981,409</u>	<u>1,655,087</u>
		<u>\$ 8,533,775</u>	<u>\$ 7,509,680</u>
LEASE AND OTHER COMMITMENTS	9		
CONTINGENCIES AND INDEMNIFICATION	18		

Approved by the Board of Directors on April 30, 2013:

(original signed by)

Bob Normand

Chair, Board of Directors
Workers' Compensation Board – Alberta

(original signed by)

Guy R. Kerr

President & Chief Executive Officer
Workers' Compensation Board – Alberta

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income

Year Ended December 31

(\$ thousands)	Notes	2012		2011
		Budget	Actual	Actual
REVENUE				
Premium revenue	13	\$ 1,066,525	\$ 1,157,220	\$ 1,021,702
Investment income	16	378,159	782,057	310,800
		<u>1,444,684</u>	<u>1,939,277</u>	<u>1,332,502</u>
EXPENSES				
Claims expense	14	811,577	738,961	748,883
Claims management	14, 15	101,888	103,713	95,626
Interest expense on claim benefit liabilities	11	242,200	242,500	228,800
Remeasurement of claim benefit liabilities	11	(30,500)	236,461	35,714
Corporate administration	15	84,191	82,190	78,381
Injury reduction	19(f)	47,719	46,768	45,628
Investment management expense	16	26,510	29,425	23,020
Interest on employee benefit liabilities	10	2,846	5,377	4,486
		<u>1,286,431</u>	<u>1,485,395</u>	<u>1,260,538</u>
OPERATING SURPLUS				
Funding policy surplus distributions	4, 19(d)	158,253	453,882	71,964
		<u>-</u>	<u>(84,841)</u>	<u>1,431</u>
NET FUNDING SURPLUS				
		158,253	369,041	73,395
OTHER COMPREHENSIVE LOSS				
Remeasurement of employee benefit liabilities	10	-	(42,719)	(19,236)
TOTAL COMPREHENSIVE INCOME				
		<u>\$ 158,253</u>	<u>\$ 326,322</u>	<u>\$ 54,159</u>

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Funded Position

As at December 31

(\$ thousands)	Notes	2012	2011
FUND BALANCE			
<i>Accumulated surplus</i>			
Balance, beginning of year		\$ 1,358,054	\$ 1,305,659
Net funding surplus		369,041	73,395
Transfer to Occupational Disease Reserve		(32,800)	(21,000)
		<u>1,694,295</u>	<u>1,358,054</u>
<i>Accumulated other comprehensive loss</i>			
Balance, beginning of year		(40,667)	(21,431)
Other comprehensive loss		(42,719)	(19,236)
		<u>(83,386)</u>	<u>(40,667)</u>
Fund Balance, end of year		1,610,909	1,317,387
OCCUPATIONAL DISEASE RESERVE			
	4		
Balance, beginning of year		337,700	316,700
Transfer from Fund Balance		32,800	21,000
		<u>370,500</u>	<u>337,700</u>
Occupational Disease Reserve, end of year		370,500	337,700
		<u>\$ 1,981,409</u>	<u>\$ 1,655,087</u>

The accompanying notes are an integral part of these financial statements.

Workers' Compensation Board – Alberta
Statements of Cash Flows

Year Ended December 31

(\$ thousands)

	2012	2011
OPERATING ACTIVITIES		
Cash inflows (outflows) from business operations		
Employer premiums	\$ 1,174,681	\$ 1,005,468
Benefits to claimants and/or third parties on their behalf	(655,870)	(644,982)
Administrative and other goods and services	(206,476)	(189,586)
Injury reduction program	(46,768)	(45,628)
Net cash from operating activities	<u>265,567</u>	<u>125,272</u>
INVESTING ACTIVITIES		
Cash inflows (outflows) related to investment assets		
Interest income	84,442	82,098
Dividend income	47,474	62,493
Other investment income	30,674	4,715
Gains on sale of investments	146,980	94,129
Proceeds (payments) on settlement of derivatives	38,097	(61,091)
Investment management expense	(23,539)	(18,374)
Sale (purchase) of investments at cost	(389,358)	137,957
Purchase of investments from reinvested income	(339,464)	(175,944)
Cash outflows related to operating assets		
Property, plant and equipment	(7,150)	(9,078)
Computer software	(6,363)	(7,887)
Net cash from investing activities	<u>(418,207)</u>	<u>109,018</u>
FUNDING ACTIVITIES		
Cash outflows from funding activities		
Surplus distributions	-	(227,847)
Net cash used for funding activities	<u>-</u>	<u>(227,847)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(152,640)	6,443
Cash and cash equivalents, beginning of year	<u>368,548</u>	<u>362,105</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 215,908</u>	<u>\$ 368,548</u>

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2012 with comparatives for the year ended December 31, 2011
(thousands of dollars unless stated otherwise)

1. REPORTING ENTITY

The Workers' Compensation Board – Alberta (WCB) is a provincial board created by legislation in 1918. As a statutory corporation, WCB administers the workers' compensation system for the province of Alberta under the authority of the *Workers' Compensation Act* (the Act). WCB's corporate head office is located in Edmonton, Alberta, with operations exclusively within the province of Alberta. WCB's legislated mandate is to provide disability benefits to workers who sustain injuries in the course of employment.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied in the preparation of the financial statements for all years presented, unless otherwise indicated.

GENERAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2012.

These financial statements have been prepared on a historic cost basis except for investments carried at fair value. The principal accounting policies applied in the preparation of the financial statements on an IFRS basis are set out below.

Foreign currency translation

WCB's financial statements are presented in Canadian dollars, which is also the functional currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the statement of financial position. Exchange differences arising from settlement of monetary items are included in income in the period in which they arise. Non-monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect when those transactions occurred.

Measurement uncertainty and use of accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting periods presented. Some accounting measurements require management's best estimates, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action. Employee benefit liabilities (Note 10), claim benefit liabilities (Note 11), and the Partnerships in Injury Reduction rebates accrual (Note 13) are the most significant items that are based on accounting estimates. Actual results could differ from the estimates determined by management in these financial statements. These differences, which may be material, could require adjustment in subsequent reporting periods.

Financial statement presentation

WCB presents its statement of financial position in order of liquidity. The statement of comprehensive income reports operating results arising from WCB's primary activities: core business operations including risk underwriting, premium assessment and collection, benefit processing, injury treatment and vocational rehabilitation, and financial management including investment portfolio management and claim benefit liability valuation. Administration expense is presented in the statement of comprehensive income by function. Other comprehensive loss primarily consists of net changes in remeasurement of post-employment defined benefit plan liabilities.

In addition to performance reporting, the statement of comprehensive income also reports funding actions arising from the application of Funding Policy. Such actions include appropriations of excess surplus for distribution back to employers, or collection of special levies required to replenish funding deficits, as prescribed by Funding Policy established by the Board of Directors.

Cash equivalents

Cash equivalents include short-term, liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash and short-term investments held by custodians are not available for general use, and accordingly are included in investments.

Finance expense

Finance expense comprises primarily recognition of interest (i.e., time value of money) inherent in discounted liabilities. Significant discounted liabilities include claim benefit liabilities, employee benefit plans and lease obligations.

Comparative figures

Certain comparative figures have been restated and/or reclassified where required to conform to the current year's accounting treatment.

SPECIFIC ACCOUNTING POLICIES

To facilitate a better understanding of WCB's financial statements, specific accounting policies are disclosed in the related notes to these financial statements:

Note	Topic	Page
5	Investments	52
7	Property, plant and equipment	58
8	Intangible assets	60
9	Lease and other commitments	61
10	Employee benefits	62
11	Claim benefit liabilities	65
13	Premium revenue	69
16	Investment income and expense	72

3. ACCOUNTING POLICY CHANGES

STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued a suite of interrelated standards (collectively referred to as the consolidation suite) that provide new and expanded guidance on when and how an entity accounts for its interests in other entities, including subsidiaries, and other unconsolidated entities. These standards, which are mandatorily effective January 1, 2013, must be adopted as a package at the same time. Earlier adoption is encouraged.

These standards apply to WCB by virtue of its structured investments where control is not determined through voting power but through contractual rights (i.e., in certain pooled funds and limited partnerships). Adoption of these standards, if applicable, is not expected to have a material impact on WCB's financial reporting.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 *Fair Value Measurement* to establish a framework for measuring and reporting on fair value within a single standard. Overall, IFRS 13 prescribes additional disclosures on the use of valuation techniques and unobservable inputs used in fair value measurements. These requirements are effective for reporting periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 is not expected to have a material impact on WCB's financial reporting.

Amendments to IAS 32 Financial Instruments — Presentation and IFRS 7 Financial Instruments — Disclosures: Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB issued the referenced amendments to provide new guidance on when an entity may offset financial assets and financial liabilities on the statement of financial position, and to prescribe disclosure of information to enable users of financial statements to evaluate the effects of netting arrangements. These requirements are effective for reporting periods beginning on or after January 1, 2014, with earlier application permitted. These amendments are not expected to be material with respect to WCB's financial position or results of operations.

4. FUNDING

ACCIDENT FUND

The Act stipulates the creation of an Accident Fund (the Fund) holding sufficient funds for the payment of present and future compensation. The Fund is fully funded when the total assets equal or exceed total liabilities. This Funded Position (or net assets) represents the current funding status of the Fund.

The Funded Position is maintained through two reserves within the Accident Fund: the Fund Balance and the Occupational Disease Reserve (ODR). The Fund Balance represents accumulated net operating surpluses retained against financial uncertainty. The ODR was established through an appropriation from the Fund Balance to provide for costs arising from latent occupational injury or disease where a causal link to the workplace has not been established, but may be established in the future. The ODR is maintained at six per cent of claim benefit liabilities in each year through a transfer from or to the Fund Balance.

FUNDING POLICY AND CAPITAL MANAGEMENT

Since the Act does not provide for an ownership-based capital structure, WCB views its available capital resources as synonymous with its Funded Position. The primary objective in managing the Funded Position is to mitigate the risk of being unfunded, while a secondary objective is to minimize premium rate volatility caused by investment and claim benefit liability risk. WCB manages the financial status of the Accident Fund by monitoring the Funded Position and making funding decisions in accordance with the Funding Policy.

The Funding Policy sets a target zone of 114 – 128 per cent for the Funded Ratio (total assets divided by total liabilities) to guide funding decisions. When the Funded Ratio falls below the target zone, special funding requirements are included in premium rates. When the Funded Ratio is above the target zone, surplus distributions may be paid. There were no changes to the described Funding Policy or capital management practices during the year.

(\$ thousands)

Accident Fund

Total assets

Less:

Total liabilities

Funded Position

Funded Ratio

	2012	2011
Total assets	\$ 8,533,775	\$ 7,509,680
Less:		
Total liabilities	6,552,366	5,854,593
Funded Position	\$ 1,981,409	\$ 1,655,087
Funded Ratio	130.2%	128.3%

5. INVESTMENTS

ACCOUNTING POLICY

WCB elected early adoption of IFRS 9 *Financial Instruments: Classification and Measurement* as at the date of transition to IFRS.

WCB's portfolio investments are designated at fair value through income and are managed in accordance with portfolio management objectives and Investment Policy. WCB utilizes trade-date accounting (date when transactions are entered into rather than when they are settled) for all purchases and sales of financial instruments.

Upon initial recognition, debt and equity securities are recognized at their settlement value (including transaction costs net of any premium or discount at date of purchase, if applicable). Subsequent fair value measurement changes are recognized in income in the period in which they arise.

Derivatives are initially recognized at fair value and subsequently remeasured at the financial statement date. All gains and losses resulting from remeasurement at fair value are recognized in investment income in the respective periods in which they arose.

Net cash, receivables and payables held within the investment portfolio are carried at amortized cost.

Valuation of financial instruments

The fair value of financial instruments as at the reporting date is determined as follows:

Debt and equity securities

- Publicly traded securities are based on their closing bid prices or the average of the latest bid/ask prices quoted by independent securities valuation companies.
- Non-publicly traded pooled funds are valued at the net asset values of the funds, which reflect the fair values of fund assets less fund liabilities.
 - The fair value of infrastructure and real estate funds are based on independent annual appraisals, net of any liabilities against the fund assets.
 - The fair value of commercial mortgage funds is based on the market interest rate spread over Bank of Canada bonds with a similar term to maturity.

Derivative contracts

- Written forward foreign-exchange contracts are valued based on the change in the underlying exchange rate relative to the Canadian dollar.
- Tradable equity index futures, whose prices change according to the underlying market index, are valued based on exchange-listed prices.
- Bond futures, whose prices change according to the underlying bond price, are valued based on exchange-listed prices.

INVESTMENT PORTFOLIO HOLDINGS

WCB's portfolio investments are all classified at fair value through income. The table in this section presents the fair value of WCB's investments as at December 31, together with their classifications under the fair value measurement hierarchy. Note 16 *Investment Income and Expense* provides a breakdown of investment income by type.

Fair value classification hierarchy

The fair value of WCB's investments recorded on the Statement of Financial Position was determined using one of the following valuation techniques:

- Level 1** The fair value is based on quoted prices in active markets for identical assets or liabilities. This level includes equity securities and derivative contracts that are traded in an active exchange market.
- Level 2** The fair value is based on inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs based on observable market data. Includes pooled funds invested in traded securities, as well as derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3** The fair value is based on unobservable inputs that are significant to the fair value of the assets or liabilities and have little or no market activity. This level includes financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes pooled funds invested in debt securities, private equity, real estate and infrastructure.

The table below summarizes the basis of fair value measurements for financial assets held in WCB's investment portfolio:

(\$ thousands)	Fair value through income			Amortized			2011
	Level 1	Level 2	Level 3	Fair Value	Cost ⁵	2012	
Fixed income							
Nominal bonds	\$ 1,976	\$ 1,977,500	\$ 147,622	\$ 2,127,098	\$ 27,138	\$ 2,154,236	\$ 1,843,154
Mortgages ¹	-	-	484,776	484,776	-	484,776	424,294
	1,976	1,977,500	632,398	2,611,874	27,138	2,639,012	2,267,448
Equities							
Domestic	539,327	262,573	-	801,900	3,193	805,093	658,783
Foreign ²	1,376,933	889,358	-	2,266,291	55,935	2,322,226	1,957,472
	1,916,260	1,151,931	-	3,068,191	59,128	3,127,319	2,616,255
Inflation-sensitive							
Real estate ³	187,594	3,955	961,059	1,152,608	649	1,153,257	1,023,708
Infrastructure ⁴	321,651	-	370,124	691,775	7,692	699,467	533,299
Real-return bonds	-	569,837	-	569,837	1,174	571,011	547,318
	509,245	573,792	1,331,183	2,414,220	9,515	2,423,735	2,104,325
	2,427,481	3,703,223	1,963,581	8,094,285	95,781	8,190,066	6,988,028
Derivatives	-	(15,118)	-	(15,118)	-	(15,118)	29,763
	\$ 2,427,481	\$ 3,688,105	\$ 1,963,581	\$ 8,079,167	\$ 95,781	\$ 8,174,948	\$ 7,017,791

¹ Mortgages include commercial mortgages and multi-unit mortgages, but do not include single-dwelling residential mortgages.

² Foreign equities comprise U.S., EAFE (Europe, Australasia and Far East), and Emerging Market mandates.

³ Real estate investments include pooled funds invested in commercial properties.

⁴ Infrastructure consists of a pooled fund invested in infrastructure projects.

⁵ Includes portfolio cash, receivables and payables whose cost approximates fair value.

Transfers between Levels 1 and 2

There were no material transfers between Level 1 and Level 2 during 2012.

Reconciliation of Level 3 activity

(\$ thousands)	Fixed Income	Real Estate/ Infrastructure	2012	2011
Balance, beginning of year	\$ 454,836	\$ 1,033,294	\$ 1,488,130	\$ 913,992
Fair value gains (losses) recognized in income	15,875	150,546	166,421	140,232
Purchases of Level 3 investments	162,508	249,318	411,826	466,696
Sale/settlement of Level 3 investments	(822)	(101,974)	(102,796)	(32,790)
Balance, end of year	\$ 632,397	\$ 1,331,184	\$ 1,963,581	\$ 1,488,130

6. INVESTMENT RISK MANAGEMENT

INVESTMENT GOVERNANCE

The Board of Directors is ultimately responsible for overall strategic direction and governance of the investment portfolio through its review and approval of the Investment Policy and ongoing monitoring of investment risks, performance and compliance.

WCB management is responsible for monitoring investment performance, recommending changes to the Investment Policy, and selecting fund managers. WCB retains independent consultants to benchmark the performance of its fund managers, and to advise on the appropriateness and effectiveness of its Investment Policy and practices.

KEY FINANCIAL RISKS

The primary financial risk for WCB is the risk that, in the long term, returns from its investments will not be sufficient to discharge all obligations arising from its claim liabilities. In order to manage this funding risk, risk management for investments has been integrated with risk management of liabilities. WCB's primary risk mitigation strategy is effective execution of its Investment Policy. The Investment Policy target asset mix, and associated risk and return characteristics, have been established to provide guidelines for a broad investment strategy, as well as specific approaches to portfolio management. The Investment Policy also calls for maintaining a well-diversified portfolio, both across and within asset classes, and engaging fund managers who represent a broad range of investment philosophies and styles, operating within a rigorous compliance framework.

WCB has identified key areas of investment risk that directly affect the sufficiency of its investments to fund current and future claim obligations:

- Market risks** • These risks include movements in equity market prices, interest rates, credit spreads and foreign currency exchange rates.
- Portfolio risks** • These risks relate to specific composition and management of WCB's portfolio and include liquidity risk, securities lending risk, counterparty default risk and derivatives risk.

The following sections describe these risks, WCB's exposures, and their respective mitigation strategies.

MARKET RISKS

Equity market risk

WCB is exposed to equity market risk, which is the risk that the fair value of its investments in publicly traded shares will fluctuate in the future because of price changes. WCB's mitigation strategy for equity market risk is to apply disciplined oversight of investment activities within a formal investment control framework that has been reviewed and validated by independent experts to ensure continuous compliance with approved policies and practices.

The table below presents the effect on WCB's equity mandates of a significant adverse change¹ in the key risk variable — the portfolio weighted average (asset class) benchmark:

(\$ thousands)	2012		2011	
	1 std dev	2 std dev	1 std dev	2 std dev
Equities				
% change in Canadian market benchmark	(15.9%)	(31.9%)	(16.1%)	(32.1%)
Canadian mandate	\$ (128,251)	\$ (256,503)	\$ (105,801)	\$ (211,601)
% change in Global market benchmark	(13.1%)	(26.1%)	(12.7%)	(25.5%)
Global mandate	\$ (252,866)	\$ (505,732)	\$ (210,922)	\$ (421,843)
% change in Emerging market benchmark	(22.5%)	(45.0%)	(22.1%)	(44.2%)
Emerging markets mandate	\$ (80,569)	\$ (161,139)	\$ (71,023)	\$ (142,046)

Fixed income pricing risk

Fixed income pricing risk related to financial securities arises from changes in general financial market or economic conditions that may change the pricing of the entire non-government bond market, specific sectors or individual issuers. This risk is generally manifested through changes in the security's credit spread. WCB's investment portfolio is exposed to fixed income pricing risk through participation in a Canadian mortgage pool and through direct holdings of Canadian and foreign fixed income securities.

The table below presents the effects of a change in the credit spreads of 50 and 100 bps² on the mortgage portfolio and non-government portion of the bond portfolio:

(\$ thousands)	2012		2011	
	+50 bp	+100 bp	+50 bp	+100 bp
Change in nominal interest rate				
Non-government bonds	\$ (23,204)	\$ (46,409)	\$ (23,350)	\$ (46,700)
Mortgages	\$ (8,726)	\$ (17,452)	\$ (7,637)	\$ (15,275)

¹ A change is considered to be material when it exceeds the standard deviation (std dev), which measures the variance in a normal probability distribution. One standard deviation covers 68 per cent of all probable outcomes; two standard deviations include 95 per cent of outcomes. The benchmark deviations are based on 2012 data.

² One basis point (bp) equals 1/100 of 1 per cent; 50 bps = 50/100 of 1 per cent or 0.5 per cent.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The table below presents the effects of a nominal interest rate change of 50 and 100 bps on the respective bond and mortgage portfolios:

(\$ thousands)	2012		2011	
	+50 bp	+100 bp	+50 bp	+100 bp
Change in nominal interest rate				
Nominal bonds	\$ (64,173)	\$ (128,347)	\$ (55,894)	\$ (111,789)
Real return bonds	\$ (46,766)	\$ (93,532)	\$ (44,360)	\$ (88,720)
Mortgages	\$ (8,726)	\$ (17,452)	\$ (7,637)	\$ (15,275)

Foreign currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates.

WCB is exposed to currency risk through foreign investments in fixed income, equities and infrastructure. The exposures are hedged to the Canadian dollar by utilizing forward contracts. The target hedge ratio (percentage of the exposure hedged to Canadian dollars) varies by asset class and currency. The target for fixed income and infrastructure is 100 per cent. For foreign equities, the target is 25 per cent for the U.S. dollar and 50 per cent for other major currencies.

WCB's largest foreign currency exposure is to the U.S. dollar, with unhedged holdings of \$1,068,259 (2011 – \$680,652); euro exposure is next, with unhedged holdings of \$278,251 (2011 – \$123,341). For the current reporting period, the net gain from the currency overlay was \$29,147 (2011 – \$26,876 loss).

The table below presents the effects on the foreign equity mandate of a material change in the Canadian/U.S. dollar and Canadian/euro exchange rates:

(\$ thousands)	2012		2011	
	CAD/USD	CAD/EURO	CAD/USD	CAD/EURO
December 31 spot rate	1.0043	0.7618	0.9821	0.7565
10% appreciation in the Canadian dollar	1.1048	0.8379	1.0803	0.8322
Global mandate	\$ (97,115)	\$ (25,296)	\$ (61,877)	\$ (11,213)

PORTFOLIO RISKS

Derivatives risk

Although derivatives represent an important component of WCB's risk management strategy, the portfolio does not contain any derivatives intended for speculative or trading purposes. An example of derivatives used for risk mitigation is the currency overlay described in the currency risk section, which is a partial hedge of the currency exposure. From time to time, derivatives are also utilized as a portfolio management technique to replicate a target asset mix or achieve certain asset exposures when it is not possible or cost-effective to hold or sell securities directly.

The notional value of a derivative contract used in a hedging arrangement represents the exposure that is being hedged, and is the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Notional amounts are not indicative of the credit risk associated with such derivative contracts. WCB's credit exposure is represented by the replacement cost of all outstanding contracts in a receivable (positive fair value) position. Counterparty default risk with respect to derivative contracts is mitigated in accordance with investment guidelines on counterparty default risk.

The table below summarizes the fair value of WCB's derivative portfolio of open contract positions in segregated funds, with their remaining terms to maturity, as at December 31:

(\$ thousands)

			2012			2011		
Asset Mandates	Term to Maturity		Notional Principal	Fair Value Asset	Fair Value Liability	Notional Principal	Fair Value Asset	Fair Value Liability
Asset replication contracts								
Equity index futures contracts	Global equities	Within 1 year	\$ 338,704	\$ -	\$ (2,938)	\$ -	\$ -	\$ -
Bond futures contracts	Global fixed income	Within 1 year	265,304	-	(71)	99,797	-	(275)
			<u>604,008</u>	<u>-</u>	<u>(3,009)</u>	<u>99,797</u>	<u>-</u>	<u>(275)</u>
Foreign-exchange contracts								
Currency overlay forward contracts	Global equities	Within 1 year	1,145,516	-	(8,854)	1,532,363	26,688	-
Forward foreign-exchange contracts	Global equities/ fixed income	Within 1 year	879,056	199	(3,454)	380,017	3,499	(149)
			<u>2,024,572</u>	<u>199</u>	<u>(12,308)</u>	<u>1,912,380</u>	<u>30,187</u>	<u>(149)</u>
			<u>\$2,628,580</u>	<u>\$ 199</u>	<u>\$ (15,317)</u>	<u>\$2,012,177</u>	<u>\$ 30,187</u>	<u>\$ (424)</u>

WCB also has indirect exposure to derivatives risk through its pooled investments, but they do not contain any derivatives intended for speculative or trading purposes.

Liquidity risk

Liquidity risk stems from the lack of marketability of a security that cannot be bought or sold quickly enough to prevent or minimize a loss.

Through a proactive cash management process that entails continuous forecasting of expected cash flows, WCB mitigates liquidity risk by minimizing the need for forced liquidations of portfolio assets in volatile markets. To cover unanticipated cash requirements when market conditions are unfavourable, WCB has negotiated a standby line of credit of up to \$20 million, which has not been drawn down as at December 31, 2012.

Counterparty default risk

Counterparty default risk arises from the possibility that the issuer of a debt security, or the counterparty to a derivatives contract, fails to discharge its contractual obligations to WCB.

To mitigate counterparty default risk, WCB requires that credit ratings for counterparties not fall below an acceptable threshold. The Investment Policy permits bond issuers to have lower than a B- (or equivalent score) from a recognized credit-rating agency, but such holdings may not exceed 3 per cent of total fixed income assets in the portfolio. Counterparties for derivative contracts will have at least an A- credit rating or equivalent from a recognized credit-rating agency. Each fund is closely monitored for compliance to ensure that aggregate exposures do not exceed those specified investment constraints.

As at December 31, 2012, the aggregate amount of fixed income securities in segregated funds with counterparty ratings below BBB- was \$115,960 (2011 – \$89,208). WCB also has indirect exposure to counterparty default risk through its pooled investments. Seven per cent of the fixed income portfolio is held in pooled funds.

Securities lending risk

WCB participates in a securities-lending program sponsored by its custodian. Under IFRS 9, securities lending arrangements are considered to be transfers of assets that are not derecognized because the transferor retains substantively the risks and rewards of ownership, notwithstanding the transferee's right to sell or pledge those assets. WCB is protected against loss of the transferred securities by requiring the borrower to provide collateral in the form of cash or marketable securities having a minimum fair value of 102 per cent of the loan. Such collateral is not recognized because it is available to the transferor only upon failure of the transferee to fulfil its commitments. In any event, the custodian is also contractually obligated to indemnify WCB for any losses resulting from inadequate collateral.

At December 31, 2012, securities on loan through the custodian totalled \$804 million (2011 – \$750 million), secured by \$851 million (2011 – \$799 million) of posted collateral. During 2012, the securities-lending program generated income of \$2,349 (2011 – \$1,659).

7. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment are recognized as an asset if it is probable that WCB will realize future economic benefits. Items are measured at fair value upon initial recognition.

After initial recognition, property, plant and equipment is stated at historical cost less accumulated depreciation and impairment (if applicable) with the exception of land, which is not depreciated. Leased assets and leasehold improvements are depreciated over their lease term. All other items are depreciated over their expected useful life. Depreciation expense is recognized when an asset is ready for use.

Residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted if appropriate. Depreciation expense is included in claims management and corporate administration in the statement of comprehensive income (see Note 15 *Administration Expense*).

WCB applies the following annual depreciation rates and methods:

<i>Buildings</i>	<i>2.5 per cent straight-line</i>
<i>Leasehold improvements</i>	<i>Straight-line over the expected lease term</i>
<i>Equipment:</i>	
• <i>Computer (owned)</i>	<i>35 per cent declining balance</i>
• <i>Computer (leased)</i>	<i>Straight-line over the lease term</i>
<i>Furniture and other</i>	<i>15 per cent declining balance</i>
<i>Vehicles</i>	<i>20 per cent straight-line</i>

WCB evaluates its property, plant and equipment for indicators of impairment such as obsolescence, redundancy, deterioration, loss or reduction in future service potential, or when there is a change in intended use. When the carrying value exceeds the amount of future economic benefit through utilization, the item of property, plant and equipment is written down to expected value and the amount recognized as an impairment loss.

(\$ thousands)						2012	2011
	Land/ Buildings	Leasehold Improvements	Computer Equipment	Office Furniture/ Equipment	Vehicles/ Other	Total	Total
Cost							
Balance, beginning of period	\$ 47,932	\$ 1,636	\$ 12,881	\$ 17,088	\$ 725	\$ 80,262	\$ 73,485
Current period activity:							
Capitalized expenditure	3,586	-	5,399	2,339	51	11,375	10,704
Transfer from PPE under construction	(2,294)	-	(2,825)	(2,330)	(25)	(7,474)	(8,882)
Disposals	-	-	(1,678)	(69)	-	(1,747)	(2,520)
PPE under construction	2,330	51	235	330	-	2,946	7,475
Balance, end of period	\$ 51,554	\$ 1,687	\$ 14,012	\$ 17,358	\$ 751	\$ 85,362	\$ 80,262
Accumulated depreciation and impairment							
Balance, beginning of period	\$ 17,984	\$ 944	\$ 5,640	\$ 8,424	\$ 200	\$ 33,192	\$ 30,960
Current period activity:							
Depreciation	1,177	68	3,262	1,303	146	5,956	4,752
Disposals	-	-	(1,678)	(69)	-	(1,747)	(2,520)
Balance, end of period	\$ 19,161	\$ 1,012	\$ 7,224	\$ 9,658	\$ 346	\$ 37,401	\$ 33,192
Carrying value, beginning of period	\$ 29,948	\$ 692	\$ 7,241	\$ 8,664	\$ 525	\$ 47,070	\$ 42,525
Carrying value, end of period	\$ 32,393	\$ 675	\$ 6,788	\$ 7,700	\$ 405	\$ 47,961	\$ 47,070

Property, plant and equipment under finance leases

Included in property, plant and equipment is computer equipment acquired through finance leases at cost of \$6,683 (2011 – \$6,711), accumulated depreciation of \$2,803 (2011 – \$1,977), and carrying value of \$3,881 (2011 – \$4,734).

See Note 9 *Lease and Other Commitments* for accounting policy and further details on leased property, plant and equipment.

8. INTANGIBLE ASSETS

ACCOUNTING POLICY

WCB's intangible assets are composed of computer software developed internally or acquired through third party vendors and customized as necessary. Development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable, and WCB has the intention and sufficient resources to complete development and to use the asset in the manner intended.

Computer software is measured at cost upon initial recognition. After initial recognition, computer software is measured at cost less accumulated amortization and impairment (if applicable). Computer software is amortized on a straight-line basis at 20 per cent per year commencing from the date that the software is available for use.

Amortization expense is included in claims management and corporate administration in the statement of comprehensive income (see Note 15 *Administration Expense*).

(\$ thousands)

			2012	2011
	In Use	Under Development	Total	Total
Cost				
Balance, beginning of year	\$ 118,279	\$ 7,431	\$ 125,710	\$ 117,440
Capitalized expenditure	-	5,788	5,788	8,270
Transfers from development	9,525	(9,525)	-	-
Disposals	(1,266)	-	(1,266)	-
Balance, end of year	\$ 126,538	\$ 3,694	\$ 130,232	\$ 125,710
Accumulated amortization and impairment				
Balance, beginning of year	\$ 101,229	\$ -	\$ 101,229	\$ 94,215
Amortization	7,899	-	7,899	7,014
Disposals	(1,266)	-	(1,266)	-
Balance, end of year	\$ 107,862	\$ -	\$ 107,862	\$ 101,229
Carrying value, beginning of period	\$ 17,050	\$ 7,431	\$ 24,481	\$ 23,225
Carrying value, end of period	\$ 18,676	\$ 3,694	\$ 22,370	\$ 24,481

9. LEASE AND OTHER COMMITMENTS

ACCOUNTING POLICY

Leases of property, plant and equipment where WCB acquires substantially all the risks and rewards of ownership are classified as finance leases. At lease commencement, finance leases are recognized in the statement of financial position as assets and corresponding obligations at the lower of the fair value of the leased property and the present value of future minimum lease payments.

Lease payments are allocated between the liability and finance charges using the effective interest method to achieve a constant rate of interest on the remaining balance of the lease. The interest portion of the payment is charged to income over the lease period, while the principal portion is applied against the lease obligation.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to income over the lease term.

Lease obligations

WCB has obligations under material long-term non-cancellable finance lease agreements for mainframe and desktop computer equipment. The land for WCB's rehabilitation centre and office space in Edmonton and Calgary are held under operating leases. WCB's leases have remaining terms of between one and 18 years.

Undiscounted future minimum lease payments under finance leases are \$4,198 (2011 - \$4,945), with a carrying value of \$3,982 (2011 - \$4,791), the difference of \$216 (2011 - \$154) being the effect of discounting.

See Note 7 *Property, Plant and Equipment* for carrying values of computer equipment held under finance leases and Note 19(c) *Trade and Other Liabilities* for presentation of the current finance lease obligation.

Commitments

WCB enters into contractual commitments for purchases of goods and services as part of its regular business activities. Future undiscounted expenditure commitments are listed in the table below.

	Leases			2012	2011
	Finance	Operating	Other Commitments	Total	Total
2012	\$ -	\$ -	\$ -	\$ -	\$ 20,807
2013	2,189	1,751	14,276	18,216	11,233
2014	1,719	1,710	10,145	13,574	9,650
2015	269	1,722	3,460	5,451	1,948
2016	21	1,722	2,600	4,343	2,074
Beyond	-	5,722	1,499	7,221	5,831
	<u>\$ 4,198</u>	<u>\$ 12,627</u>	<u>\$ 31,980</u>	<u>\$ 48,805</u>	<u>\$ 51,543</u>

(\$ thousands)

10. EMPLOYEE BENEFITS

ACCOUNTING POLICY

On January 1, 2011, WCB early adopted amended IAS 19 *Employee Benefits*.

WCB provides active service and defined post-employment benefits to its employees. WCB also participates in certain multi-employer pension plans sponsored by the province of Alberta. An expense and a liability for benefits earned are recognized in the period that employee service has been rendered.

For defined post-employment benefit plans, current benefit cost represents the actuarial present value of the benefits earned in the current period. Such cost is actuarially determined using the accrued benefit method prorated on service, a market interest rate, management's best estimate of projected costs, and the expected years of service until retirement. The liability as at the reporting date is the present value of the defined benefit obligation, which is determined by discounting the estimated future cash outflows using a discount rate based on market yields of high-quality corporate bonds having terms to maturity that approximate the duration of the related benefit liability. Interest expense represents the amount required in each year to build up the liability over the projected benefit period to its future value.

Remeasurement changes in benefit liabilities, composed of actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive income.

ACTIVE SERVICE BENEFITS

WCB's short-term benefits for active employees include salary, compensated absence (sick leave, statutory holidays and annual vacation), group life insurance, dental and medical coverage, employee family assistance program, education support, and health and wellness benefits.

Termination benefits are provided for through employment contracts, statutory requirements or constructive obligations. As at December 31, 2012, there were no material provisions relating to termination benefits.

POST-EMPLOYMENT BENEFITS

Pension plans

Employee post-retirement benefits are provided through contributory multi-employer defined benefit pension plans sponsored by the province of Alberta, namely the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). Under defined benefit plan accounting, WCB must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, remeasurement amounts, and service cost prorated on total contributory payroll.

Both plans have funding deficiencies that have statutory funding requirements by employers and employees to eliminate any plan deficiencies over a specific time horizon. The information in this note reflects an annual actuarial valuation of WCB's share of the plans' assets, benefit obligations, remeasurement amounts and service cost.

Supplemental executive retirement plan

WCB sponsors a non-contributory supplemental executive retirement plan (SERP), with the WCB Accident Fund covering the obligations of the plan. Earnings of senior management generally exceed the threshold earnings for the maximum pension benefit permitted under the federal Income Tax Act. Under the terms of the SERP, senior management is entitled to receive supplemental retirement payments that bring their total pension benefits to a level consistent with their total earnings. Future pension benefits are based on the participants' years of service and earnings.

See Note 17 *Related Party Transactions* for a breakdown of SERP costs by executive position.

Post-retirement benefit plan

WCB provides a contributory benefit plan that provides dental and health care benefits to retirees on pensions between the ages of 55 to 65. As plan participants pay part of the benefit cost, the benefit obligation represents the difference between actual costs and contributions subsidized by WCB.

OTHER BENEFIT PLANS

Long-term disability plan

WCB administers a non-contributory long-term disability (LTD) income continuance plan for its employees, with the WCB Accident Fund covering the obligations of the plan. The LTD liability represents the present value of all future obligations arising from claims incurred during the period.

EMPLOYEE BENEFIT PLAN ASSUMPTIONS

The table below presents key assumptions applicable to WCB's employee future benefit plans.

	2012					2011				
	PSPP	MEPP	SERP	Post Retirement	LTD	PSPP	MEPP	SERP	Post Retirement	LTD
Date of most recent actuarial valuation	12/31/2012	12/31/2012	12/31/2012	12/31/2012	12/31/2012	12/31/2011	12/31/2011	12/31/2011	12/31/2011	12/31/2011
Economic assumptions										
Discount rate (nominal)	4.30%	4.30%	4.50%	4.10%	3.50%	5.30%	5.20%	5.40%	5.00%	4.20%
Alberta inflation rate (long-term)	2.25%	2.25%	2.25%	n/a	n/a	2.25%	2.25%	2.25%	n/a	n/a
Salary escalation rate	varied	3.50%	4.00%	n/a	3.00%	varied	3.50%	4.00%	n/a	3.00%
Multi-employer plan funding assumptions										
WCB share of plan payroll	4.57%	1.34%				4.51%	1.31%			
Effective rate on contributory payroll	14.17%	19.70%				14.17%	19.70%			
WCB's contributions for the current period (\$ thousands)	\$ 11,500	\$ 1,356				\$ 10,021	\$ 1,291			
WCB's expected contributions for the following period (\$ thousands)	\$ 13,925	\$ 1,392				\$ 10,671	\$ 1,315			

DEFINED BENEFIT PLAN LIABILITIES

(\$ thousands)	Pension Liabilities ¹	Other Retirement Liabilities ²	LTD	2012	2011
Change in defined benefit obligation					
Defined benefit obligation, beginning of year	\$ 251,360	\$ 8,242	\$ 11,285	\$ 270,887	\$ 242,819
Current service cost ³	10,288	819	4,237	15,344	11,592
Interest expense ⁴	13,353	449	448	14,250	13,687
Remeasurement (gains) losses ⁵	58,015	(1,733)	(977)	55,305	12,319
Benefit payments	(8,740)	(52)	(1,588)	(10,380)	(9,530)
Defined benefit obligation, end of year	\$ 324,276	\$ 7,725	\$ 13,405	\$ 345,406	\$ 270,887
Change in fair value of plan assets					
Fair value of plan assets, beginning of year	\$ 165,829	\$ -	\$ -	\$ 165,829	\$ 160,228
Employer contributions	12,856	52	1,588	14,496	12,842
Interest income ⁴	8,873	-	-	8,873	9,201
Remeasurement gains (losses) ⁵	12,586	-	-	12,586	(6,917)
Benefit payments	(8,740)	(52)	(1,588)	(10,380)	(9,525)
Fair value of plan assets, end of year	\$ 191,404	\$ -	\$ -	\$ 191,404	\$ 165,829
Net plan liability					
Defined benefit obligation	\$ 324,276	\$ 7,725	\$ 13,405	\$ 345,406	\$ 270,887
Fair value of plan assets	191,404	-	-	191,404	165,829
	\$ 132,872	\$ 7,725	\$ 13,405	\$ 154,002	\$ 105,058

¹ Pension liabilities include WCB's proportionate share of the PSPP and MEPP net unfunded liabilities.

² Other retirement liabilities include SERP and post-retirement benefit plan.

³ Current service costs are presented within Corporate Administration in the statement of comprehensive income.

⁴ Interest expense is presented net of interest income in the statement of comprehensive income.

⁵ Remeasurement gains and losses on plan obligations is presented net of gains and losses on plan assets in the statement of comprehensive income.

RISKS ARISING FROM DEFINED BENEFIT PLANS

Economic risks

Defined benefit plans are directly exposed to economic risks from plan assets invested in capital markets, and indirectly with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to the extremely long tails of post-employment benefits, and health care escalation due to increasingly higher costs of treatment and prescription drugs.

Demographic risks

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates, mortality and morbidity rates, etc.

Multi-employer plan funding risk

In addition to economic and demographic risk factors, WCB is exposed to funding risk in the multi-employer plans arising from:

- Legislative changes affecting eligibility for and amount of pension and related benefits; and
- Performance of plan assets affected by investment policies set by the pension boards.

Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind-up or amendments and mandatory funding requirements.

Sensitivity analysis

The following table shows the effect of a 25 basis point change in the assumed discount rate, inflation rate, and wage inflation rate on WCB's proportionate share of the accrued benefit obligations of PSPP and MEPP. The impacts of the assumption changes on WCB's other employee benefit plans, individually and in aggregate, are immaterial.

(\$ thousands)	2012		2011	
	+0.25%	-0.25%	+0.25%	-0.25%
+/- % change on assumed rates				
Discount rate based on market yields on high-quality corporate bonds	\$ (11,607)	\$ 11,607	\$ (8,937)	\$ 8,937
General inflation rate	\$ 5,100	\$ (5,100)	\$ 4,037	\$ (4,037)
Wage inflation rate	\$ 2,273	\$ (2,273)	\$ 1,801	\$ (1,801)

11. CLAIM BENEFIT LIABILITIES

ACCOUNTING POLICY

The claim benefit liability represents the actuarial present value of all expected future benefit payments for claims occurring before the valuation date and for workplace exposures that may result in recognized occupational disease claims. The liability includes a provision for future costs of managing claims but does not include claims and payments that are on a self-insured basis. Valuation of claim benefit liabilities complies with Standards of Practice issued by the Actuarial Standards Board (ASB) of the Canadian Institute of Actuaries.

Gains and losses resulting from the valuation of the liability arise from differences between actual claims experience and that expected based on the previous valuation, changes to actuarial methods and assumptions as well as changes in policy, legislation and administrative practices. Such gains and losses are recognized in income in the period that they occur.

CHANGE IN ACTUARIAL STANDARDS – LIABILITY FOR LONG LATENCY OCCUPATIONAL DISEASE CLAIMS

In February 2011, the ASB issued new standards of practice for workers' compensation organizations that requires their valuations to include an allowance for all recognized latent occupational disease claims expected to arise in the future as a result of past exposures. This specific requirement is mandatorily effective for valuation dates on and after Dec. 31, 2014, but early adoption is permitted.

The standards of practice require estimation of occupational disease liabilities based on when the workplace exposure to agents that cause such diseases occurs instead of when the disease manifests itself and the claim is accepted. WCB considers this to be a significant change in the existing method for estimating occupational disease liabilities.

WCB concluded that retrospective application is impracticable and as permitted by IAS 8, will apply the new requirements in the earliest period practicable (i.e., in the period of the change and in future periods affected by the change). The cumulative impact on claim benefit liabilities is \$686.4 million, which is fully recognized in the current period.

ACTUARIAL METHODOLOGY AND BASIS OF VALUATION

Claim benefit liabilities have been independently valued at Dec. 31, 2012, by WCB's external actuary. Claim benefit liabilities include a provision for all covered benefits and for the future expenses of administering those benefits, including funding obligations to the Appeals Commission and Medical Panel Office.

Estimated future expenditures are expressed in constant dollars and then discounted at the assumed real rate of return on investments (i.e., the difference between the expected long-term investment earnings and the expected long-term general inflation rate).

The valuation is based on WCB legislation, policies and administrative practices in effect as at the valuation date. Estimation of the liability requires the use of actuarial methods and assumptions that are periodically assessed and adjusted based on frequent monitoring of actual claims experience, the economy, and other relevant factors throughout the year.

Since the claim benefit liabilities of WCB are of a long-term nature, the actuarial assumptions and methods used to calculate the reported claim benefit liabilities are based on considerations of future expenditures over the long term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgement must be exercised in developing these assumptions. Accordingly, changes in conditions within one year of the financial statement date could require material change in recognized amounts in a subsequent period or periods.

See Note 12 *Claim Benefit Risks* for further discussion of measurement uncertainty with respect to valuation of WCB's claim benefit liabilities.

ACTUARIAL ASSUMPTIONS

The most significant economic assumptions for the determination of claim benefit liabilities are the assumed rate of return on invested assets used for discounting expected future benefit payments, and the escalation rates for benefit costs into the future. All actuarial assumptions are determined on a "best estimate" basis except for the real rate of return on investments. The expected long-term investment return assumption is targeted at a 70 per cent probability level, which provides a margin for adverse deviation in the liability.

Long-term economic assumptions for general inflation and wage escalation are developed by using historical statistics and other economic indicators. The cost-of-living allowance assumption is determined by subtracting 0.5 per cent from the long-term general inflation assumption in accordance with policy. Health care escalation is developed from analysis of WCB health care cost experience, taking into consideration the results of external studies. This escalation rate represents general inflation plus excess inflation of 2.5 per cent, covering both the increases in the costs per treatment and in utilization.

The table below presents key long-term economic assumptions used to determine the claim benefit liabilities:

	2012	2011
Nominal rate of return, years 1-4	4.55%	4.55%
Nominal rate of return, years 5 and beyond	5.58%	5.58%
General inflation rate	2.50%	2.50%
Real rate of return, years 1-4	2.00%	2.00%
Real rate of return, years 5 and beyond	3.00%	3.00%
Cost-of-living allowance	2.00%	2.00%
Wage escalation	3.50%	3.50%
Health care escalation	5.00%	6.00%

CHANGES IN CURRENT ASSUMPTIONS

For the 2012 valuation, two of the key long-term economic assumptions were changed — the assumptions for the real rate of return and health care escalation. The annual real rate of return for the 2011 valuation was set at 2 per cent up to 2015 and 3 per cent thereafter, reflecting low bond market yields. The short-term period has been extended to include 2016 as market yields have remained essentially the same. Following an extensive study conducted in 2012, the health care escalation assumption was reduced to 5 per cent per annum, the long-term general inflation rate plus 2.5 per cent. These assumption changes decreased the liability by \$194.8 million.

Various other actuarial assumptions were also changed based on extensive studies completed in 2012 and those changes decreased the liabilities by \$110.5 million.

RECONCILIATION OF CLAIM BENEFIT LIABILITIES

The table below is a reconciliation of the movement in claim benefit liabilities, highlighting the significant changes for each major benefit category.

(\$ thousands)	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Rehabilitation	Claims Management	2012	2011
Claim benefit liabilities, beginning of year	\$ 406,000	\$2,363,200	\$ 510,700	\$1,838,400	\$ 147,100	\$ 363,100	\$ 5,628,500	\$5,278,900
Claim costs recognized during the year								
Provision for future costs of current year injuries	97,600	161,300	26,500	202,300	37,400	65,900	591,000	606,100
Claim benefits processed in the year	72,542	1,842	1,213	124,648	2,971	48,458	251,674	238,409
Total claim costs recognized during the year	170,142	163,142	27,713	326,948	40,371	114,358	842,674	844,509
Claim payments processed during the year								
Payments for current year injuries	(72,542)	(1,842)	(1,213)	(124,648)	(2,971)	(48,458)	(251,674)	(238,409)
Payments for prior years' injuries	(85,038)	(149,490)	(42,432)	(155,416)	(35,330)	(55,255)	(522,961)	(521,014)
	(157,580)	(151,332)	(43,645)	(280,064)	(38,301)	(103,713)	(774,635)	(759,423)
Interest expense on the liability	16,400	103,000	22,100	79,900	5,900	15,200	242,500	228,800
Remeasurement of the liability								
Changes relating to policy, legislation and administrative practices	3,200	12,700	1,500	-	-	-	17,400	7,400
Changes relating to latent occupational diseases	35,800	132,400	82,700	375,600	5,200	54,700	686,400	-
Changes in valuation methods and assumptions								
Change to health care escalation rate	-	-	-	(232,000)	-	-	(232,000)	-
Change to exposure index	-	-	-	-	-	-	-	38,100
Assumptions for Economic Loss Payments	-	(96,500)	-	-	-	-	(96,500)	(47,200)
Lower discount rate related to real rate of return	1,800	17,700	3,600	11,400	600	2,100	37,200	35,600
Other changes in methods and assumptions	-	24,400	-	(34,200)	-	(4,200)	(14,000)	400
Changes in claims experience								
Inflation and wage growth different than expected	(2,500)	(27,000)	(6,700)	(22,900)	(200)	(500)	(59,800)	21,000
Actual costs different than expected	(7,900)	(41,800)	(7,900)	(11,800)	1,600	(700)	(68,500)	12,200
Other experience (gains) losses	(6,562)	(34,010)	(8,968)	(3,084)	730	18,155	(33,739)	(31,786)
	23,838	(12,110)	64,232	83,016	7,930	69,555	236,461	35,714
Claim benefit liabilities, end of year	\$ 458,800	\$2,465,900	\$ 581,100	\$2,048,200	\$ 163,000	\$ 458,500	\$6,175,500	\$5,628,500

See Note 14 *Claims and Claims Management Expenses* for details of the amounts recognized in income for the reporting period.

CLAIMS DEVELOPMENT

The table that follows presents the development of the estimated ultimate cost of claims and claim payments for accident years 2005 - 2012. The top part of the table illustrates how the estimate of total claims benefits for each accident year has changed with more experience over succeeding year-ends. The shaded claims triangle shows the estimated cost of claims for an accident year in the year of accident, one year after the year of accident, two years after the year of accident, and so on and compares the total estimated cost to the actual cumulative payments over the development period. Due to the extremely long duration of many WCB benefit types, significant amounts may be paid out in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefits amount to the discounted amount reported in the statement of financial position.

(\$ thousands)	Accident Year									Total
	Prior Years	2005	2006	2007	2008	2009	2010	2011	2012	
Estimate of cumulative claims benefits										
At end of accident year		1,041,803	1,150,098	1,313,629	1,407,779	1,301,798	1,333,450	1,444,292	1,320,790	
One year later		1,044,701	1,189,008	1,295,318	1,308,486	1,250,394	1,299,370	1,250,437		
Two years later		1,054,176	1,178,679	1,197,062	1,276,380	1,239,500	1,118,489			
Three years later		1,042,662	1,096,841	1,176,070	1,271,144	1,095,702				
Four years later		980,429	1,072,273	1,154,051	1,135,923					
Five years later		957,173	1,079,888	1,035,340						
Six years later		944,210	988,475							
Seven years later		863,301								
Current estimate of cumulative										
claims benefits		863,301	988,475	1,035,340	1,135,923	1,095,702	1,118,489	1,250,437	1,320,790	
Cumulative payments		(383,414)	(408,665)	(405,115)	(417,980)	(363,052)	(331,897)	(335,184)	(203,216)	
Outstanding benefits (undiscounted)	\$5,263,637	\$ 479,887	\$ 579,810	\$ 630,225	\$ 717,943	\$ 732,650	\$ 786,592	\$ 915,253	\$ 1,117,574	\$11,223,571
Effect of discounting	(2,794,238)	(183,887)	(345,010)	(372,626)	(424,142)	(435,850)	(461,592)	(528,452)	(592,474)	(6,138,271)
	2,469,399	296,000	234,800	257,599	293,801	296,800	325,000	386,801	525,100	5,085,300
Claims management ¹										458,500
Latent occupational diseases										631,700
Claim benefit liabilities										<u>\$6,175,500</u>

¹ Claims Management liability includes \$54.7 million for latent occupational diseases.

12. CLAIM BENEFIT RISKS

Because there is no statutory limit on the benefit amount payable or the duration of the risk exposure related to work-related injuries, WCB bears risk with respect to its future claim costs, which could have material implications for liability estimation. In determining WCB's claim benefit liabilities, a primary risk is that the actual benefit payments may exceed the amount estimated in determining the liabilities. This may occur due to changes in claim reporting patterns, frequency and/or size of claim payments or duration of claims. Compensable injuries and benefits payable may also change due to legislation or policy changes. With potentially long claims run-off periods, inflation is also a factor because future costs could escalate at a faster rate than expected.

The uncertainties associated with WCB claim benefit liabilities are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The most significant assumption in the

determination of the claim benefit liabilities is the real rate of return. A reduction in the assumed real rate of return would increase the actuarial present value of the claim benefit liabilities. Wage inflation affects the liabilities through benefits such as vocational rehabilitation and home maintenance allowances. An increase in assumed wage growth would increase the respective liabilities. Health care benefits represent approximately 33 per cent of the claim benefit liabilities. An increase in the assumed health care escalation rate would result in an increase in the liability for health care.

EFFECT OF ASSUMPTION CHANGES ON CLAIM BENEFIT LIABILITIES

The table below shows the sensitivity of the claim benefit liabilities to an immediate 0.25 per cent increase or decrease in the assumed rates:

(\$ thousands)	2012		2011	
	+0.25%	-0.25%	+0.25%	-0.25%
+/- % change on assumed rates				
Real rate of return	\$ (183,700)	\$ 194,500	\$ (161,000)	\$ 168,000
Wage inflation rate	\$ 46,200	\$ (44,300)	\$ 32,000	\$ (31,000)
Health care escalation rate	\$ 78,500	\$ (73,900)	\$ 64,000	\$ (61,000)

13. PREMIUM REVENUE

ACCOUNTING POLICY

Premiums are assessed and due when employers report their insurable earnings for the current year. For employers who have not reported, premiums are estimated and included in the amount receivable. Premium revenue includes estimates for Partnerships in Injury Reduction (PIR) rebates and other items. Premium revenue is fully earned and recognized over the annual coverage period. Any difference between actual and estimated premiums and rebates is adjusted in the following year.

(\$ thousands)	2012	2011
Premiums		
Assessed premium revenue for current year	\$ 1,238,127	\$ 1,082,820
Other premium-related revenue	9,432	12,209
	1,247,559	1,095,029
Deduct: Partnerships in injury reduction rebates	90,339	73,327
	\$ 1,157,220	\$ 1,021,702

Assessed premium revenue includes an accrual of \$16,825 (2011 – \$11,286) for amounts related to yet to be reported insurable earnings for the current period. The accrual has been determined using an internally developed statistical model to estimate the amount of unreported earnings based on actual returns processed to date and historical patterns of processed to unprocessed returns at a specified point in time.

PIR is a voluntary program that pays rebates to those registered employers that have met the eligibility requirements in achieving certain workplace safety targets as specified under the program. Earned rebates are payable in the following year. The estimated rebate amount is based on several factors, including premiums paid, year-over-year improvement in claims experience and safety performance relative to industry benchmarks, among others.

For both premium and PIR accruals, the differences between actual and estimated amounts in past years have not been material.

14. CLAIMS AND CLAIMS MANAGEMENT EXPENSES

The table below presents details of claims and claims management expenses reported in the statement of comprehensive income.

(\$ thousands)	2012			2011
	Current Year Injuries	Prior Years' Injuries	Total	Total
Claims expense				
Provision for future costs of current year injuries ¹	\$ 591,000	\$ -	\$ 591,000	\$ 606,100
Claim payments processed in the year				
Short-term disability	72,542	85,038	157,580	159,374
Long-term disability	1,842	149,490	151,332	148,331
Survivor benefits	1,213	42,432	43,645	44,369
Health care	124,648	155,416	280,064	271,398
Rehabilitation	2,971	35,330	38,301	40,325
	203,216	467,706	670,922	663,797
Claim payments related to prior years²	-	(522,961)	(522,961)	(521,014)
	203,216	(55,255)	147,961	142,783
	\$ 794,216	\$ (55,255)	\$ 738,961	\$ 748,883
Claims management³				
Claims-related administration	48,406	44,861	93,267	84,809
Appeals Commission	51	10,113	10,164	10,532
Medical Panel Office	1	281	282	285
	\$ 48,458	\$ 55,255	\$ 103,713	\$ 95,626
	\$ 842,674	\$ -	\$ 842,674	\$ 844,509

¹ Provision for future costs of current year injuries represents the present value of all future obligations for benefit payments arising from current year injuries.

² Although claim payments relating to prior years injuries are processed in the reporting period, they are not expensed in the current year but are charged to the liabilities established for prior accident years.

³ Claims management represents WCB's internal functional costs related to claims processing as well as funding of the external decision review bodies. Claims management expenses are included in claim benefit liabilities for valuation purposes but are presented separately in the statement of comprehensive income.

15. ADMINISTRATION EXPENSE

WCB's primary administrative functions include:

- **Claims-related administration** – responsible for adjudicating claims, processing benefit payments, and the provision of return-to-work services to claimants.
- **Corporate administration** – provides general management and administrative support.

The table below presents administration expenses broken down by nature of expense and by function:

(\$ thousands)

	Corporate	Claims-related	2012	2011
Administration expenses				
Salaries and employee benefits	\$ 55,329	\$ 106,341	\$ 161,670	\$ 150,372
Technology	12,907	5,997	18,904	18,108
Office	3,820	1,155	4,975	5,280
Occupancy	2,315	5,568	7,883	8,693
Professional fees	1,511	2,468	3,979	4,335
Depreciation and amortization	7,426	6,429	13,855	11,754
Travel	674	461	1,135	1,178
Other	911	281	1,192	1,544
	<u>84,893</u>	<u>128,700</u>	<u>213,593</u>	<u>201,264</u>
Less:				
Cost recoveries - legal action	-	3,300	3,300	3,113
Cost recoveries - other	74	3,635	3,709	3,491
Reclassifications to:				
Claims expense - rehabilitation services	-	28,498	28,498	29,086
Investment Management expense	2,629	-	2,629	2,384
	<u>2,703</u>	<u>35,433</u>	<u>38,136</u>	<u>38,074</u>
	<u>\$ 82,190</u>	<u>\$ 93,267</u>	<u>\$ 175,457</u>	<u>\$ 163,190</u>

16. INVESTMENT INCOME AND EXPENSE

ACCOUNTING POLICY

The primary components of investment income include:

- Gains and losses from investments classified at fair value through income (including gains and losses from remeasurement and from disposition of assets) recognized in income in the period in which they arise;
- Interest revenue accrued using the effective interest method, net of amortization of any premium or discount recognized at date of purchase;
- Dividend income when a right to payment has been established based on the ex-dividend date for quoted securities; and
- Property income (operating income such as rentals and other business revenue) when a right to distributable income has been established.

Investment expense is composed primarily of investment management expenses, for both external and internal portfolio managers. Fund management expenses of pooled investments, excluding investment management fees, are netted against the revenues of those respective funds.

INVESTMENT INCOME

(\$ thousands)

						2012	2011
	Interest	Dividends	Gains (Losses)	Property	Derivatives	Total	Total
Fixed income							
Bonds	\$ 85,604	\$ -	\$ 65,333	\$ -	\$ 5,511	\$ 156,448	\$ 247,999
Mortgages	21,927	-	(6,674)	-	-	15,253	25,903
Short-term investments	3,061	-	-	-	-	3,061	4,179
	110,592	-	58,659	-	5,511	174,762	278,081
Equities							
Domestic equities	-	24,041	52,269	-	-	76,310	(42,260)
Foreign equities	-	42,539	224,594	-	8,954	276,087	(65,040)
	-	66,580	276,863	-	8,954	352,397	(107,300)
Inflation sensitive							
Real estate	-	-	121,320	33,179	-	154,499	140,697
Infrastructure	-	-	81,151	10,734	8,514	100,399	(678)
	-	-	202,471	43,913	8,514	254,898	140,019
	\$ 110,592	\$ 66,580	\$ 537,993	\$ 43,913	\$ 22,979	\$ 782,057	\$ 310,800

INVESTMENT MANAGEMENT EXPENSE

(\$ thousands)	<u>2012</u>	<u>2011</u>
Fund management fees	\$ 26,425	\$ 20,217
Custody fees	371	419
Investment administration	<u>2,629</u>	<u>2,384</u>
	<u>\$ 29,425</u>	<u>\$ 23,020</u>

17. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Alberta Crown corporations, departments, agencies, boards, educational institutions and commissions related to WCB by virtue of common influence by the Government of Alberta. Routine operating transactions in the ordinary course of business are settled at terms equivalent to those for arm's length entities.

Included in related-party transactions are certain funding obligations relating to Occupational Health and Safety, the Appeals Commission and the Medical Panel Office that are in accordance with the applicable legislation and/or regulations. The amounts outstanding at December 31 and transactions throughout the year related to these funding obligations are disclosed in this note.

Key management personnel of WCB, comprised of the Board of Directors and the senior executive and their close family members, are also related parties in accordance with IAS 24 *Related Party Disclosures*. As at the reporting date, there were no business relationships, outstanding amounts or transactions other than compensation between WCB and its key management personnel requiring disclosure in these financial statements.

The amounts outstanding at December 31 and transactions throughout the year with the related parties described above, excluding key management personnel, are as follows:

(\$ thousands)	<u>2012</u>	<u>2011</u>
Receivables	\$ 3	\$ 5
Payables and accruals	<u>\$ 2,297</u>	<u>\$ 2,884</u>
Expenses	<u>\$ 39,083</u>	<u>\$ 38,192</u>

KEY MANAGEMENT COMPENSATION

The tables below present total compensation of the directors and senior management of WCB in accordance with the requirements of the Salary and Benefits Disclosure Directive issued by the Treasury Board of Alberta.

(\$)

	2012				
	Base Salary ¹	Other Cash Benefits ²	Non-Cash Benefits ³	SERP ⁴	Total
Chair, Board of Directors ⁵	\$ -	\$ 55,494	\$ 4,478	\$ -	\$ 59,972
Board Members ⁵	-	135,916	8,201	-	144,117
President and Chief Executive Officer	408,000	216,000	39,724	75,200	738,924
Vice-president, Disability and Information Management	329,000	121,500	34,068	57,200	541,768
Chief Financial Officer	304,000	112,400	36,406	44,600	497,406
Vice-president, Customer Service and Risk Management	289,000	107,150	36,166	48,600	480,916
Vice-president, Employee and Corporate Services	248,000	80,400	35,404	30,600	394,404
Secretary and General Counsel	243,000	78,900	36,936	34,600	393,436
	<u>\$ 1,821,000</u>	<u>\$ 907,760</u>	<u>\$ 231,383</u>	<u>\$ 290,800</u>	<u>\$ 3,250,943</u>
	2011				
Chair, Board of Directors ⁵	\$ -	\$ 83,480	\$ 3,912	\$ -	\$ 87,392
Board Members ⁵	-	105,108	8,710	-	113,818
President and Chief Executive Officer	375,000	199,500	38,459	63,400	676,359
Vice-president, Disability and Information Management	307,000	113,450	32,917	45,900	499,267
Chief Financial Officer	275,000	102,250	35,076	34,200	446,526
Vice-president, Customer Service and Risk Management	275,000	102,250	35,041	42,200	454,491
Vice-president, Employee and Corporate Services	236,000	76,800	33,998	26,500	373,298
Secretary and General Counsel	231,000	75,300	36,214	28,500	371,014
	<u>\$ 1,699,000</u>	<u>\$ 858,138</u>	<u>\$ 224,327</u>	<u>\$ 240,700</u>	<u>\$ 3,022,165</u>

¹ Base salary is pensionable base pay.

² Other cash benefits include performance awards, car allowances and honoraria.

³ Non-cash benefits include employer's share of all employee short-term benefits and payments made to or on behalf of employees including statutory contributions, health care, dental and vision coverage, out-of-country medical benefits, group life and accident insurance, educational costs and professional memberships.

⁴ SERP represents employer's current service cost for benefits accrued under a supplemental executive retirement plan. See Note 10 Employee Benefits for details of the plan, and the following table for the costs and obligations related to each named key management position.

⁵ The Chair of the Board of Directors and the nine Board Members are part-time positions. There were a number of vacancies throughout 2011 and 2012.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(\$)	2012				2011	
	Current Service Cost ¹	Other Costs ²	Net Cost	Accrued Obligation	Net Cost	Accrued Obligation
President and Chief Executive Officer	\$ 75,200	\$ 200,800	\$ 276,000	\$ 990,200	\$ 174,900	\$ 714,200
Vice-president, Disability and Information Management	57,200	178,300	235,500	693,200	136,500	457,700
Chief Financial Officer	44,600	100,100	144,700	409,600	95,800	264,900
Vice-president, Customer Service and Risk Management	48,600	70,900	119,500	508,500	93,600	389,000
Vice-president, Employee and Corporate Services	30,600	60,000	90,600	335,500	59,500	244,900
Secretary and General Counsel	34,600	52,700	87,300	363,900	77,100	276,600
Other senior management and inactive members	155,500	256,100	411,600	1,153,400	244,000	741,800
	<u>\$ 446,300</u>	<u>\$ 918,900</u>	<u>\$ 1,365,200</u>	<u>\$ 4,454,300</u>	<u>\$ 881,400</u>	<u>\$ 3,089,100</u>

¹ Current service cost represents the actuarial present value of future benefit obligations arising from employee service in the current period.

² Other costs include interest on the liability and actuarial gains and losses arising from assumption changes and/or experience.

18. CONTINGENCIES AND INDEMNIFICATION

LEGAL PROCEEDINGS

WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. Based on the total amount of all such actions, WCB has concluded that the outcomes will not have a material effect on the results of operations or financial position.

INDEMNIFICATION AGREEMENTS

In the normal course of operations, WCB enters into contractual agreements that contain standard contract terms that indemnify certain parties against loss. The terms of these indemnification clauses will vary based upon the contract, and/or the occurrence of contingent or future events, the nature of which prevents WCB from making a reasonable estimate of the potential amount that may be payable to those contractual parties. Such indemnifications are not significant, nor has WCB made any payments or accrued any amounts in the financial statements in respect of these indemnifications.

19. SUPPLEMENTAL INFORMATION

(a) Cash and cash equivalents

(\$ thousands)	2012	2011
Cash in transit and in banks	\$ 14,310	\$ 23,164
Cash equivalents	201,598	345,384
Cash and cash equivalents	\$ 215,908	\$ 368,548

Cash equivalents are invested in a portfolio of high-quality, short- to mid-term, highly liquid fixed-income securities that generated an average annual return of 1.2 per cent (2011 – 1.3 per cent).

(b) Trade and other receivables

(\$ thousands)	2012	2011
Premium		
Assessed	\$ 44,076	\$ 37,051
Accrued	16,825	11,286
	60,901	48,337
Other	11,687	3,453
	\$ 72,588	\$ 51,790

Accrued premiums receivable represent premiums related to employers that had not yet reported their insurable earnings by year-end. Substantially all receivables are collected within one year.

(c) Trade and other liabilities

(\$ thousands)	Trade	Other	2012	2011
Trade payables	\$ 35,446	\$ -	\$ 35,446	\$ 35,384
Lease obligations	-	3,982	3,982	4,791
Other liabilities	-	7,364	7,364	6,683
	\$ 35,446	\$ 11,346	\$ 46,792	\$ 46,858
Current portion	\$ 35,446	\$ 2,045	\$ 37,491	\$ 37,386
Non-current portion	-	9,301	9,301	9,472
	\$ 35,446	\$ 11,346	\$ 46,792	\$ 46,858

See Note 9 *Lease and Other Commitments* for details of the lease obligations.

(d) Surplus distributions

(\$ thousands)	Change in Comprehensive Income		Surplus Distributions Payable	
	2012	2011	2012	2011
Surplus distributions, beginning of year			\$ 850	\$ 230,128
Payment of prior years' surplus distributions			-	(227,847)
			850	2,281
Adjustment of prior years' accruals	\$ (649)	\$ (1,431)	(607)	(1,431)
Outstanding balance from prior years			243	850
Surplus distributions authorized for the year	85,490	-	85,490	-
Surplus distributions, end of year	\$ 84,841	\$ (1,431)	\$ 85,733	\$ 850

Substantially all surplus distributions are paid within one year.

(e) Safety rebates

(\$ thousands)	2012	2011
Safety rebates payable, beginning of year	\$ 73,327	\$ 81,204
Payment of prior years' rebates	(72,182)	(75,576)
	1,145	5,628
Adjustment of prior years' accruals	2,051	(4,549)
Outstanding balance from prior years	3,196	1,079
Rebates for the year	87,143	72,248
Safety rebates payable, end of year	\$ 90,339	\$ 73,327

Safety rebates represent amounts recognized under the PIR program. See Note 13 *Premium Revenue* for further discussion of the PIR program.

(f) Injury reduction

(\$ thousands)	2012	2011
Occupational Health and Safety	\$ 28,968	\$ 27,694
Industry safety associations	17,800	17,934
	\$ 46,768	\$ 45,628

Injury reduction is composed of statutory funding of Occupational Health and Safety and voluntary premium levies to fund industry-sponsored safety associations.

Appendix: Glossary

Asset-liability management

A risk management approach that ensures sufficiency of resources to discharge specified obligations by managing the risk characteristics of invested assets relative to liabilities for such factors as yields, duration, volatility and default.

Asset-liability study

A financial model for determining the appropriate amount and mix of investment assets, given a specified level of risk, to generate a return that is sufficient to fund the interest requirement of claim benefit liabilities.

Average premium rate

Calculated as total revenue requirements divided by the projected insurable earnings for the premium year.

Currency overlay

A foreign-currency risk management strategy used in international investment portfolios to separate the management of currency risk from the asset allocation and security selection decisions of the fund managers.

Derivative

A **financial instrument** whose characteristics and value depend on the characteristics and value of an underlying security, typically a commodity, bond, equity or currency. Examples of derivatives include futures and options. Derivatives are used to manage risk associated with the underlying security, to protect against fluctuations in value or to profit from periods of inactivity or decline.

Fair value

The amount of the consideration that would be agreed to in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. In the context of investments, fair value is generally synonymous with market value.

Financial instrument

Any contract that gives rise to a financial asset (e.g., cash equivalent, accounts or note receivable, share security) of one party and a financial liability (e.g., accounts or note payable, bond) or equity instrument (e.g., stock option, warrant) of another party.

Financial risk

The possibility or chance that an investment's return will be other than expected, resulting in a negative outcome. The negative outcome would be associated with the possibility of losing some or all of the original investment, or adverse changes in its cash flows. For a specific investment, risk is usually measured by calculating the standard deviation of its historical or average returns.

Hedging

A portfolio management activity designed to modify an entity's exposure to one or more financial risks by creating an offset between changes in the fair value of or the cash flows attributable to the hedged item and the hedging item (or the changes resulting from a particular risk exposure relating to those items).

Margin for adverse deviation

A risk margin that addresses the uncertainty arising from statistical fluctuations and data anomalies that are inherent in long term actuarial assumptions.

Meredith Principles

The framework outlined in then-Chief Justice of Ontario Sir William Meredith's report on workers' compensation in 1913, now commonly known as the Meredith Principles:

- Workers receive compensation benefits regardless of fault for work-related injuries.
- Employers share collective liability for the costs of work-related injuries and, in return, employees waive the right to sue.
- Injured workers are entitled to prompt payment of benefits, and guaranteed future payments.
- The workers' compensation agency has exclusive jurisdiction over all legal matters arising out of the enabling legislation.
- The agency is financially independent of the government and enjoys full autonomy over all administrative and adjudicative matters.

Real discount rate

The rate used to discount the actuarial projections of all future claim benefit payments back to present value. The rate is based on the real rate of return that the investment portfolio is expected to generate over the long term, at a 70 per cent probability level. This provides the mechanism for generating a margin for adverse deviation in the claim benefit liability. The real discount rate is also called the net discount rate.

Real rate of return

The annual percentage return realized on an investment, adjusted for changes in prices due to inflation or deflation.

Return

The interest and dividend income and the capital gains or losses associated with an investment. The return is usually quoted as a percentage of the investment's market value (market return) or its book value (book return). Performance of an investment or a pool of investments is the actual rate of return over a given evaluation period.

Risk

In general, the possibility or chance that a future event or outcome will be different than expected, and will lead to a loss. See also **financial risk**.



Other Information

HUMAN SERVICES ANNUAL
REPORT

Ministry of Human Services
Statement of Remissions, Compromises and Write-Offs
For the Year Ending March 31, 2013

The following Statement has been prepared pursuant to section 23 of the *Financial Administration Act*. The Statement includes all Remissions, Compromises and Write-offs of the Ministry of Human Services made or approved during the Fiscal Year.

	(in thousands)
Remissions under section 21 of the <i>Financial Administration Act</i> :	\$ -
Compromises under section 22 of the <i>Financial Administration Act</i> :	
Income Support, Assured Income for Severely Handicapped, Alberta Adult Health Benefit	6
Bankruptcies:	
Income Support, Assured Income for Severely Handicapped, Alberta Adult Health Benefit	160
Write-Offs:	
Income Support, Assured Income for Severely Handicapped, Alberta Adult Health Benefit	2,944
Third Party	3
Widow's Pension	1
Child Care Subsidy and Supports	944
Other	41
Subtotal	3,933
TOTAL	\$ 4,099



Office of the Public Trustee

FINANCIAL STATEMENTS

**OFFICE OF THE PUBLIC TRUSTEE
ESTATES AND TRUSTS**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2013

Management's Report

Independent Auditor's Report

Statements of Operations

Statements of Financial Position

Statements of Cash Flows

Statements of Changes in Net Assets

Statement of Remeasurement Gains and Losses

Notes to the Financial Statements

Schedule 1

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for all areas except trust assets under administration. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Trustees are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Trustees. The Trustees reviews external audited financial statements annually.

The external auditors, Auditor General of Alberta, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Office of the Public Trustee and meet when required.

On behalf of the Office of the Public Trustee

(original signed by)

Brenda Lee Doyle
Assistant Deputy Minister
Disability Services Division
Human Services

(original signed by)

Leslie A. Hills
Public Trustee (Acting)

June 6, 2013

Independent Auditor's Report



To the Minister of Human Services

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the Public Trustee, Estates and Trusts, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations, cash flows and changes in net assets for the years ended March 31, 2013 and March 31, 2012, the statement of rereasurement gains and losses for the year ended March 31, 2013 and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management using the described basis of accounting in Note 2.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described in Note 2. This includes determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Public Trustee, Estates and Trusts as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, and its rereasurement gains and losses for the year ended March 31, 2013 in accordance with the basis of accounting described in Note 2.

Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to account for assets held in trust under the *Public Trustee Act*. As a result, the financial statements may not be suitable for another purpose.

[Original signed by Merwan N. Saher, FCA]

June 6, 2013

Edmonton, Alberta

**OFFICE OF THE PUBLIC TRUSTEE
ESTATES AND TRUSTS
STATEMENTS OF OPERATIONS
Years Ended March 31,**

	2013	2012
	(in thousands)	
Revenues		
Interest and Dividends (Note 5)	\$ 16,149	\$ 18,436
Pensions, Benefits and Settlements	104,345	97,078
Common Fund Realized Gains and Losses	1,010	1,243
	121,504	116,757
Expenditures		
Client Care and Maintenance	64,553	63,222
Administrative Fees (Note 2(b))	5,303	5,152
Management Fees	783	843
Transfer to General Revenue Fund	3,726	2,924
	74,365	72,141
Excess of Revenues Over Expenditures	\$ 47,139	\$ 44,616

The accompanying notes and schedules are an integral part of these financial statements

**OFFICE OF THE PUBLIC TRUSTEE
ESTATES AND TRUSTS
STATEMENTS OF FINANCIAL POSITION
As at**

	March 31,		April 1,
	2013	2012	2011
	(in thousands)		
Assets			
Cash and Cash Equivalents (Note 7)	\$ 10,804	\$ 19,428	\$ 14,021
Interest and Dividends Receivable	3,765	4,203	4,673
Common Fund Investments (Note 8)	478,776	454,339	443,071
Other Trust Assets Under Administration (Note 9(a))	107,678	98,988	96,606
	<u>\$ 601,023</u>	<u>\$ 576,958</u>	<u>\$ 558,371</u>
Liabilities			
Accounts Payable and Accrued Liabilities (Note 10)	\$ 3,889	\$ 3,079	\$ 2,107
Clients' Accounts, Mortgages, and Loans Payable (Note 11)	34,332	30,812	27,495
	<u>38,221</u>	<u>33,891</u>	<u>29,602</u>
Net assets			
Clients' Equity	491,805	471,371	459,303
Accumulated Surplus	71,232	71,696	69,466
	<u>563,037</u>	<u>543,067</u>	<u>528,769</u>
Accumulated Remeasurement Gains and (Losses)	(235)	-	-
	<u>562,802</u>	<u>543,067</u>	<u>528,769</u>
	<u>\$ 601,023</u>	<u>\$ 576,958</u>	<u>\$ 558,371</u>

Contingent Liabilities (Note 13)

The accompanying notes and schedules are an integral part of these financial statements

**OFFICE OF THE PUBLIC TRUSTEE
ESTATES AND TRUSTS
STATEMENTS OF CASH FLOWS
Years Ended March 31,**

	2013	2012
	(in thousands)	
Operating Transactions		
Excess of Revenues over Expenditures	\$ 47,139	\$ 44,616
Non-cash Items:		
Clients' Interest Income	(508)	(772)
General Revenue Fund	3,726	2,924
Amortization of Premium and Discounts	3,274	2,391
	53,631	49,159
Decrease in Accounts Receivable	438	470
Increase in Accounts Payable and Accrued Liabilities	8	12
Cash Provided by Operating Transactions	54,077	49,641
 Capital Transactions		
Acquisition of Tangible Capital Assets	(3,279)	(3,345)
Proceeds on Sale of Tangible Capital Assets	11,692	14,831
Cash Provided by Capital Transactions	8,413	11,486
 Investing Transactions		
Purchase of Portfolio Investments	(306,957)	(202,481)
Disposal of Portfolio Investments	279,011	188,822
Cash Applied to Investing Transactions	(27,946)	(13,659)
 Financing Transactions		
Distributions to Clients, Beneficiaries and Heirs	(40,244)	(40,097)
Transfer to General Revenue Fund	(2,924)	(1,964)
Cash provided by (applied to) Financing Transactions	(43,168)	(42,061)
Increase (Decrease) in Cash and Cash Equivalent	(8,624)	5,407
Cash and Cash Equivalents at Beginning of year	19,428	14,021
Cash and Cash Equivalents at End of year	\$ 10,804	\$ 19,428

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

**OFFICE OF THE PUBLIC TRUSTEE
ESTATES AND TRUSTS
STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31,**

	2013			2012		
	(in thousands)					
	Clients' Equity	Accumulated Surplus	Total	Clients' Equity	Accumulated Surplus	Total
Net Assets, Opening	471,371	71,696	543,067	459,303	69,466	528,769
Excess of Revenues over Expenditures	-	47,139	47,139	-	44,616	44,616
Allocated to Clients for Future Distribution:						
Interest from Common Fund Earnings	12,606	(12,606)	-	12,910	(12,910)	-
Excess of Revenues over Expenditures (Note 6)	34,997	(34,997)	-	29,476	(29,476)	-
Other Trust Assets Acquired (Note 9(b))	29,881	-	29,881	33,006	-	33,006
Assets Released to Clients, Beneficiaries and Heirs	(16,806)	-	(16,806)	(23,227)	-	(23,227)
Cash Distributions to Clients, Beneficiaries and Heirs	(40,244)	-	(40,244)	(40,097)	-	(40,097)
Net Assets, End of year	<u>491,805</u>	<u>71,232</u>	<u>563,037</u>	<u>471,371</u>	<u>71,696</u>	<u>543,067</u>

The accompanying notes and schedules are an integral part of the financial statements.

**OFFICE OF THE PUBLIC TRUSTEE
ESTATES AND TRUSTS
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
Year Ended March 31,**

	2013
	(in thousands)
Unrealized Losses Attributable to:	
Investments	\$ 1,221
Foreign Exchange	-
Amounts Reclassified to the Statements of Operations:	
Investments	(74)
Foreign Exchange	-
Net Remeasurement Losses for the Year	1,147
Accumulated Remeasurement (Losses) Upon Adoption of PS 3450, April 1, 2012	(1,382)
Accumulated Remeasurement Gains and (Losses) at End of Year	\$ (235)

The accompanying notes and schedules are an integral part of the financial statements.

**OFFICE OF THE PUBLIC TRUSTEE
ESTATES AND TRUSTS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2013**

Note 1 AUTHORITY AND PURPOSE

Office of The Public Trustee of Alberta ("Public Trustee") was established in 1949 pursuant to the *Public Trustee Act* and now operates under the authority of the *Public Trustee Act, SA 2004, C.P. 44.1*, ("the *Act*") and other provincial statutes to protect the financial interests of vulnerable Albertans by administering the estates of represented adults, decedents and minors.

The mandate of the Public Trustee is to:

- a) Administer the property and finances of adults who are incapable of managing their financial affairs;
- b) Administer the estate of deceased persons
- c) Protect property rights of children under eighteen years of age
- d) Management of Common Fund

The *Public Trustee Act* Section 31(2) requires (with certain exceptions) that the money received by the Public Trustee for a client to be paid into the Common Fund. Section 33(3) requires any amount paid into the Common Fund for a client under section 31(2) to be credited to the client's guaranteed account (Schedule 1) with the Public Trustee. Section 31(4) of the *Act* states that no client or other person has any claim to or against the Common Fund except as provided by section 33. Section 33(6) states that the amount outstanding on a client's guaranteed account is a charge against the assets of the Common Fund and is unconditionally guaranteed by the Crown. Section 32(1) of the *Act* states that assets may be transferred out of the Common Fund only as expressly required or permitted under the *Act*.

Section 32(2) allows funds to be transferred out of the Common Fund to pay the client, to pay an expense or liability of the client. Amounts transferred from the Common Fund under section 32(2) are deducted from the client's guaranteed account.

Section 34 of the *Act* states that the Public Trustee, in accordance with the *Public Trustee Investment Regulation (Regulation)*, sets the interest rate to be credited to client guaranteed accounts.

On May 8, 2012, the government announced cabinet restructuring. As a result, the responsibility for the Office of the Public Trustee was transferred from the Ministry of Justice to the Ministry of Human Services.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Financial Reporting

The financial statements have been presented to report on OPT's fiduciary responsibilities in respect of the administration of client trusts and estates and Common Fund as required under the Public Trustee Act and the Public Trustee Investment Regulation (Regulation).

These financial statements reflect the operations of the Common Fund and the assets held in trust and activity for the estates and trusts administered by Office of the Public Trustee.

The operating costs of Office of the Public Trustee are paid by the Ministry of Human Services. As such, the operating costs are not included in these statements and can be found in the financial statements of the Ministry.

All balances except for other trust assets under administration have been prepared in accordance with Canadian public sector accounting standards. The accounting policies for other trust assets are described in Note 2(c).

(b) Common Fund Investments – Public Sector Accounting Standards

Commencing with the 2011-12 fiscal year, Office of the Public Trustee (OPT) has adopted Canadian public sector accounting standards ("PSAS") for all areas except other trust assets under administration. These financial statements are the first financial statements for which OPT has applied Canadian PSAS. The adoption of PSAS is accounted for by retroactive application of prior years; except for the accounting standards contained in PS 3450 as these Standards specifically prohibit retroactive application.

The effect of transition on the Excess of Revenues Over Expenditures for the year ended 2012 is reconciled as follows:

	(in thousands)
Net Income previously reported in Common Fund Statement of Revenues and Expenses	\$ 15,140
Interest income not recorded in Common Fund Statement of Revenue and Expenses	772
Client pensions, benefits and settlements	97,078
Estate administration fees	(5,152)
Client Care and Maintenance	(63,222)
Excess of Revenues Over Expenditures	<u>\$ 44,616</u>

Effective April 1, 2012, the Public Trustee implemented PS 3450 - financial instruments, required for government organizations with fiscal years beginning on or after April 1, 2012. PS 3450 establishes standards on how to account for and report all types of financial instruments. The new standard is applied prospectively and the comparative results have not been restated. The adoption of this standard is reflected in the statement of remeasurement gains and losses and the associated disclosure is included in the notes where applicable.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

When a financial instrument is derecognized, the cumulative amount of the remeasurement gain or loss previously reported is reversed and the gain or loss on the disposal of units held by the Common Fund is recognized in the statements of operations.

The primary changes to the financial statements from the previous year are as follows:

The carrying value of all financial instruments included in the Common Fund is measured at cost or fair value to correspond with how they are evaluated and managed. Prior to April 1, 2012, Common Fund investments were recorded at cost.

Unrealized gains and losses are recorded in the new statement of remeasurement gains and losses. Prior to April 1, 2012, unrealized gains and losses were not recorded in the financial statements. This accounting change decreased the April 1, 2012 opening balance of Common Fund investments and accumulated remeasurement gains by \$1,382,000.

Disclosure of the hierarchy of inputs used in the determination of fair value for investments is reported according to the following levels:

- (a) Level one: fair value is based on quoted prices in an active market.
- (b) Level two: fair value is based on model-based valuations methods for which all significant assumptions are observable in the market or quoted prices for similar but not identical assets.
- (c) Level three: fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation.

Reporting Entity

These financial statements reflect the assets and liabilities of common funds and estates and trusts under the administration of the Public Trustee of Alberta. In addition, these financial statements reflect the annual changes in those assets and liabilities including:

- i) Revenue earned on behalf of clients;
- ii) Income received on behalf of clients;
- iii) New client account additions;
- iv) Released client withdrawals
- v) Payment made on behalf of clients; and
- vi) Administration fees payable to the Ministry

The clients' equity represents funds that are available for distribution to the beneficiaries of clients or clients.

Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The amount not received prior to the year-end is reported as accounts receivable. Purchase price premiums or discounts are amortized on a straight-line basis over the remaining term of the investment. Realized gains and losses on the

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

disposition of common fund investments are recorded on the date of trade of the disposal transaction.

A portion of revenues generated by common fund investments are credited to clients' equity. Section 34 of the Act states that the Public Trustee shall set the interest rate for each category of guaranteed accounts in accordance with the Regulation. The interest is calculated on the minimum daily balance of each client's account according to the Regulation and is credited to the client's account monthly. The interest rate as at March 31, 2013 is 3.0% (2012 – 3.25%).

Expenses

All expenses are reported on the accrual basis of accounting. The cost of all goods consumed and services received during the year are expensed. Transfers from the common fund to the General Revenue Fund, investment management expenses related to the common fund investments, and assurance payments are recorded using the accrual basis of accounting with amounts incurred in the fiscal year but not paid prior to yearend reflected as accounts payable and accrued liabilities.

Administrative Fees

Public Trustee fees on all official guardian accounts are calculated and collected in the month of the annual anniversary of the opening of the file. Fees are accrued for the period from the anniversary date to the date of financial statements.

Public Trustee fees for represented adult accounts are calculated and collected annually on the trust's anniversary date. Fees are accrued for the period from the anniversary date to the date of financial statements.

Public Trustee fees on decedent accounts are not charged until the trust or account is distributed. Fees are accrued from the period of the date the trust account was opened until the date of financial statements.

In addition to the above stated administration fees the Public Trustee may, in accordance with section 40(1)(a) of the Act, charge the client any fee that the Public Trustee deems is reasonable for any service. Under section 40(1)(b), the Public Trustee is entitled to collect from the client any expense reasonably incurred on the client's behalf.

Administration fees paid by the clients to OPT, with the exception of cost recoveries, are remitted to the Minister of Finance and are included in the revenue of the Ministry of Human Services.

Net Assets / Net Liabilities

Net assets/net liabilities represent the difference between the assets held by OPT and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" as an indicator of the future revenues required to pay for past transactions and events. Office of the Public Trustee operates within the government reporting entity

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

Common Fund Investments

Common fund investments consist of bonds, debentures, mortgages and shares. The long term investments, except shares, are reported at amortized costs less any write-downs associated with a loss in value that is other than a temporary decline. Discounts and premiums arising on the purchase of fixed income securities are amortized over the term of the investment. Shares are stated at market value determined with reference to quoted market value.

Short-term investments are stated at cost, which approximates market value.

(c) Other Trust Assets Under Administration – Basis of Accounting

Trust assets under administration consist of accounts receivable, investments, real property and other assets that are held outside of the common fund. Assets acquired through new clients are recorded as direct increases to net assets and not as revenue. When assets are disposed of back to the beneficiary they are removed from net assets and not recorded as an expense.

Accounts Receivable

Accounts receivable consist of mortgages, loans, external bank account balances prior to the transfer to the Public Trustee, pension plan and other benefit and miscellaneous receivables. The accounts receivable are recorded at their estimated fair value.

Clients' Investments Outside of Common Fund

Clients' investments outside of common fund consists of retirement plans, registered disability savings plans (RDSPs), guaranteed investment certificates and deposits, Government bonds and shares and other securities. These assets are valued at fair value based on the information available at the time OPT assumes responsibility. The investments are not adjusted to fair value due to numerous unique client investments, which are not practical to determine their market value. The cost based approach for investments is considered most appropriate, since the change in value is not easily measurable and not actively managed by OPT. It directly benefits the clients and results in the settlement amounts.

**Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(cont'd)**

Structured Settlements and Annuities

Structured Settlements and Annuities are recorded at the present value of their guaranteed term. If there is not a guaranteed term, the settlement or annuity is recorded at a nominal value of \$1.

Real Property

Real property consisting of land and buildings are tangible capital assets and are recorded at cost. The cost is considered to be the initially recorded fair value based on the property tax assessments and other information at the time OPT assumes responsibility for the property.

Depreciation is not appropriate considering the intention for use as a primary residence for most of the clients.

Other Assets

Other assets are stated at amounts determined from information available to OPT at the date the Trustee assumes responsibility of the assets. Subsequent adjustments are made if additional valuation information is received. If no valuation is available, these assets are recorded at a nominal value of \$1.

Clients' Accounts, Mortgages and Loans Payable

Client accounts, mortgages and notes payable represent the administration fees payable to OPT and the encumbrances of client assets that are payable to independent third parties. These client obligations are settled as client resources become available. In some cases, a client's liabilities exceed the stated value of his/her assets. These items are included as accounts payable when they have been verified by the creditor and are paid as the resources of the client become available.

Liabilities

All liabilities are recorded at their estimated fair value at the date of assumption of the liability.

The carrying value of all liabilities approximates their fair value.

Net Assets

Net assets represent the difference between the assets held by Public Trustee and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, interest and dividends receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments. Fair values of mortgages and loans payable are not reported due to there being no organized financial market for the instruments and it

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Note 3 MEASUREMENT UNCERTAINTY

Measurement uncertainty exists when there is a variance between the recognized or described amount and another reasonably possible amount. In particular, the fair value of many assets is estimated at the time that OPT assumes the responsibility for the assets. Actual results could differ from those estimates.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses for the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Note 4 BUDGET

Budget amounts have not been disclosed as Public Trustee's nature of operations does not provide for relevant budget amounts to be reasonably determined.

Note 5 INTEREST AND DIVIDENDS

	March 31,	
	2013	2012
	(in thousands)	
Interest and Dividends from Common Fund Investments	\$ 15,641	\$ 17,664
Interest and Dividends from Clients' Investments outside of Common Fund	508	772
Interest and Dividends	\$ 16,149	\$ 18,436

Note 6 ALLOCATED TO CLIENTS FOR FUTURE DISTRIBUTION - EXCESS OF REVENUES OVER EXPENDITURES

	March 31,	
	2013	2012
	(in thousands)	
Interest and Dividends from Clients' Investments outside of Common Fund (Note 6)	\$ 508	\$ 772
Pension, Benefits and Settlements	104,345	97,078
Total Revenues	104,853	97,850
Client Care and Maintenance	64,553	63,222
Administrative Fees	5,303	5,152
Total Expenses	69,856	68,374
Allocated to Clients for Future Distribution - Excess of Revenues over Expenditures	\$34,997	\$ 29,476

Note 7 CASH AND CASH EQUIVALENTS

	March 31,		April 1,
	2013	2012	2011
	(in thousands)		
Operating Bank Accounts	\$ 8,767	\$ 17,416	\$ 12,034
Consolidated Cash Investment Trust Fund (CCITF)	2,037	2,012	1,987
Total	\$ 10,804	\$ 19,428	\$ 14,021

Cash and Cash Equivalents in the Consolidated Cash Investment Trust Fund (CCITF) is administered by the Ministry of Finance with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio comprises high quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2013, securities held by the CCITF have a time-weighted rate of return of 1.25% per annum (2012 – 1.3%; 2011 – 1.1% per annum).

Note 8 COMMON FUND INVESTMENTS

	2013	2012	2011
Items at Cost or Amortized Cost			
Interest Bearing Securities	\$ 456,433	\$ 427,294	\$ 425,541
Equities	-	14,629	13,723
Others	-	12,416	3,807
	<u>\$ 456,433</u>	<u>\$ 454,339</u>	<u>\$ 443,071</u>
Quoted Market Value	<u>\$ 467,195</u>	<u>\$ 464,797</u>	<u>\$ 451,254</u>
Items at Fair Value			
Equities Listed in Active Market	\$14,551	\$ -	\$ -
Others Designated to Fair Value Category	7,792	-	-
	<u>22,343</u>	<u>-</u>	<u>-</u>
Total Common Fund Investments	<u><u>\$ 478,776</u></u>	<u><u>\$ 454,339</u></u>	<u><u>\$ 443,071</u></u>

Fair Value Hierarchy

The table below provides a summary of management's estimate of the relative reliability of data or inputs used by OPT to measure the fair value of OPT's investments. The measure of reliability is determined based on the following three levels:

Level One: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one includes primarily traded listed equity investments.

Level Two: Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spread.

Level Three: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

	Level One	Level Two	Level Three	Total
Equities Listed in Active Market	\$ 14,551	\$ -	\$ -	\$ 14,551
Others Designated To Fair Value Category	7,792	-	-	7,792
March 31, 2013 - Total Amount	<u>\$ 22,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,343</u>
- Percent	4.7%	-	-	4.7%

Note 8 COMMON FUND INVESTMENTS (cont'd)

Financial Risk Management

OPT is exposed to financial risks associated with the underlying securities held in the investment funds. These financial risks include credit risk, market risk and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Fund will not be able to meet its obligations as they fall due.

OPT investments are managed in accordance with the Statement of Investment Policies and Goals (SIP&G). The policy and guidelines are designed to mitigate risks by placing restrictions on the overall content, quality and quantity of permitted investments. Pursuant to the policy and guidelines, the investments are high quality, highly rated fixed income securities, equity investments in Canadian and foreign currency and mortgages. Exposure to foreign currencies has provided diversification benefits.

OPT works with an investment advisor and an investment manager that actively manages the asset class allocations based on the policies and guidelines in the SIP&G. On a quarterly basis, the investment manager provides performance and compliance reports and meets with the Public Trustee and investment advisor.

The portfolio does not currently hold derivatives.

(a) Credit Risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honor its financial obligations with OPT. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments is directly or indirectly impacted by credit risk to some degree. OPT's investments in debt securities are with counterparties considered to be investment grade.

(b) Foreign Currency Risk

OPT is exposed to foreign currency risk associated with 2% of the underlying securities held in the common fund investments. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate.

(c) Interest Rate Risk

OPT is exposed to interest rate risk associated with the underlying interest-bearing securities held in the investment funds. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all

Note 8 COMMON FUND INVESTMENTS (cont'd)

other variables are held constant, the potential loss in fair value to OPT would be approximately 2.8% (March 31, 2012 – 2.5%) of total investments.

Approximately 4% of interest-bearing securities are invested with variable interest rate with minimum interest rate risk exposure.

(d) Price Risk

Price risk relates to the possibility that equity investments will change in fair value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. OPT is exposed to price risk associated with the underlying equity investments held in investment funds. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to OPT would be approximately 0.2% (March 31, 2012 – 0.2%) of total investments.

(e) Liquidity Risk

Liquidity risk arises if OPT should encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of OPT are met through income generated from investments, clients' revenue and by investing in publicly traded liquid assets traded in active market that are easily sold and converted to cash. These sources of cash are used to pay clients' obligations, their operating expenses and settle clients' final payments associated with the termination of OPT's responsibilities towards clients.

OPT currently has minimal liquidity risk.

Note 9 OTHER TRUST ASSETS UNDER ADMINISTRATION

(a) Trust assets under administration consist of:

	March 31,		April 1,
	2013	2012	2011
	(in thousands)		
Accounts Receivable	\$ 5,353	\$ 5,153	\$ 3,591
Clients' Investments Outside the Common Fund	38,290	33,474	30,672
Structured Settlements and Annuities	39,275	36,951	37,538
Real Property	23,744	22,369	24,040
Other Assets	1,016	1,041	765
Total Other Trust Assets Under Administration	\$ 107,678	\$ 98,988	\$ 96,606
Clients' Accounts, Mortgages, and Loans Payable	(34,332)	(30,812)	(27,495)
Other Trust Assets Under Administration, net	73,346	68,176	69,111
Increase/(Decrease) in Other Trust Assets Under Administration, net	\$ 5,170	\$ (935)	-

Note 8 OTHER TRUST ASSETS UNDER ADMINISTRATION (cont'd)

(b) Trust Assets Acquired

	March 31,	
	2013	2012
	(in thousands)	
Increase/(Decrease) in trust assets Under Administration, net (Note 10(a))	\$ 5,170	(935)
Add back:		
Assets Released to Clients, Beneficiaries and Heirs	16,806	23,227
Proceeds on Sale of Tangible Capital Assets	11,692	14,831
Less:		
Acquisition of Tangible Capital Assets	(3,279)	(3,345)
Interest received from Investments Outside of Common Fund	(508)	(772)
Trust Assets Acquired	<u>\$ 29,881</u>	<u>\$ 33,006</u>

Note 10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31,		April 1,
	2013	2012	2011
	(in thousands)		
Transfer from common fund to the General Revenue Fund	\$ 3,726	\$ 2,924	\$ 1,964
Accrued Investment Fees Payable	163	155	143
Accounts Payable and Accrued Liabilities	<u>\$ 3,889</u>	<u>\$ 3,079</u>	<u>\$ 2,107</u>

Note 11 CLIENTS' ACCOUNTS, MORTGAGES AND LOANS PAYABLE

	March 31,		April 1,
	2013	2012	2011
	(in thousands)		
Administrative fees payable	\$ 7,931	\$ 8,164	\$ 8,735
Accounts payable	7,608	7,056	7,826
Mortgages and loans payable	18,793	15,592	10,934
Clients' Accounts, Mortgages and Loans Payable	<u>\$ 34,332</u>	<u>\$ 30,812</u>	<u>\$ 27,495</u>

The five year repayment schedule for Mortgage and loans payable is not presented due to the uncertainty in timing for the clients' account settlements.

Note 12 RELATED PARTY TRANSACTIONS

	March 31, 2013	March 31, 2012	April 1, 2011
	(in thousands)		
Statements of Financial Position			
Transfer from common fund to the General Revenue Fund	\$ 3,726	\$ 2,924	\$ 1,964
Administration Fees Payable (included in Clients' Accounts, Mortgages and Loans Payable)	7,931	8,164	8,735
Statement of Operations			
Administration fees for the year ended March 31	\$ 5,303	\$ 5,152	-
Transfer from common fund to the General Revenue Fund for the year ended March 31	3,726	2,924	-

Estate administration fees charged to clients' accounts, with the exception of cost recoveries, are remitted to the Minister of Finance and Treasury Board and are included in the revenues of the Ministry of Human Services.

The operating costs of OPT are included in the financial statements of the Ministry of Human Services. For the year ended March 31, 2013, those operating costs were \$15,564 (2012 - \$15,958).

Note 13 CONTINGENT LIABILITIES (in thousands)

The OPT has been named in 8 (2012: 9; 2011: 9) claims of which the outcome is not determinable. Of these claims, 7 (2012: 8; 2011: 7) have specified amounts totalling \$928,680 (2012: \$928,732; 2011: \$926,732). The remaining 1 (2012: 1; 2011: 2) claim has no amounts specified. Included in the total claims, 8 claims totalling \$928,680 (2012: 6 claims totalling \$921,900; 2011: 5 claims totalling \$913,400) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Note 14 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

Note 15 APPROVAL OF FINANCIAL STATEMENTS

The Assistant Deputy Minister of Human Services – Disability Services Division and the Public Trustee approved these financial statements.

Office of the Public Trustee
Clients' Guaranteed Accounts

Reconciliation of clients' guaranteed amounts

	March 31,	April 1,	
	2013	2012	2011
	(in thousands)		
Clients' Equity	\$ 491,805	\$ 471,371	\$ 459,303
Clients' Mortgages Loans and Accounts Payable	34,332	30,812	27,495
Total Clients' Liabilities and Equity	<u>526,137</u>	<u>502,183</u>	<u>486,798</u>
Less: Other Trust Assets Under Administration	107,678	98,988	96,606
Clients' Guaranteed Accounts	<u>\$ 418,459</u>	<u>\$ 403,195</u>	<u>\$ 390,192</u>