

# Human Services

Annual Report  
2011-2012

*Alberta* 

This report was prepared on behalf of the Ministry by the Department of Human Services in collaboration with the Alberta Labour Relations Board and the Appeals Commission for Alberta Workers' Compensation.

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# Human Services

## Annual Report

2011-2012

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# Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains Ministers' accountability statements, the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

On October 12, 2011, the government announced new ministry structures. The 2011-12 ministry annual reports and financial statements have been prepared based on the October 12, 2011 ministry structure.

The Ministry of Human Services is comprised of the former Ministries of Employment and Immigration and Children and Youth Services; Homeless Supports, from the former Ministry of Housing and Urban Affairs; and Alberta Supports from the Ministry of Seniors.

**This annual report of the Ministry of Human Services contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. The Ministry annual report also includes:**

- **The financial statements of entities making up the Ministry including the Department of Human Services, 10 Child and Family Services Authorities and the Workers' Compensation, Board for which the Minister is responsible; and**
- **Other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report; and financial information relating to trust funds.**

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministry of Human Services was restructured. The Ministry's responsibility for Immigration was moved to the Ministry of Enterprise and Advanced Education. Persons with Development Disabilities (PDD) & Assured Income for Severely Handicapped (AISH) programs were also transferred from the Ministry of Seniors to the Ministry of Human Services. This most recent restructuring will be reflected in the 2012-13 Ministry Annual Report.

# Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2012 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 14, 2012 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

(original signed by)

Dave Hancock, QC

Minister of Human Services  
MLA, Edmonton – Whitemud

# Message from the Minister



This past year signalled a shift in government as we welcomed a new premier and a new direction for this province. When I was asked to serve as the first minister of Human Services, I knew it would be a great opportunity to show Albertans that their government is focused on outcomes that improve the lives of Albertans.

The accomplishments within this annual report demonstrate our commitment to improving the human condition so every Albertan has the opportunity to fully participate in society. A key focus of Human Services is to better align the wrap-around services that the people of this province may need at various times throughout their lives.

Our Ministry's mission is to assist Albertans in creating the conditions for safe and supportive homes, communities and workplaces so they have opportunities to realize their full potential. To guide us, we established three goals.

Our first goal was to ensure vulnerable children, individuals and families are protected and supported in times of need, with a specific focus on improving outcomes for vulnerable children and their families. We are supporting this goal by collaborating with key stakeholders to implement outcomes-based service delivery, quality assurance initiatives and continuous improvement activities within the child intervention system. We have also continued to develop our relationship with the Child and Youth Advocate, who is now an independent officer of the Legislature.

Our second goal was to ensure Alberta has fair, safe, healthy and inclusive workplaces and a skilled labour force that contributes to economic prosperity. We are addressing the need to support Albertans who require training through assessment and provision of career and employment services. Human Services is also implementing targeted workforce strategies and initiatives to address under-represented groups in the labour force. Some of these under-represented groups include Aboriginal people, youth, immigrants, persons with disabilities, low-income earners and mature workers.

Our final goal was to create conditions and opportunities for Albertans to succeed through collaboration with communities and stakeholders. Human Services has been proud to lead the development of the Social Policy Framework, involving many other ministries. This will align and redesign social policy and programs to achieve better outcomes for children and families. Engaging in dialogue with stakeholders is also a key component to this goal. Human Services looks to continue and improve upon consultations with Aboriginal communities, service provision partners, and federal and provincial government departments to develop a shared awareness and understanding of complex issues and collaboratively create new approaches to improve outcomes for Albertans.

In this annual report, you will see the benefit of bringing the many supports and services our government provides to Albertans in need under one roof. The Ministry is about doing the right thing for Albertans in the right way and using our resources – both financial and human – most effectively.

I'd like to thank all of the staff of Human Services who put in countless hours to help achieve these goals with passion, hard work and resiliency during a time of significant change. I'd also like to thank our many stakeholders and partners for their valuable contributions to this Ministry and to the people of this province over the past year.

I look forward to what the year ahead will bring for all of us as we continue our work together to improve the lives of Albertans.

(original signed by)

Dave Hancock, QC

Minister of Human Services  
MLA, Edmonton – Whitemud

# Management's Responsibility for Reporting

The Ministry of Human Services includes:

- The Department of Human Services
- Alberta Labour Relations Board
- Appeals Commission for Alberta Workers' Compensation
- Child and Family Services Authority Boards
- Occupational Health and Safety Council
- Secretariat for Action on Homelessness
- Social Care Facilities Review Committee
- Workers' Compensation Medical Panels
- Workers' Compensation Board
- Youth Secretariat

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Human Services. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability - information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability - the performance measure methodologies and results are presented clearly.
- Comparability - the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness - goals, performance measures and related targets match those included in the Ministry's Budget 2011.

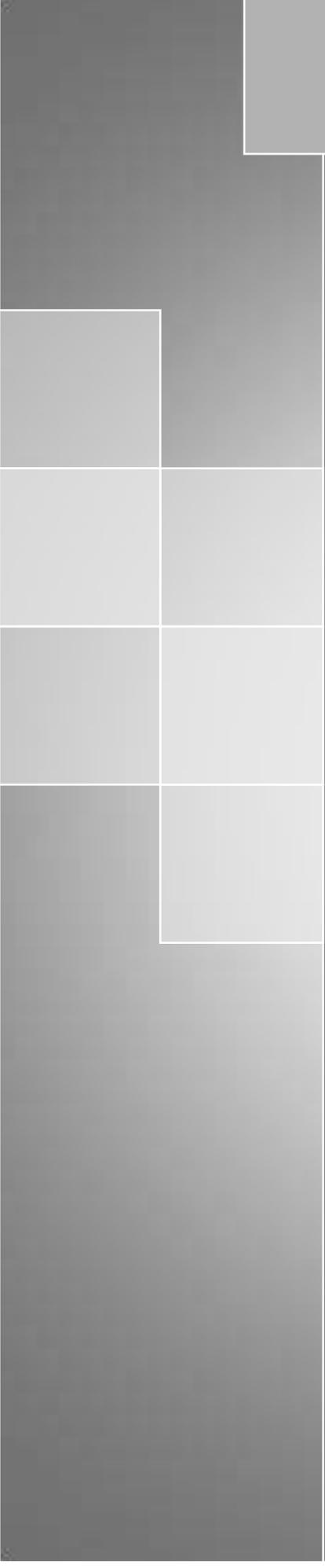
As Deputy Minister, in addition to program responsibilities, I am responsible for the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance and the Minister of Human Services information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

(original signed by)

Steve MacDonald  
Deputy Minister of Human Services  
June 14, 2012



# Results Analysis

## Ministry Overview

### The Department

The Ministry of Human Services works to foster a society in which families are safe and resilient; individuals have sustainable employment; vulnerable Albertans have the supports they require; and Alberta has fair, safe, healthy and inclusive workplaces and a skilled labour force that contributes to economic prosperity.

The Department of Human Services is comprised of the Deputy Minister's office and the divisions described below.

#### Deputy Minister's Office

The Deputy Minister's office provides advice and support to the Minister. The Deputy Minister's office is the link to the Minister's office to ensure the work of the department meets the goals and objectives outlined in the business plan and the priorities provided to the Minister by the Premier. The Deputy Minister supports the Deputy Minister of Executive Council by contributing to policy development, planning and implementation of cross-ministry initiatives, and advocating new approaches and long-term views toward achieving government-wide goals.

#### Aboriginal Policy and Community Engagement

Aboriginal Policy and Community Engagement builds relationships, collaborates and engages with stakeholders to collect and build connections between western models, and indigenous wisdom and experience in order to inspire, support, and create a space for collective action to improve outcomes for children and families in Aboriginal communities.

The division:

- works to co-establish a formal trilateral (Canada, Alberta, First Nations) process for enduring collaborative partnerships and actions to strengthen families and communities and prevent crises in the lives of children;
- plans and engages in community conversations with First Nations, Aboriginal communities, the private sector, service provision partners, and federal and provincial government departments to develop a shared awareness and understanding of the complex issues that contribute to the over-representation of Aboriginal children in care; and
- compiles, creates, and shares information and knowledge to inform decision making within systems and community conversations.

#### Alberta Supports

The Alberta Supports initiative is collaboration between the ministries of Human Services (lead) and Seniors. The Initiative was created to move social-based programs toward a citizen-centred, aligned and integrated approach to program development and delivery that reduces gaps, simplifies access and improves client outcomes.

The division:

- is working to design, test and implement an integrated service delivery approach for social-based programs; and
- provides a single point of contact for Albertans through the Alberta Supports website ([www.albertasupports.ca](http://www.albertasupports.ca)) and Alberta Supports Contact Centre (1-877-644-9992), where Albertans can access information on more than 30 social-based programs and 120 benefits and services offered by partnering ministries and program areas.

## **Child and Family Services Delivery**

Child and Family Services Delivery Division delivers front-line services for the Ministry, providing support and services to children, youth and families by meeting local needs while following provincial policies and standards. The Minister of Human Services appoints a board of community members to govern each Child and Family Services Authorities (CFSAs). The *Child and Family Services Authorities Act*, a memorandum of understanding and an annual business plan approved by the Minister, establishes the roles and responsibilities for each Board.

Key responsibilities include:

- providing casework services in programs such as Child Intervention Services and Family Support for Children with Disabilities;
- licensing and monitoring child care, including day cares and family day home agencies;
- providing child care subsidies to eligible parents;
- monitoring and assessing the quality of its regional programs for children, youth and families;
- contracting with community agencies to deliver additional services, including family enhancement and early intervention supports, and a range of out-of-home placement options (i.e., foster care, group care and supported independent living);
- engaging with their community to assess needs, set priorities, plan and allocate resources; and
- working with other CFSAs, Delegated First Nation Agencies (DFNAs), contracted agencies, communities and businesses, as well as other ministries and governments to coordinate services for children, youth and families.

## **Child Intervention Program Quality and Supports**

The Child Intervention Program Quality and Supports Division provides strategic leadership and support to ensure children and families receive high quality services that lead to better outcomes. This division operates within the legislative framework of the *Child, Youth and Family Enhancement Act*, the *Protection of Sexually Exploited Children Act* and the *Drug-endangered Children Act*.

The division:

- sets quality assurance standards, evaluates outcomes and is responsible for policy development and service design related to child intervention, out-of-home placements and adoption, and protection of sexually exploited children;
- supports the CFSA and DFNA through the provision of case consultation and policy clarification to support continuous improvement in services for vulnerable and at-risk children, youth and families; and
- honours the formal agreements, between the Ministry Aboriginal Affairs and Northern Development Canada and 18 Delegated First Nation Agencies for the provision of statutory child intervention services for children, youth and families ordinarily residing on the reserve.

## **Community Strategies and Support**

The Community Strategies and Support Division provides leadership and support to promote greater capacity and resiliency for community-based services that support children in reaching their full potential.

Key responsibilities include:

- supporting the delivery of quality, affordable child care services that promote early childhood development and well-being;
- leading cross-ministry initiatives, early childhood development programs, youth supports and services, and the implementation of the Fetal Alcohol Spectrum Disorder strategic plan, Family Support for Children with Disabilities and Alberta's Promise; and
- prevention and early intervention programs including Family and Community Support Services and Parent Link Centres.

## Employment Services Delivery

Employment Services Delivery has 59 service access sites and seven Alberta Job Corps sites across Alberta and in Centrally Delivered Services' contact centres. This division is the primary contact point for Albertans to access Alberta Works programs, services and information.

Employment Services Delivery helps:

- Albertans find and maintain employment;
- employers meet their needs for skilled workers; and
- Albertans with lower incomes by providing employment and training services, income support, child support services and health benefits.

## Family Violence Prevention and Homeless Supports

The Family Violence Prevention and Homeless Supports Division provides leadership for the implementation and monitoring of the Prevention of Family Violence and Bullying Strategy and *A Plan for Alberta: Ending Homelessness in 10 Years*.

Key responsibilities include:

- coordinating and supporting the ongoing implementation of *A Plan for Alberta: Ending Homelessness in 10 Years*;
- providing funding to emergency homeless shelters and community-based organizations in Alberta's seven major centres to support communities in implementing local plans and programs that address homelessness; and
- leading the implementation of the Prevention of Family Violence and Bullying Strategy, which includes monitoring the development of policy and programs that assist victims of family violence, and providing funding and operational support to women's shelters and sexual assault centres.

## Immigration

The Immigration Division develops and supports the delivery of immigration policy and programs aimed at attracting, selecting and retaining immigrants in Alberta.

Key priorities include:

- providing settlement and integration services to help newcomers with their transition into Alberta's economic, social and cultural life;
- administration of the Alberta Immigrant Nominee Program, innovative English language training programs and Foreign Qualification Recognition initiatives; and
- marketing Alberta as a destination of choice for newcomers.

## Workplace Standards Delivery

The Workplace Standards Delivery Division oversees the field operations of Workplace Standards and is the front line of program compliance ensuring legislation and programs are being followed, implemented or provided to workers and employers across Alberta.

Key priorities include:

- responding to complaints and conducting investigations to determine compliance with the *Employment Standards Code and Regulation*; and
- promoting the health and safety of Alberta workers through partnerships, resources, education, and enforcing compliance with the *Occupational Health and Safety Act, Regulation, and Code*.

## Workplace Standards Policy

The Workplace Standards Policy Division is responsible for the development, implementation and review of Workplace Standards legislation and policy to ensure Alberta has a fair, safe and healthy work environment.

Key priorities include:

- labour relations and mediation;
- occupational health and safety policy and program development;
- workplace policy, legislation and program development; and
- Work Safe Alberta.

## Workforce Supports

Workforce Supports is responsible for policy and program development related to employment and training services, labour mobility, health benefits, child support services and income support.

Key priorities include:

- the development of the Youth Workforce Strategy in collaboration with cross-ministry partners, employment/industry representatives, non-profit organizations and youth;
- the development of a skilled and productive workforce that meets the changing needs of the growing economy;
- helping under-represented groups develop skills and increase their labour force participation; and
- working with industry and employers to help them plan for expected labour shortages.

## **Social Policy Framework**

The Social Policy Framework project team is tasked with planning, leading, and coordinating the development of a social policy framework for Alberta, as mandated by the Premier to the Minister of Human Services.

The role of the project team is to:

- work collaboratively with other departments and ministries on framework development (including issue identification and research);
- engage with internal and external stakeholders; and
- identify implementation strategies.

## **Strategic Corporate Services**

Strategic Corporate Services Division provides strategic, operational and corporate support to the Ministry.

Key priorities include:

- developing and implementing the Information Sharing Strategy to ensure information sharing practices within government and with service agencies support the best decisions possible for children and families;
- leading the development of budget forecasts, contracting procedures, financial and administrative policies, organizational planning and reporting;
- coordinating the Citizen's Appeals Panels to ensure Albertans receive a fair review of decisions about their financial benefits;
- supporting program evaluation, socio-economic analysis, and the development of management information;
- providing information management and technology services;
- coordinating federal, provincial and territorial intergovernmental issues;
- providing legislative and legal services to the department; and
- developing and distributing career, workplace and labour market information resources.

## **Human Resources**

Human Resources leads strategic human resource initiatives and oversees the planning, development and delivery of human resource services to the Ministry. Human Resources develops innovative and collaborative strategies to recruit, engage and advance the capacity of highly skilled staff.

## **Communications**

Communications provides planning, advice and support to the Minister and the department on providing clear and timely information to the public about the Ministry's key initiatives, programs and

services. Communications is also responsible for providing advice on issues management, media relations, specialized writing, social media, website content and product design.

## Boards, Agencies and Commissions

These bodies are not part of the department, but are included in the Ministry of Human Services:

### **Alberta Labour Relations Board**

The Alberta Labour Relations Board (ALRB) is an independent and impartial tribunal responsible for the day-to-day application and interpretation of Alberta's labour laws. It processes applications and frequently conducts hearings on matters arising from both private and public employment sectors. Some, but not all, of the issues that come before the ALRB include certifications, revocations, various votes, bargaining unit determinations, and unfair labour practices, which fall under the *Labour Relations Code*, *Public Service Employee Relations Act*, and *Police Officers' Collective Bargaining Act*.

The *Labour Relations Code* encourages parties to settle their disputes through honest and open communication. The ALRB offers informal settlement options to the parties, but it also has inquiry and hearing powers to make binding rulings whenever necessary.

### **Appeals Commission for Alberta Workers' Compensation**

The Appeals Commission for Alberta Workers' Compensation hears worker and employer appeals arising from Workers' Compensation Board (WCB) review bodies. The mission of the Appeals Commission is to provide a timely, fair and independent appeals process consistent with legislation, policy and the principles of natural justice.

### **Child and Family Services Authorities**

The Child and Family Services Authorities (CFSAs) are organized into 10 regions (Southwest, Southeast, Calgary and Area, Central, East Central, Edmonton and Area, North Central, Northwest, Northeast, and Métis Settlements), with the tenth CFSA specifically focusing on services to the eight Métis Settlements in the province. The CFSAs deliver front-line services for the Ministry, providing support and services to children, youth and families by meeting local needs while following provincial policies and standards.

### **Alberta Secretariat for Action on Homelessness**

Established in 2008, the mandate of the Alberta Secretariat for Action on Homelessness is to monitor the implementation of *A Plan for Alberta: Ending Homelessness in 10 Years*, which was approved by the Government of Alberta in 2009. To fulfill its mandate, the Secretariat supports communities as they develop their own plans to end homelessness and regularly provides status reports to the Minister of Human Services.

## **Occupational Health and Safety Council**

The Occupational Health and Safety Council advises the Minister on matters concerning the *Occupational Health and Safety Act* and *Regulation*. In addition, the Council is empowered to hear appeals related to orders issued by Occupational Health and Safety officers, cancellations/suspensions of a license or permit, rulings from a dismissal/disciplinary complaint investigation or rulings from an imminent danger complaint investigation.

## **Child and Family Services Council for Quality Assurance**

The Council for Quality Assurance was created in September 2011 in response to recommendations from the Child Intervention Review Panel (2010) and the Calgary Expert Review Panel (2011). The Council identifies effective practices and makes recommendations for the improvement of child intervention services at the direction of the Minister and in cooperation with the department. The Council may appoint an expert review panel to review incidents giving rise to serious injury or death of a child in care of the province.

## **Social Care Facilities Review Committee**

The Lieutenant Governor-in-Council appoints Social Care Facilities Review Committee members. This citizen committee is responsible for reviewing the quality of services provided in certain social care facilities and investigating complaints or concerns regarding social care facilities upon the Minister's request.

## **Workers' Compensation Medical Panels**

Medical panels provide the WCB and Appeals Commission with an impartial, independent decision-making process to resolve medical issues that affect a claimant's right to compensation. Each panel is made up of three contracted physicians with specialized knowledge of the medical area in dispute.

## **Workers' Compensation Board – Alberta**

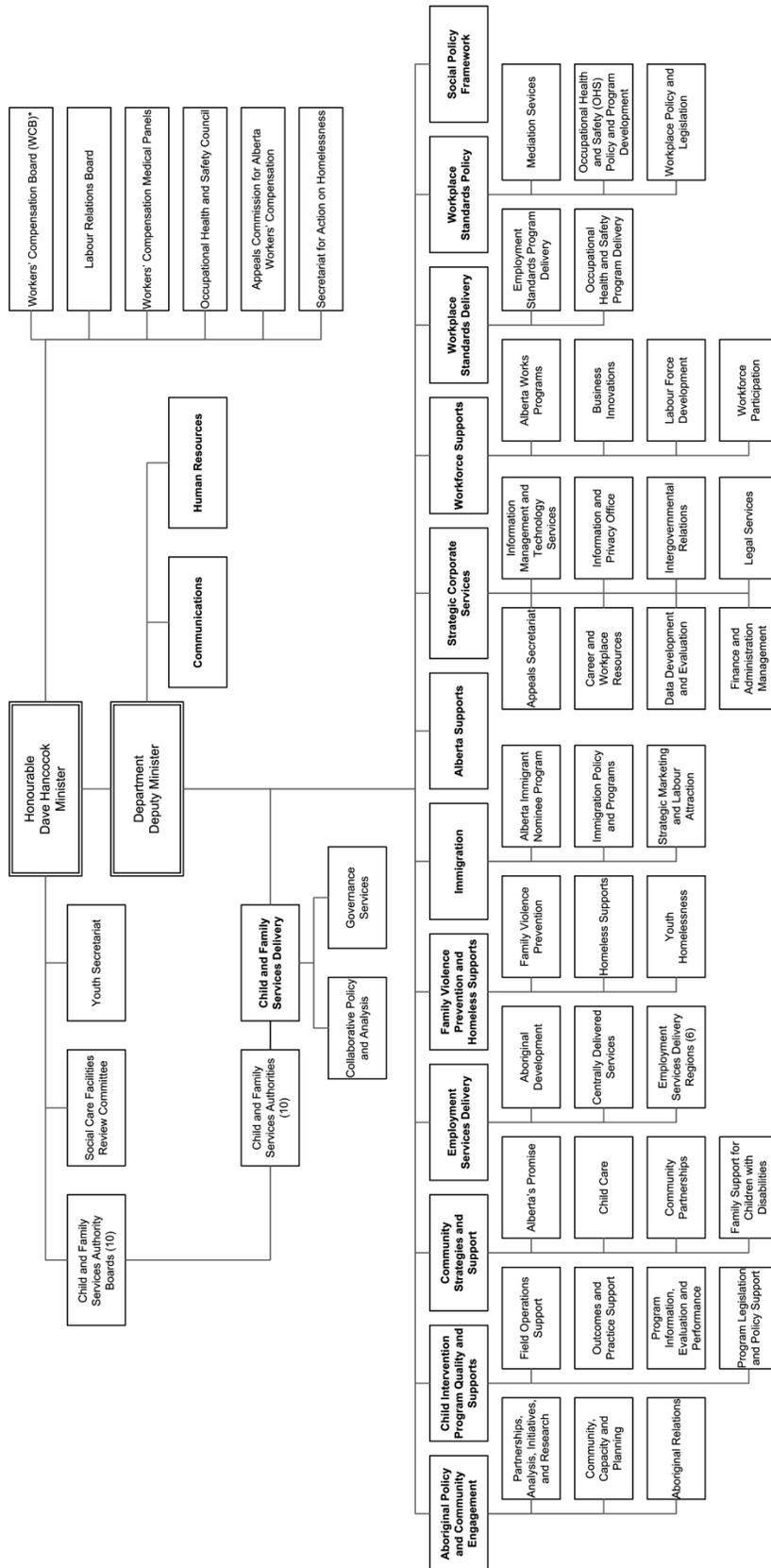
The Workers' Compensation Board – Alberta (WCB) is an employer funded, not-for-profit organization legislated to administer the workers' compensation system for the province's employers. The WCB is independently funded and operated as an insurance enterprise. In Canada, workers' compensation is a no-fault disability insurance system that protects both employers and workers against the economic impact of work-related injuries and occupational disease.

## **Youth Secretariat**

The Youth Secretariat, chaired by a Premier-appointed Member of the Legislative Assembly (MLA), works with youth, MLAs, Ministry representatives, government departments and stakeholders. The Secretariat is a liaison between the Youth Advisory Panel and the Ministry of Human Services, identifying issues specific to youth at risk; ensuring programs are responsive to the needs of Alberta's children, youth and families; and serving as a voice for Alberta's youth within the Government of Alberta.

# Organizational Chart

## Ministry of Human Services



\*Employer funded, not-for-profit organization

# Ministry Organization Changes 2011-12

This section includes an overview of the changes that resulted in the creation of the Ministry of Human Services. Also included is a cross reference-matrix that links published 2011-14 business plans goals and performance measures to the 2012-15 Human Services Business Plan goals and performance measures.

## Overview of Ministry Organization Changes 2011-12

The Ministry of Human Services was formed on October 12, 2011 as directed by Treasury Board. It was created by combining all or portions of the former ministries of:

- Children and Youth Services
- Employment and Immigration
- Housing and Urban Affairs
- Seniors

The programs provided by the former ministries and associated entities are as follows:

Children and Youth Services:

- *Aboriginal Policy and Initiatives*
- *Child Intervention Program Quality and Supports*
- *Community Strategies and Support*
- *Family Violence and Bullying and Youth Strategies*
- *Ministry Support Services*
- *Alberta Centre for Child, Family and Community Research*
- *Alberta's Promise*
- *Appeals Secretariat*
- *Child and Family Services Authorities*
- *Child and Youth Advocate*
- *Delegated First Nations Agencies*
- *Family and Community Support Services*
- *Social Care Facilities Review Committee*
- *Youth Secretariat*

Employment and Immigration:

- *Delivery Services*
- *Immigration*
- *Strategic Corporate Services*
- *Workforce Supports*
- *Workplace Standards Delivery*
- *Workplace Standards Policy*

- *Appeals Commission for Alberta Workers' Compensation*
- *Labour Relations Board*
- *Occupational Health and Safety Council*
- *Workers' Compensation Board*
- *Workers' Compensation Medical Panels*

Housing and Urban Affairs:

- *Homeless Supports*
- *Secretariat for Action on Homelessness*

Seniors

- *Alberta Supports*

# 2011-12 Annual Report Business Plans Matrix

The following table cross-references current Human Services business plan goals and priority initiatives with the 2011-14 business plans of the four entities that formed the Ministry of Human Services, including Children and Youth Services, Employment and Immigration, Alberta Supports from Seniors, and Homeless Supports from Housing and Urban Affairs.

2012-15 HUMAN SERVICES BUSINESS PLAN	PUBLISHED 2011-14 BUSINESS PLANS
<b>Goal One: Vulnerable children, individuals and families are protected and supported in times of need.</b>	
<p>1.1 Establish processes to work with the Child and Youth Advocate, a newly created independent officer of the Legislature.</p> <p>1.2 Support the Alberta Interagency Council on Homelessness to continue implementation of <i>A Plan for Alberta: Ending Homelessness in 10 Years</i>.</p> <p>1.3 Improve outcomes for vulnerable children and their families in collaboration with key stakeholders through implementation of outcomes-based service delivery, quality assurance and continuous improvement activities within the child intervention system.</p> <p>1.4 Implement a continuum of evidence-based prevention and early intervention services, including early childhood development and parenting programs, which will effectively address the key drivers that cause children and youth to require crisis intervention services.</p>	<p><b>CHILDREN AND YOUTH SERVICES</b></p> <p>1.1 Increase emphasis on comprehensive early childhood development and parenting programs that promote positive parenting skills and knowledge, and ultimately optimal child development, and reduce the need for future and more costly child and family intervention.</p> <p>1.2 Establish a continuum of evidence-based prevention and early intervention services that will effectively address the key drivers that cause children and youth to require crisis intervention services.</p> <p>2.1 Improve outcomes for vulnerable Albertans and their families, in collaboration with the contracted agency sector and other key stakeholders, through implementation and evaluation of enhanced outcomes-based service delivery and processes and practices.</p> <p>2.2 Amend the <i>Protection Against Family Violence Act</i> to include an offence provision to enhance protection for victims of family violence and to increase accountability of offenders.</p> <p>3.1 Respond to findings in the Child Intervention System Review report by enhancing human resource capacity and supporting front line staff, strengthening services for Aboriginal Albertans and enhancing quality assurance mechanisms, including the creation of a Child</p>

and Family Service Quality Council.

3.2 Collaborate with community partners to improve and better coordinate access to programs and services for vulnerable youth.

5.1 Develop a family violence client-centered supports model to improve access to existing programs for Albertans affected by family violence.

**HOUSING AND URBAN AFFAIRS**

2.2 Continue to implement *A Plan for Alberta: Ending Homelessness in 10 Years* through the Housing First approach.

2.3 Monitor and report on the implementation and success of the 10-year-plan to end homelessness and its delivery through community based organizations in Alberta's seven major cities.

2.4 Support emergency shelter operations to ensure all homeless Albertans have access to emergency shelter on a nightly basis.

**PERFORMANCE MEASURES**

1.a Percentage of children and youth who received child intervention (family enhancement or protective) services and did not require protective services within 12 months of file closure.

1.b. Percentage of Aboriginal children in foster care/kinship care who are placed with Aboriginal families.

1.c Percentage of adults staying at government funded women's emergency shelters who report that they are better able to keep themselves and the children under their care safer from abuse.

2.c – former Children and Youth Services

4.a – former Children and Youth Services

2.b – former Children and Youth Services

2012-15 HUMAN SERVICES BUSINESS PLAN	PUBLISHED 2011-14 BUSINESS PLANS
<p>1.d Percentage of Albertans who have information to better help in situations of family violence or bullying:</p> <ul style="list-style-type: none"> <li>▪ Family violence</li> <li>▪ Bullying</li> </ul> <p>1.e Percentage of participants employed after leaving Income Support</p>	<p>1.b – former Children and Youth Services</p> <p>2.b – former Employment and Immigration</p>

**Goal Two: Alberta has fair, safe, healthy and inclusive workplaces and a skilled labour force that contributes to economic prosperity.**

	<b>EMPLOYMENT AND IMMIGRATION</b>
<p>2.1 Support Albertans who require training through accurate and efficient assessment and provision of career and employment services.</p>	<p>1.2 Implement targeted workforce strategies and initiatives to increase the participation of those under-represented in the labour force including Aboriginal people, youth, immigrants, persons with disabilities, low-income earners and mature workers.</p>
<p>2.2 Implement targeted workforce strategies and initiatives to increase the participation of those under-represented in the labour force including Aboriginal people, youth, immigrants, persons with disabilities, low-income earners and mature workers.</p>	<p>1.3 Implement the Foreign Qualification Recognition plan to maximize the contribution of foreign-trained professionals to Alberta's labour force.</p>
<p>2.3 Work with the Government of Canada to maximize the use of the federal immigration system so Alberta continues to be a destination of choice for qualified foreign-trained professionals.</p>	<p>1.4 Work with the Government of Canada to maximize the use of the federal immigration system to contribute to the building and strengthening of Alberta's labour force.</p>
<p>2.4 Identify and implement actions to assess Alberta's labour legislation and policies to ensure Alberta has a fair, balanced and effective labour relations environment.</p>	<p>2.1 Ensure Albertans have the knowledge, career and employment skills required to be successful.</p>
<p>2.5 Advance occupational health, safety and employment standards awareness through partnerships, educational programs and compliance initiatives.</p>	<p>2.3 Support the settlement and integration of newcomers into Alberta's communities and workplaces.</p>

2012-15 HUMAN SERVICES BUSINESS PLAN	PUBLISHED 2011-14 BUSINESS PLANS
<p>2.6 Provide timely, effective and efficient services to the labour relations community through the Alberta Labour Relations Board.</p> <p>2.7 Provide timely and fair appeal services through the Appeals Commission for Alberta Workers' Compensation.</p>	<p>2.4 Identify and implement enhancements to English language training and workplace essential skills training.</p> <p>2.5 Implement actions to increase the timeliness and accuracy of assessments for Albertans who require training.</p> <p>3.1 Identify and implement actions to enhance enforcement of workplace and labour legislation and policies.</p> <p>3.2 Advance the awareness of occupational health and safety and employment standards through educational initiatives.</p> <p>4.1 Provide timely, effective and efficient services to the Alberta labour relations community.</p> <p>5.1 Provide a timely appeal service and fair decisions on appeal applications.</p>
<b>PERFORMANCE MEASURES</b>	
<p>2.a Percentage of clients reporting they are either employed or in further education or training after leaving a skills program</p> <p>2.b Inter-provincial rank of Alberta's labour force participation</p> <p>2.c Inter-provincial rank of Alberta's First Nations, Métis and Inuit (FNMI) off-reserve labour force participation rate</p> <p>2.d Lost-Time Claim Rate: Number of lost-time claims per 100 person-years worked</p>	<p>2.a – former Employment and Immigration</p> <p>1.a – former Employment and Immigration</p> <p>1.b – former Employment and Immigration</p> <p>3.a – former Employment and Immigration</p>
<b>Goal Three: In collaboration with communities and stakeholders, the conditions and opportunities are created for Albertans to succeed.</b>	
<p>3.1 Involving other Ministers lead the development of a social policy framework to guide the alignment and redesign of social policy and</p>	<p><b>CHILDREN AND YOUTH SERVICES</b></p> <p>1.3 Support families requiring child care by streamlining the child care subsidy program and strengthening quality child care through</p>

2012-15 HUMAN SERVICES BUSINESS PLAN	PUBLISHED 2011-14 BUSINESS PLANS
<p>programs to achieve better outcomes for children and families.</p>	<p>accreditation and quality assurance mechanisms.</p>
<p>3.2 Ensure information sharing practices within government and with service agencies support the best decisions possible in regard to the health, education and safety of children and families.</p>	<p>4.1 Collaborate with First Nations and Métis agencies, governing bodies and organizations to improve the design and delivery of off-Reserve/off-Settlement services.</p>
<p>3.3 Engage in dialogue with First Nations leadership, Aboriginal communities, service provision partners, and federal and provincial government departments to develop a shared awareness and understanding of complex issues and collaboratively create new approaches to improve outcomes.</p>	<p>4.2 Work with stakeholders, including First Nation leadership and communities, and federal government departments to establish formal agreements and shared approaches that improve outcomes for Aboriginal children, youth and families.</p>
<p>3.4 Support client-centred, integrated service delivery through the alignment of policies, practices and technology through Alberta Supports and in collaboration with partnering ministries.</p>	<p>5.2 Work with partnering ministries to implement a social-based assistance initiative to improve access to information, services and supports for vulnerable Albertans.</p>
<p>3.5 In partnership with other ministries work with Alberta's industry associations and employers to assist them in meeting their workforce requirements.</p>	<p><b>EMPLOYMENT AND IMMIGRATION</b></p>
<p>3.6 Strengthen quality child care through accreditation and quality assurance mechanisms and support families requiring child care by streamlining the child care subsidy program.</p>	<p>1.1 Work with Alberta's industry associations and employers to assist them in meeting their workforce requirements.</p>
	<p>1.5 Work with partnering ministries to implement <i>Responsible Actions: A Plan for Alberta's Oil Sands</i>.</p>
	<p>2.2 Support the Alberta Supports initiative, including the provision of related supports for low-income Albertans.</p>
	<p><b>HOUSING AND URBAN AFFAIRS</b></p>
	<p>2.1 Support vulnerable Albertans through Alberta Supports to move towards citizen-centered programs and services that are more effective, appropriate and easier to access through implementation of related plans to address homelessness and affordable housing.</p>

2012-15 HUMAN SERVICES BUSINESS PLAN	PUBLISHED 2011-14 BUSINESS PLANS
	<p><b>SENIORS</b></p> <p>1.1 Work with Ministry partners to support vulnerable Albertans through Alberta Supports to move toward citizen-centered programs and services that are effective, appropriate and easier to access.</p>
<b>PERFORMANCE MEASURES</b>	
<p>3.a Percentage of families accessing the Family Support for Children with Disabilities (FSCD) program who indicate the services provided had a positive impact on their child (biennial survey)</p> <p>3.b Percentage of youth receiving Advancing Futures Bursaries who successfully completed their planned studies during the fiscal year</p> <p>3.c Percentage of licensed day care centres and contracted family day home agencies that are accredited and participating in accreditation</p>	<p>2.a – former Children and Youth Services</p> <p>5.a – former Children and Youth Services</p> <p>1.a – former Children and Youth Services</p>

## Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as “Reviewed by Auditor General” in the *Ministry of Human Services’ 2011-12 Annual Report*. The reviewed performance measures are the responsibility of the Ministry and are prepared based on the following criteria:

- Reliability - information used in applying performance measure methodologies agrees with underlying source data for the current and prior years’ results.
- Understandability - the performance measure methodologies and results are presented clearly.
- Comparability - the methodologies for performance measure preparation are applied consistently for the current and prior years’ results.
- Completeness - goals, performance measures and related targets match those included in the Ministry’s Budget 2011.

My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating Ministry progress towards the related goals.

Based on my review, nothing has come to my attention that causes me to believe that the “Reviewed by Auditor General” performance measures in the Ministry’s 2011-12 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 4, 2012

Edmonton, Alberta

## Performance Measures Summary Table

Goals/Performance Measures	Prior Years' Results				2011-12 Target	Current Actual
<b>Goal 1: Vulnerable children, individuals and families are protected and supported in times of need.</b>						
Percentage of children who suffer injury that results in hospitalization or death while receiving protective services	0.1%	0.1%	0.1%	0.15%	<b>0%</b>	0.14%
	2007-08	2008-09	2009-10	2010-11		2011-12
Percentage of expenditures in the children/youth/families project and service category of Family and Community Support Services <sup>1</sup>	49.3%	48.7%	45.8%	42.1%	<b>50%</b>	46.0%
	2007-08	2008-09	2009-10	2010-11		2011-12
Percentage of Albertans who have information to better help in situations of family violence or bullying:*						
• Family violence	66% <sup>2</sup>	N/A	73%	N/A	<b>73%</b>	71%
• Bullying	65%	N/A	65%	N/A	<b>67%</b>	74%
	2007-08	2008-09	2009-10	2010-11		2011-12
Percentage of adults staying at government-funded women's emergency shelters who report that they are better able to keep themselves and the children under their care safer from abuse	96.1%	96.7%	96.8%	96.8%	<b>95%</b>	94.1%
	2007-08	2008-09	2009-10	2010-11		2011-12
The number of children in the permanent care of the Director for whom Adoption or Private Guardianship Orders are granted	509	550	579	551	<b>597</b>	531
	2007-08	2008-09	2009-10	2010-11		2011-12
Percentage of children and youth who received child intervention (family enhancement or protective services) and did not require protective services within 12 months of file closure	87%	86%	90%	89%	<b>87%</b>	88%
	2007-08	2008-09	2009-10	2010-11		2011-12
Percentage of Aboriginal children in foster care/kinship care who are placed with Aboriginal families	38.5%	38.7%	39.9%	40.7%	<b>50%</b>	42.7%
	2007-08	2008-09	2009-10	2010-11		2011-12
Percentage of participants employed after leaving Income Support	61%	64%	52%	63%	<b>70%</b>	64%
	2007-08	2008-09	2009-10	2010-11		2011-12
<b>Goal 2: Alberta has a fair, safe, healthy and inclusive workplace and a skilled labour force that contributes to economic prosperity.</b>						
Percentage of clients reporting they are either employed or in further education or training after leaving a skills training program*	73%	75%	68%	72%	<b>75%</b>	77%
	2007-08	2008-09	2009-10	2010-11		2011-12

Goals/Performance Measures	Prior Years' Results				2011-12 Target	Current Actual
Inter-provincial rank of Alberta's labour force participation rate (#1 is the highest)	#1 74.2% 2007	#1 74.7% 2008	#1 74.3% 2009	#1 72.9% 2010	#1	#1 73.7% 2011
Inter-provincial rank of Alberta's First Nations, Métis and Inuit off-reserve labour force participation rate (#1 is the highest)	#1 72.3% 2007	#1 71.5% 2008	#3 69.9% 2009	#1 70.6% 2010	#1	#1 67.7% 2011
Lost-Time Claim Rate: number of lost-time claims per 100 person-years worked	1.98 2007	1.73 2008	1.53 2009	1.41 2010	<b>1.55</b>	1.49 2011
Number of new immigrants to Canada who choose Alberta as their destination	20,860 <sup>2</sup> 2007	24,200 2008	27,017 2009	32,650 <sup>2</sup> 2010	<b>27,000</b>	30,941 <sup>3</sup> 2011
Percentage of employers whose employment practices resulted in no complaints being registered with Employment Standards	98% 2007-08	97% 2008-09	98% 2009-10	97% 2010-11	<b>98%</b>	97% 2011-12
Percentage of collective bargaining agreements settled without a work stoppage (strike or lockout)	98.5% <sup>2</sup> 2007-08	98.9% <sup>2</sup> 2008-09	98.0% <sup>2</sup> 2009-10	99.7% <sup>2</sup> 2010-11	<b>98%</b>	99.0% 2011-12
Percentage of applications, with Board involvement, settled before reaching a formal hearing	56% 2007-08	67% 2008-09	58% 2009-10	55% 2010-11	<b>57%</b>	73% 2011-12
Percentage of decisions rendered within 90 calendar days from the completion of the hearing(s)	96% 2007-08	88% 2008-09	62% 2009-10	81% 2010-11	<b>85%</b>	80% 2011-12
Average number of days from when an appeal is received to when it is finalized:						
• Standard Appeals	144	172	153	154	<b>135</b>	141
• Complex Appeals	182 2007-08	212 2008-09	180 2009-10	176 2010-11	<b>165</b>	170 2011-12
Percentage of decisions not challenged or overturned	95.9% 2007-08	98.1% 2008-09	97.2% 2009-10	97.8% 2010-11	<b>98%</b>	99.2% 2011-12
<b>Goal 3: In collaboration with communities and stakeholders, the conditions and opportunities are created for Albertans to succeed.</b>						
Percentage of families accessing the Family Support for Children with Disabilities program that indicate the services provided had a positive impact on their child	N/A 2007-08	86.1% 2008-09	N/A 2009-10	89.5% 2010-11	<b>N/A</b>	N/A 2011-12
Percentage of youth receiving Advancing Futures Bursaries who successfully completed their planned studies during the fiscal year	N/A 2007-08	78% 2008-09	79% 2009-10	79% 2010-11	<b>81%</b>	83% 2011-12
Percentage of licensed day care centres and contracted family day home agencies that are accredited and participating in accreditation*	N/A 2007-08	N/A 2008-09	N/A 2009-10	96.3% 2010-11	<b>94%</b>	96.5% 2011-12

Goals/Performance Measures	Prior Years' Results	2011-12 Target	Current Actual
<p><sup>1</sup> Data for this measure are collected by calendar year and formally reported in the next fiscal year. For example, data from the 2010 calendar year are reported in 2011-12.</p> <p><sup>2</sup> Revised</p> <p><sup>3</sup> Preliminary estimate from Citizenship and Immigration Canada.</p> <p>* <b>Indicates performance measures that have been reviewed by the Office of the Auditor General.</b></p> <p>The performance measures indicated with an asterisk were selected for review by Ministry management based on the following criteria established by government:</p> <ul style="list-style-type: none"> <li>• Enduring measures that best represent the goal and mandated initiatives,</li> <li>• Measures for which new data is available, and</li> <li>• Measures that have well established methodology.</li> </ul> <p>For more detailed information, see Performance Measure Sources and Methodologies (Appendix A).</p>			

Due to a low response rate to the survey and high margin of error, the measure result for 2011-12 is not considered statistically reliable. This measure has been discontinued and is not included in Human Services Business Plan 2012-15.

Percentage of participants who agreed that through their participation with Alberta's Promise they are better able to understand and respond to the needs of Alberta's children, youth and families.

## Discussion and Analysis of Results

The Ministry's 2011-12 revenues were \$307.3 million, approximately \$68 million less than the previous year. The decrease is primarily due to a reduction in transfers from the Government of Canada resulting from the end of the Federal Community Development Trust initiative and the Canada Skills and Transition Strategy.

The Ministry's overall spending in 2011-12 was almost \$2.43 billion, which increased by approximately \$8.5 million from the previous year. Increases of \$33 million in the Child Intervention program, \$14 million in the Child Care program and other program spending increases across the Ministry were partially offset by planned decreases in employment and training programs and lapses in other areas.

Within this context, the following section summarizes the key results for the Ministry in 2011-12.

# Goal 1

## Vulnerable children, individuals and families are protected and supported in times of need.

In 2011-12, the Ministry of Human Services continued to work together with Albertans, partners and stakeholders to enhance the ability of families and communities to develop nurturing and safe environments for children, youth and families. Through prevention, preservation and protection, and in partnership working with the contracted agency sector, key stakeholders and community partners, the Ministry improves outcomes for vulnerable Albertans and their families. This is achieved through the evaluation, enhancement and implementation of services that promote the development and well-being of children, youth and families; the development of a family violence client-centered supports model that improves access to existing programs for Albertans affected by family violence; and supports for homeless and low-income Albertans to help them reach and maintain their highest levels of independence.

In 2011-12 the majority of ministry spending was allocated to programs and initiatives that supported this goal, including \$624 million for Child Intervention programs, over \$608 million for income support and health benefit programs and approximately \$97 million for the Homeless Support program.

Key results and highlights in the protection and support of vulnerable children, individuals and families include:

- The Alberta government introduced new legislation to establish the Child and Youth Advocate as an independent officer of the Legislature. The *Child and Youth Advocate Act* expands the Advocate's mandate to ensure those in the youth criminal justice system have advocacy supports. Amendments to the *Child, Youth and Family Enhancement Act* were introduced to establish the mandate for the Council for Quality Assurance (CQA), as recommended by the Child Intervention System Review panel. The Council will identify effective practices and provide advice to the Ministry on improvements to the child intervention system.
- Amended the *Protection Against Family Violence Act* (PAFVA) to include an offence and penalty section and arrest provisions, making the PAFVA one of the strongest pieces of family violence protection legislation in Canada. In 2011-2012, 1,870 applications for Emergency Protection Orders were submitted; 1,487 of them were granted. From November 2011 to the end of March 2012, 247 charges were laid under the offence provision.
- *A Plan for Alberta: Ending Homelessness in 10 Years* is in its third year of implementation. Human Services worked in partnership with community partners to house approximately 5,900 homeless people (including 1,200 families) and provide them with unique supports to reach their highest level of independence. Of those housed, approximately 80 per cent retained their housing.

- Community conversations were held with over 225 key stakeholders to determine the role, mandate and composition of a new Interagency Council on Homelessness. The new Council will lead and evolve the continued implementation of *A Plan for Alberta: Ending Homelessness in 10 Years* and use a collaborative approach to develop comprehensive solutions to ending homelessness that cross multiple service systems and are integrated with on-the-ground community organizations.
- Expanded the Alberta Vulnerable Infant Response Team (AVIRT). Now operating in Edmonton and Calgary, AVIRT involves child intervention caseworkers, public health nurses and police working together to provide intensive guidance and support for at-risk families with infants who are up to four months old. The integrated approach provides immediate multi-disciplinary resources to support the safety and well-being of vulnerable infants.
- Capacity to serve highest risk children and youth was strengthened due to the development of a research base and profiles of 18 children and youth with severe and complex mental health issues that are receiving child intervention services in residential care settings. This work is designed to bring additional clarity to cross-ministry and community partner discussions about innovative, collaborative solutions and concrete, timely actions to reduce the potential risk of harm these children and youth present for themselves and others and effectively coordinate and transition all the services they need.
- The Outcomes-Based Service Delivery (OBSD) Initiative was expanded, establishing pilot sites in eight Child and Family Services Authorities. The first Aboriginal Outcomes-Based Service Delivery site is a partnership between the Bent Arrow Traditional Healing Society, the Boyle Street Co-Op and the Edmonton and Area Child and Family Service Authority (CFSA). The primary goal of OBSD is to improve outcomes for vulnerable children and families by strengthening both government practice and relationships with the contracted agency sector.
- Approximately 600 youth were supported (who are or have been in government care) through the *Advancing Futures* bursary program to cover their educational and living expenses and provide guidance while they attend post-secondary education to earn a diploma, degree or certificate, learning a trade or upgrade high school marks. In 2011-12, 83 per cent of students completed their program of study. This represents an increase of 4 per cent from 2010-11.
- In 2011-12, we expanded the capacity of the Parent Link Centres to implement the Triple P – Positive Parenting Program, including: the launch of the *Stay Positive* initiative featuring a website and resources for parents; a provincial Triple P Practitioner Showcase; support for families of children with disabilities through the Triple P Stepping Stones Program; and Triple P training sessions specifically for staff from agencies serving Aboriginal families. Triple P is an evidence-based parent education and family support program, which helps prevent behavioural and social-emotional development disorders in children by enhancing the knowledge, skills and confidence of parents.
- As of March 2012, there were more than 2,400 foster homes providing care to more than 4,600 children and almost 1,400 kinship homes providing care to more than 2,100 children. Alberta is

one of the most progressive provinces in the country for foster care compensation. As a result of discussions with the Alberta Foster Parent Association, Alberta foster parents and kinship caregivers will receive increased financial support to help continue the provision of high-quality care to children and youth, including compensation for the day-to-day costs of raising a child who is in care.

- Access to affordable quality child care is a priority for working parents. With changes to the child care subsidy program effective April 1, 2012, approximately 9,000 families will receive new or increased funding to help offset the cost of accessing quality child care. In addition to the increased support for child care, Alberta families pay less overall tax than families anywhere else in Canada. This further supports the ability of lower-income Albertans to care for their families and contribute to the community.
- We recognize that ensuring frontline workers are supported in their work is crucial. Funding has been added towards 30 new child intervention supervisor positions to strengthen support for frontline case workers and contribute to better outcomes for at-risk children, youth and families in Alberta. In building better teams for a better future for Albertan's children and families in need, frontline staff will have increased opportunities for support from supervisors to review information when making decisions about services.

## Performance Measures Analysis

### **Percentage of children who suffer injury that results in hospitalization or death while receiving protective services**

This measure describes the proportion of children and youth receiving child protective services who experience an injury that results in hospitalization or death, regardless of the type of injury (for example, accidental or self-inflicted injuries). Children and youth receiving child protective services may be in the care of the Director of the Child, Youth and Family Enhancement Act or under court ordered supervision in the care of their parents.

This measure is based on one of the ten indicators in the Canadian National Child Welfare Outcomes Indicator Matrix (NOM). This Matrix, used across jurisdictions, provides a common set of indicators and a framework for tracking outcomes for children and families receiving child welfare services (for more information on the NOM please visit: <http://www.cecw-cepb.ca/national-outcomes-matrix>).

In 2011-12, 0.14 per cent of children and youth (nineteen children) suffered an injury that resulted in hospitalization or death while receiving protective services. Two of the nineteen children died. One youth sustained a blunt force head injury at a house party, and one child sustained blunt force trauma while in parental care, was taken into care and subsequently died. Of the remaining seventeen children who required hospitalization, one fell from playground equipment, one child was found face down in a pool, one child was over exercised, one youth punched a window and sustained cuts, one child fell off a bed and sustained a concussion, one youth sustained an ankle injury while playing football, one youth was injured in an explosion, one youth sustained deep cuts from accidentally putting his leg through a window, three youth and one child were involved in motor vehicle accidents, one youth accidentally overdosed, one child sustained injuries from an alleged sexual assault, and three youth attempted self harm (by

cutting and strangulation). Thirteen of the nineteen children were Aboriginal including one of the children who passed away.

In the past, the Ministry reported publicly only on the number of children who died as a result of sustaining an injury. In response to requests from the public for more information about children in care who have died regardless of cause of death, we have made a commitment to report annually on all deaths of children in care. In addition to the two children already mentioned who died due to a serious injury, there were nine other children in care who died. Five children died due to medical causes (pneumonia, complications of being born prematurely, severe scoliosis and congenital heart problems). The cause for three deaths was unable to be determined by the Medical Examiner, and one death is still pending determination by the Medical Examiner.

The Ministry has set the target for this measure at zero, the highest possible standard for practice, and is committed to continuous improvement to ensure children receiving protection services are safe. However, even with best efforts to protect these children, at times, they can still get hurt. In Canada, more children die annually from injuries than from all childhood diseases combined. Overall, the Ministry's results for this measure are lower than those for the general child population in Alberta (0.49 per cent in 2009-10). The Ministry continues to review these circumstances to identify trends that may help to inform and improve policy and practice.

#### **Percentage of Albertans who have information to better help in situations of family violence or bullying:**

For the percentage of Albertans who have information to better help in situations of bullying, the measure result at 74 per cent is 7 percentage points above target and 9 percentage points above the previous result. This increase is largely due to external factors. There have been no increases to provincially funded public awareness campaigns or calls to the bullying prevention hotline; however, there was increased media reporting of bullying influenced suicides, numerous celebrity anti-bullying campaigns and national and international political focus on the outcomes of bullying. For the percentage of Albertans who have information to better help in situations of family violence, the measure result at 71 per cent is 2 percentage points below target and previous result. This is similar to previous year's results and the Ministry will continue working to enhance its promotional activities against family violence.

#### **The number of children in the permanent care of the Director for whom Adoption or Private Guardianship Orders are granted**

This performance measure is an indicator of the Ministry's ability to place children who are in the permanent care of the Director of the *Child, Youth and Family Enhancement Act* into stable, long-term, adoptive or private guardianship homes. Permanent care refers to a situation whereby the child is under a legal status of a Permanent Guardianship Order or Permanent Guardianship Agreement.

In 2011-12, 534 children were placed in permanent homes. Of these, 348 were by Adoption Orders and 186 were under Private Guardianship Orders. For many years, there were significant increases in the number of Private Guardianship and Adoption orders for children in Permanent Care and the target of 597 was set in anticipation that this trend would continue in 2011-12 before levelling off.

There are many factors that must be considered when establishing permanent nurturing relationships for children in permanent care. The success of these placements and the likelihood of achieving positive outcomes depend on the careful matching of the child with a potential adoptive or guardianship applicant.

Not all of the children in permanent care are suitable or available for adoption or private guardianship. Some of the children in care have special needs and challenges that must be addressed to ensure successful long term permanency that meets the needs of the child. The potential family needs to be prepared and supported to understand and meet the child's needs.

### **Percentage of Aboriginal children in foster care/kinship care who are placed with Aboriginal families**

This measure is an indicator of Aboriginal children and youth receiving culturally appropriate placement, through foster care or kinship care. The decision to remove a child from their biological family and bring the child into care is not an easy one or one taken lightly. When it is necessary to bring an Aboriginal child into care, attempts are made to place the child in their community, with extended family, individuals emotionally connected to the child, or a family of a similar Aboriginal background.

In 2011-12, 42.7 per cent of Aboriginal children in foster or kinship care were placed with Aboriginal families. This result falls below the target of 50 per cent. Results have been gradually and steadily improving since 2005-06. The steady increase reflects the importance placed on maintaining cultural connections. As well, it reflects the commitment to placing Aboriginal children in Aboriginal homes while ensuring that children are placed in safe environments.

Kinship care is a placement with extended family or others who have a significant relationship with the child. It is often the preferred option for placement, particularly for Aboriginal families, given the pre-existing relationship between the child and caregivers and the greater likelihood that important cultural ties will be maintained.

The Ministry continues to invest in ongoing provincial recruitment for additional caregivers, with a particular focus on Aboriginal caregivers as foster placements and kinship caregivers. It is challenging to recruit caregivers. This could be due to more caregivers adopting the children in their home or retiring from care-giving creating a reduction in the number of homes that are retained relative to the new homes that are recruited. It could also be due to the changing demographics of Canadian families: there are more lone parent families and more families where both parents work. These families may not have the time or capacity to care for foster children.

### **Percentage of participants employed after leaving Income Support**

In 2011-12, 64 per cent of participants were employed at any time after leaving Income Support. While this measure result did not reach the stretch target of 70 per cent, it increased by one percentage point over the previous year, bringing it back to the 2008-09 level – the highest result over the last five years. Labour market conditions, prior education, work experience and other barriers affecting participants impacted employment outcomes. As Alberta's economy and labour market continues to recover, it is expected that this measure result will continue to improve. Those that stopped receiving Income Support

without obtaining employment could have transitioned to training programs, entered new partnerships or received support from other sources (CPP, EI and disability-related income).

## Goal 2

### Alberta has fair, safe, healthy and inclusive workplaces and a skilled labour force that contributes to economic prosperity

A fair, safe, healthy and productive workplace improves the quality of life and well-being for Albertans and helps keep Alberta prosperous and competitive in the global economy. The Ministry of Human Services invests in Alberta's labour supply, skills and workplaces to ensure the long-term sustainability and prosperity of the economy. Through collaborative efforts with Alberta's industry associations and employers, and in working with the Government of Canada, the Ministry implements targeted workforce strategies and initiatives to increase the participation of those underrepresented in the labour force including Aboriginal people, youth, immigrants, persons with disabilities, low-income earners and mature workers; and enhances the enforcement of workplace and labour legislation and policies.

By investing in Alberta's labour supply, skills and workplaces, the Ministry of Human Services contributes to the long-term sustainability and prosperity of the economy. To support programs and initiatives under this goal in 2011-12 approximately \$148 million was directed to ministry employment and training programs. In addition, \$48 million was allocated to the Immigration program and approximately \$44 million to Workplace Standards.

Key results and highlights in efforts to support a skilled labour force that contributes to economic prosperity and making Alberta's workplaces fair, safe, healthy and inclusive include:

- In 2011, Human Services assisted Alberta employers to attract and retain international workers with the right skills to address labour shortages. An Oil and Gas Virtual Job Expo was hosted to reach job seekers in target international markets and developed resources for employers to make informed decisions when recruiting skilled international trades-people.
- In 2011-12, the Alberta Works program engaged in initiatives to enhance labour force participation of the Aboriginal population in Alberta's labour market. These initiatives include: an 18-week Aboriginal pre-employment program, *Tradewinds to Success*, which provided employment focused, industry-related training to careers in the trades for eligible Métis, Inuit and First Nations people for Alberta; and the development of a media campaign, in partnership with Health Canada, Alberta Health Services, Careers the Next Generation and Treaties 6, 7 and 8 to promote health careers for Aboriginal youth.
- Funding in partnership with *EmployAbilities* and agencies supporting persons with disabilities, was provided for 40 local agencies to support a job development conference in Edmonton. Conference content included developing action plans to promote recruitment and retention of a diverse workforce; and addressing career laddering, succession planning and mentoring.
- *Building and Educating Tomorrow's Workforce* is the Alberta government's 10-year labour force strategy. Priority actions and strategies were created after extensive consultations with business and industry, professional and labour organizations, education and training providers and

Aboriginal groups. In the spring of 2011, the action plans *Engaging the Mature Worker: An Action Plan for Alberta*, *Connecting the Dots: Aboriginal Workforce and Economic Development in Alberta* and the *Government of Alberta Response* were released. The implementation of the actions plans will support increased labour force participation; help mitigate future skills and labour shortages; engage in partnerships to support First Nations, Métis and Inuit peoples to overcome barriers and challenges in education, training and economic opportunity; and minimize the loss of experience, corporate memory, leadership and mentorship that can occur in organizations when people retire.

- Alberta Works Centres across the province worked with business and industry to assist with attraction and retention of workers as well as address workforce adjustment needs. This included the launch of the Fort McMurray Jobs Facebook page to connect job seekers with labour market information, job leads and resources. In addition, the Career Information Hotline assisted approximately 7,200 Albertans on career, training and job searches and also assisted with over 1,000 e-resume reviews.
- Through the joint federal-provincial funded *Targeted Initiative for Older Workers*, 13 programs were provided across the province to address employment and/or training supports for approximately 500 mature workers. In addition, an Employment Summit on the Mature Worker was held in Calgary on February 6-8, 2012. This event focused on providing current knowledge and resources to employers on attracting and retaining mature workers.
- The Alberta Immigrant Nominee Program (AINP), which helps to build Alberta's permanent workforce for occupations in shortage, achieved its 2011 target of issuing 5,000 nomination certificates to potential immigrants in skilled and select semi-skilled occupations. A 2011 survey of AINP nominees showed that 98 per cent of nominees were still living in Alberta up to five years after they became permanent residents.
- Alberta continued to work with other provinces and territories and regulatory bodies to streamline the recognition of foreign earned credentials in 6 additional targeted professions, including physicians. New resources, tools and processes were developed to streamline assessment services and support the understanding of academic credentials earned abroad. These initiatives positively impacted an estimated 3,500 foreign trained professionals.
- Effective September 1, 2011, Alberta introduced a new minimum wage policy which, among other changes, included a differential minimum wage for liquor servers. The new general rate was set to \$9.40 per hour while the liquor server rate was set to \$9.05. The government also committed to review the minimum wage on an annual basis.
- Albertans now have the option of submitting employment standards complaints on-line. Of the 7,818 complaints received in 2011-12, 5,650 (72 per cent) were filed electronically. With the addition of an officer in the Employment Standards Contact Centre, claims requiring minimal intervention are resolved more quickly.

- A Certificate of Recognition (COR) is awarded to employers who develop health and safety programs that meet established standards. Achieving and maintaining a valid COR is required for earning a financial incentive through the WCB Partnerships in Injury Reduction program. To ensure that COR certification continues to represent an employer's commitment to a strong and healthy safety program, the Employer Review process was completely redesigned with considerably more strict guidelines. Preliminary and, if necessary, formal reviews are now triggered based on a clear and defensible set of criteria directly and immediately relative to an employer's record of compliance with the OHS Act, Code and Regulation.
- The final volume of the five-volume series, *Best Practice Guideline for Occupational Health and Safety in the Healthcare Industry*, was released in November 2011. The Best Practice Guideline was developed based on minimum standards set out in the legislation with added research and published effective practices targeted and written specifically to provide technical advice to healthcare industry stakeholders to improve health and safety in their industry.
- The Alberta Labour Relations Board experienced a significant increase in workload this fiscal period. Applications were up 47 per cent and the number of Hearings rose by approximately 12 per cent. The Board also saw an increase in the number of matters that were resolved without formal adjudication. Last year, 55 per cent of the files were resolved without going to hearing, whereas this year, 73 per cent were resolved without formal adjudication. The number of decisions rendered within 90 calendar days from the completion of the hearing(s) was lower than targeted. The target was 85 per cent; the actual number reached was 80 per cent due to the following factors: increase in the number of hearings; more travel time for Hearing Chairs due to an increase in number of resolution conferences; and an increase in panel days sat from 299 to 338.
- The Appeals Commission for Alberta Workers' Compensation reduced the number of outstanding appeals by setting processing requirements to move individuals appeals forward to decision. In the past fiscal year, standard appeals were processed in 141 days on average and complex appeals 170 days. Of the decisions issued, 99.2 per cent were either not challenged, or if they were, they were upheld upon review by the Courts, the Ombudsman or the Appeals Commission.

## Performance Measures Analysis

### **Inter-provincial rank of Alberta's labour force participation rate (#1 is the highest)**

In 2011, the labour force participation rate for Alberta was 73.7 per cent, which ranked the highest in Canada and met the target for this performance measure. By comparison, the Canadian rate was 66.8 per cent, the rate next-highest to Alberta's was 69.3 per cent, and the lowest rate in the country was 60.0 per cent.

Alberta's economy continues to be one of the strongest in Canada. As the economy continues to slowly recover, it is expected that the labour force participation rate will continue to increase across Canada, with the highest rate in Alberta.

The labour force participation rate represents the percentage of the working-age population that is either employed or actively seeking employment. The inter-provincial rank of labour force participation is an indicator of Alberta's effectiveness in addressing labour force needs relative to that of other provinces. The Alberta government contributed to this result by working to address issues related to labour force development, labour shortages, skills deficits, immigration and labour force planning and productivity.

### **Number of new immigrants to Canada who choose Alberta as their destination**

In 2011, Alberta attracted an estimated 30,941 new immigrants to the province, surpassing Human Services' performance measure target of 27,000. There has been a rising trend in this figure since the 2006 level of 20,716, with a peak in 2010 of 32,650. The breakdown of the 30,941 new immigrants to Alberta in 2011 was as follows: Economic Immigrants, 20,747; Family Class, 6,837; Refugees, 2,635; and Other Immigrants, 722.

Alberta's Occupational Demand and Supply Outlook produced by the Ministry projects that in the coming decade, Alberta could experience substantial labour shortages. Immigration will remain as an important element in meeting these labour market demands, in addition to building a stronger dynamic culture within our province and country. It is important to note that Alberta also receives net increases in inter-provincial migration from other Canadian provinces. Although it is not part of this performance measure, in 2011 there was net increase of 19,141 people moving to Alberta from other provinces.

## Goal 3

In collaboration with communities and stakeholders, the conditions and opportunities are created for Albertans to succeed.

The Ministry of Human Services works collaboratively with other ministries, stakeholders, including First Nation leadership and communities, and federal government departments and other stakeholders to create new approaches to improve outcomes for Aboriginal children, youth and families; and assist employers in meeting their workforce requirements. The Ministry leads the Alberta Supports initiative and works with Ministry partners to support vulnerable Albertans to move toward citizen-centered programs and services that are more effective, appropriate and easier to access, including the implementation of related supports for low-income Albertans, and plans to address homelessness and affordable housing.

Key results and highlights in the collaboration with communities and stakeholders to create conditions and opportunities of success for Albertans include:

- Since December 2011, Human Services engaged approximately 10,000 stakeholders, citizens and staff to collect input on what a social policy framework for Alberta could look like, and what it could mean to the province. Extensive jurisdictional and academic research and engagement feedback supported the development of a discussion paper and Cabinet document for government on the proposed scope, expected outcomes and engagement approach for a social policy framework. Government supports collaborative and multifaceted public engagements to collectively create an overarching policy framework to guide government and stakeholder decision-making on program review and results-based budgeting.
- The Child, Youth and Family Enhancement (CYFE) Appeal Panel and Family Support for Children with Disabilities (FSCD) Appeal Committee piloted and approved their revised competency-based assessment process. This competency-based assessment process is used for the recruitment, orientation, assessment and training of panel members. To support this process the Appeals Secretariat also developed and delivered a new training module to all children's services appeal panels called "*Empowering Each Other Through the Give and Take of Feedback*", for debriefing hearings and the assessment process.
- Engaged with over 250 people from government, Aboriginal organizations and communities, Elders, private industry, elected officials, community agencies, kinship and foster care parents, and youth through community conversations held in Edmonton (December 2011 and March 2012) and Lethbridge and Fort MacLeod (March 2012). These ongoing community conversations create a shared understanding of the complex issues which contribute to the over-representation of Aboriginal children in the Child Intervention System and work towards identifying collective actions and best practices.
- In May 2011, the Town of Slave Lake was devastated by a fire that forced the evacuation of many of its residents. In a collaborative effort between various divisions in the Ministry, effective and timely emergency and relief benefits were distributed to Albertans impacted by the wildfires. Families and individuals in Slave Lake were supported through the Alberta Supports *Slave Lake*

*Coordinated Intake Pilot* where quick and easy access to program information and referral was provided. This project provided Albertans with information on social-based services such as child care subsidies to support the residents of Slave Lake returning to assess damages, by visiting only one office and working with one staff member.

- The implementation of the Alberta Supports initiative continued to improve how social-based assistance services are delivered to Albertans. By visiting the Alberta Supports website, Albertans can access information on more than 30 social-based programs and more than 120 services offered by Human Services and Seniors. Between April 1, 2011 and March 31, 2012, the Alberta Supports Contact Centre received more than 327,244 calls from Albertans for information related to seniors, employment and training, persons with disabilities, lower income, children and youth, abuse and bullying, homelessness, and making life decisions.
- The *Transition from Child Disability Programs to Adult Pilot* in Central Alberta has been expanded to include more families. This is one of the first initiatives under Alberta Supports to be completed where support was provided to 23 families from Central Alberta who have youth with disabilities between the ages of 14 and 17. This initiative looked at new ways to help vulnerable Albertans navigate the available services and try out a new model for transition planning to adult independence.
- Implemented amendments to the *Engineering, Geological and Geophysical Professions Act*, which consolidate the current practices of geology and geophysics into a new “geoscience” class of licensure within the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA). These amendments include: APEGGA’s new title as the Association of Professional Engineers and Geoscientists of Alberta; updated provisions that were specific to Alberta’s labour mobility obligations under national and inter-provincial agreements; and a mandatory expiry clause, as required by the Alberta government’s Regulatory Review Committee.
- To support the development of enhanced accreditation standards in 2012-13, a province-wide consultation with child care stakeholders was completed. Quality assurance mechanisms for the monitoring of day care and family day home compliance were strengthened with improvements in documentation and training requirements, consistency of monitoring, enforcement policies and processes and follow-up practices in enforcing child care program compliance with statutory requirements.

## Performance Measure Analysis

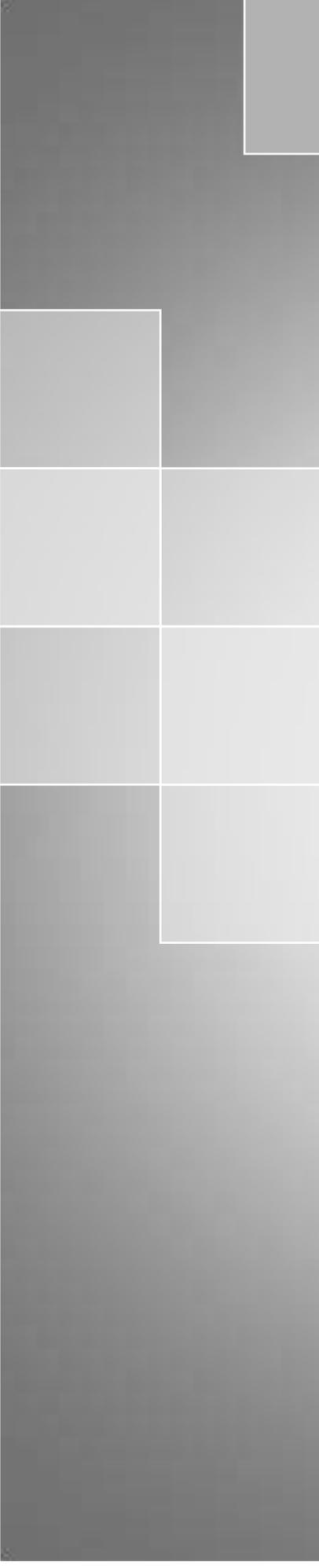
### **Percentage of youth receiving Advancing Futures Bursaries who successfully completed their planned studies during the fiscal year**

The result in 2011-12 for this performance measure was 83 per cent, which was 2 percentage points higher than the target of 81 per cent. This was also the highest result in the past four years, with results for 2010-11, 2009-10 and 2008-09 at 79 per cent, 79 per cent and 78 per cent respectively. This is a promising increase in the number of youth that successfully complete their planned studies during the

fiscal year. Advancing Futures assists youth who have been or continue to be in the care of Human Services. The program provides funding to support youth in achieving their educational goals and leads them to obtaining meaningful employment. Advancing Futures takes a strength-based approach to supporting youth and recognizes the potential of students to reach their educational goals and overcome challenges they may face.

**Percentage of licensed day care centres and contracted family day home agencies that are accredited and participating in accreditation**

This performance measure exceeded its target of 94 per cent for 2011-12 with a result of 96.5 per cent of licensed day care centres and contracted family day home agencies that are accredited and participating in accreditation. This figure was the highest it has been in the past two fiscal years, with previous results of 96.3 per cent in 2010-11. This performance measure changed from the previous year to now include child care programs that are participating in accreditation. This is defined as programs that have applied to the accreditation agency for the self-study. Programs that applied but withdrew with notification to the accreditation agency are excluded. The Alberta Association for Accreditation of Early Learning and Care Services (AELCS) accredits eligible day care programs and family day home agencies in Alberta. Accreditation is a voluntary process. The result for this measure is based on the number of licensed day care programs and contracted family day home agencies accredited and participating in accreditation as at March 31, 2012.

A decorative graphic on the left side of the page consists of a grid of squares. The grid is composed of several squares of varying shades of gray, arranged in a pattern that is roughly rectangular but has some missing or differently shaded cells, creating a stepped or abstract effect. The squares are separated by thin white lines.

# Financial Information

**MINISTRY OF HUMAN SERVICES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2012**

Independent Auditor's Report

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and Non-Budgetary Disbursements by Element to Authorized Spending

Schedule 6 – Lottery Fund Estimates

Schedule 7 – Related Party Transactions

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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, 2012, 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, 2012, 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 5, 2012

Edmonton, Alberta

**MINISTRY OF HUMAN SERVICES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
Year ended March 31, 2012

	(in thousands)		
	2012		2011
	Budget (Schedule 4)	Actual	Actual (Restated Note 3)
<b>REVENUE (Schedule 1)</b>			
<b>Transfers from Government of Canada</b>			
Services on First Nations Reserves	\$ 22,745	\$ 24,064	\$ 22,463
Children's Special Allowance and Child Disability Benefit	25,013	25,219	24,177
Rehabilitation of Disabled Person	25,190	25,190	25,190
Labour Market Development	171,064	172,800	228,867
Other Transfer	7,458	1,924	12,660
<b>Premium, Fees and Licences</b>	700	818	682
<b>Other Revenue</b>	47,536	57,257	60,843
	<u>299,706</u>	<u>307,272</u>	<u>374,882</u>
<b>Expenses - Directly Incurred (Note 2b and Schedule 8)</b>			
<b>Program (Schedules 3 and 5)</b>			
Ministry Support Services	38,401	39,529	36,569
Child Care	228,706	239,369	225,436
Prevention of Family Violence and Bullying	39,506	41,417	37,718
Child Intervention	607,408	624,065	590,622
Family Support for Children with Disabilities	129,463	129,064	125,754
Protection of Sexually Exploited Children	6,374	5,772	5,620
Child and Youth Advocate	7,173	8,027	7,332
Parenting Resources Initiatives	24,093	25,827	24,838
Fetal Alcohol Spectrum Disorder Initiatives	18,290	18,965	16,806
Youth in Transition	8,830	7,913	7,110
Family and Communities Support Services	75,684	75,542	75,414
Child and Family Research	1,500	1,500	2,000
Alberta's Promise	1,578	656	470
Program Delivery Services	38,242	41,709	37,374
Employment	936,167	920,734	977,929
Workplace Standards	42,957	43,852	39,935
Immigration	53,031	50,300	56,556
Health Workforce Development	35,000	34,612	34,256
Federal Community Development Trust	-	-	11,582
Labour Relations Board	2,993	2,940	3,033
Appeals Commission for Alberta Workers Compensation	9,294	9,595	8,258
Homeless Support	97,470	96,843	90,162
Implementation of Alberta Supports	13,900	8,224	3,127
	<u>2,416,060</u>	<u>2,426,455</u>	<u>2,417,901</u>
<b>Net Operating Results</b>	<u>\$ (2,116,354)</u>	<u>\$ (2,119,183)</u>	<u>\$ (2,043,019)</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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
	<u>Actual</u>	<u>Actual</u>
		(Restated Note 3)
<b>Assets</b>		
Cash	\$ 67,555	\$ 53,002
Prepaid Expenses	2,691	1,919
Accounts Receivable (Note 4)	26,239	19,331
Advances (Note 5)	2,005	2,119
Tangible Capital Assets (Note 6)	44,573	41,630
	<u><u>\$ 143,063</u></u>	<u><u>\$ 118,001</u></u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 7)	\$ 163,403	\$ 178,082
Unearned Revenue	22,259	23,172
	<u><u>185,662</u></u>	<u><u>201,254</u></u>
<b>Net Liabilities</b>		
Net Liabilities at Beginning of Year	(83,253)	(65,199)
Net Operating Results	(2,119,183)	(2,043,019)
Net Financing Provided from General Revenues	2,159,837	2,024,965
	<u>(42,599)</u>	<u>(83,253)</u>
	<u><u>\$ 143,063</u></u>	<u><u>\$ 118,001</u></u>

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

**MINISTRY OF HUMAN SERVICES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
Year ended March 31, 2012

	(in thousands)	
	<u>2012</u>	<u>2011</u> (Restated Note 3)
<b>Operating Transactions</b>		
Net Operating Results	\$ (2,119,183)	\$ (2,043,019)
Non-Cash items included in Net Operating Results		
Amortization	6,500	4,264
	<u>(2,112,683)</u>	<u>(2,038,755)</u>
(Increase) in Accounts Receivable	(6,908)	(3,576)
(Increase) in Prepaid Expenses	(772)	(1,829)
Decrease in Advances	114	2,913
Decrease (Increase) in Accounts Payable and Accrued Liabilities	(14,679)	21,227
Decrease (Increase) in Unearned Revenue	(913)	7,143
Cash Applied to Operating Transactions	<u>(2,135,841)</u>	<u>(2,012,877)</u>
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(9,804)	(8,203)
Non-Cash items included in Capital Transactions		
Transfer of Capital Asset to another Ministry <sup>(a)</sup>	361	-
	<u>(9,443)</u>	<u>(8,203)</u>
<b>Financing Transactions</b>		
Net Financing Provided from General Revenues	<u>2,159,837</u>	<u>2,024,965</u>
<b>Increase (Decrease) in Cash</b>	14,553	3,885
<b>Cash, Beginning of Year</b>	53,002	49,117
<b>Cash, End of Year</b>	<u><u>\$ 67,555</u></u>	<u><u>\$ 53,002</u></u>

<sup>(a)</sup> Tangible Capital Asset transferred to the Ministry of Finance.

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

**MINISTRY OF HUMAN SERVICES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 AUTHORITY AND PURPOSE**

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.

<u>Organization</u>	<u>Legislation</u>
Department of Human Services	<i>Government Organization Act</i>
10 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 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 and the Child and Family Services Authorities are consolidated. Other 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 ministries of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of ministries are deposited into the Fund and all cash disbursements made by ministries are paid from the Fund. Net financing provided (for) from General Revenues is the difference between all cash receipts and all cash disbursements made.

**(b) Basis of Financial Reporting**

**Revenues**

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 unearned revenue.

**MINISTRY OF HUMAN SERVICES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Internal Government Transfers

Internal government transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amount can be made

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 Department's credit or recovery initiatives.

**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.

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

- amortization of tangible capital assets.
- pension costs, which comprise 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 relating to vacation pay, guarantees and indemnities.

**MINISTRY OF HUMAN SERVICES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

- 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 Ministry's operations not recognized and are disclosed in Schedule 7 and allocated to programs in schedule 8.

**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, as well as inventories held for resale.

**Cash**

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term of maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
				(Restated Note 3)
				(In thousands)
Cash <sup>(a)</sup>	\$ 67,555	\$ 67,555	\$ 53,002	\$ 53,002

**Tangible Capital Assets**

Assets acquired by right are not included. Tangible capital assets are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Amortization is only charged if the asset is in use. 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.

**MINISTRY OF HUMAN SERVICES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(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, accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

**Net Liabilities**

Net assets/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 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)**

The Ministry of Human Services was established as a result of restructuring of government ministries announced on October 12, 2011 and other transfer of responsibilities to and from other Ministries. Comparatives for 2011 have been restated as if the Ministry had always been assigned with its current responsibilities. Net liabilities on March 31, 2011 are made up as follows:

Net liabilities as previously reported	\$	97,980
Transfer from the Department of Housing and Urban Affairs		2,831
Transfer from the Department of Seniors		485
Transfer to Intergovernmental, International and Aboriginal Relation		(32)
Transfer to the Department of Finance (Office of Statistics)		(64)
Transfer to the Department of Finance (Canada Social Transfer Revenue)		(17,947)
Net liabilities at March 31, 2011	<u>\$</u>	<u>83,253</u>

**MINISTRY OF HUMAN SERVICES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**LOTTERY FUND INITIATIVES**

The method of funding the eligible initiatives from the lottery and gaming proceeds was changed during the year. Previously, they were funded directly from the Lottery Fund and were included in the Ministry's revenues (\$75,487). However, such proceeds are now deposited into the General Revenue Fund to finance the eligible initiatives. Financial statements for prior years have been restated as if the current arrangement had always existed. Schedule 6 provides a comparison of estimates and actual expenses for Lottery Fund initiatives.

**NOTE 4 ACCOUNTS RECEIVABLE  
(in thousands)**

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 23,347	\$ (2,053)	\$ 21,294	\$ 15,510
Refunds from Suppliers	4,945		\$ 4,945	3,821
	\$ 28,292	\$ (2,053)	\$ 26,239	\$ 19,331

Accounts receivable are unsecured and non-interest bearing.

**NOTE 5 ADVANCES  
(in thousands)**

	2012	2011
		(Restated Note 3)
Emergent benefit for clients	\$ 2,005	\$ 2,119
	\$ 2,005	\$ 2,119

**MINISTRY OF HUMAN SERVICES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 6 TANGIBLE CAPITAL ASSETS**

(in thousands)

	<u>Computer Hardware and Software</u>			<u>2011 Total (Restated Note 3)</u>
	<u>Equipment*</u>	<u>2012 Total</u>		
<b>Estimated Useful Life</b>	<b>5 years</b>	<b>5 years</b>		
<b>Historical Costs**</b>				
Beginning of year	\$ 5,044	\$ 86,070	\$ 91,114	\$ 82,978
Additions	409	9,395	9,804	8,203
Transfers In/Out	-	(1,107)	(1,107)	-
Disposals, including write downs	(26)	(26)	(26)	(67)
	<u>\$ 5,427</u>	<u>\$ 94,358</u>	<u>\$ 99,785</u>	<u>\$ 91,114</u>
<b>Accumulated Amortization</b>				
Beginning of year	\$ 3,820	\$ 45,664	\$ 49,484	\$ 45,287
Amortization Expense	344	6,156	6,500	4,264
Transfers In/Out	-	(746)	(746)	-
Effect of Disposals	(26)	-	(26)	(67)
	<u>\$ 4,138</u>	<u>\$ 51,074</u>	<u>\$ 55,212</u>	<u>\$ 49,484</u>
<b>Net Book value at March 31, 2012</b>	<u>\$ 1,289</u>	<u>\$ 43,284</u>	<u>\$ 44,573</u>	
<b>Net Book value at March 31, 2011</b>	<u>\$ 1,400</u>	<u>\$ 40,230</u>		<u>\$ 41,630</u>

\* Equipment includes office equipment, furniture and other equipment.

\*\* Historical costs includes work-in-progress at March 31, 2012 totalling \$6,863 comprised of Computer software (2011 - \$11,396).

**NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

(in thousands)

	<u>2012</u>	<u>2011 (Restated Note 3)</u>
Trade	\$ 67,430	\$ 52,551
Government of Canada	-	175
Grants	48,760	54,825
Manpower	45,525	44,282
Other	1,688	26,249
	<u>\$ 163,403</u>	<u>\$ 178,082</u>

**MINISTRY OF HUMAN SERVICES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 8 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.

The Ministry contracts with organizations to provide specific programs and services for children under care of the Ministry when needed. The Ministry has contracts for specific programs and services for the year ended March 31, 2012 similar to those provided by these organizations during the year ended March 31, 2011.

As at March 31, 2012, the Ministry has the following contractual obligations:

	<u>2012</u>	<u>2011</u> (Restated Note 3)
Obligations under operating leases, contracts and programs	\$ 42,831	\$ 42,669
	<u>\$ 42,831</u>	<u>\$ 42,669</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>
2012 - 13	\$ 35,205
2013 - 14	6,017
2014 - 15	1,585
2015 - 16	16
2016 - 17	8
Thereafter	-
	<u>\$ 42,831</u>

**NOTE 9 CONTINGENT LIABILITIES**

(in thousands)

At March 31, 2012, the Ministry is a defendant in ninety-five legal claims (2011 – eighty legal claims). Ninety-two of these claims have specified amounts totaling \$1,660,126 and the remaining three have not specified any amount (2011 – Seventy-eight claims with a specified amount of \$1,628,633 and two had no specified amount).

Included in the total legal claims are fifty-four claims amounting to \$1,432,957 (2011 – forty-seven amounting to \$1,420,259) in which the Ministry has been jointly named with other entities. Seventy-three claims amounting to \$1,020,788 (2011 – fifty-seven claims amounting to \$1,008,629) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

**MINISTRY OF HUMAN SERVICES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 10 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, 2012 the trust funds under administration are as follows:

	<u>2012</u>	<u>2011</u>
Child Resources Rebate Trust Fund	\$ 928	\$ 975
Employment Standards Trust Fund	1,145	1,234
Gunn Centre Residents Trust Fund	4	7
	<u>\$ 2,077</u>	<u>\$ 2,216</u>

**NOTE 11 BENEFIT PLANS**  
(in thousands)

The Ministry participates in the multi-employer pension plans: Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$45,078 for the year ended March 31, 2012 (2011 - \$42,391). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of \$517,726 (2010 - Deficiency \$397,087) and the Public Service Pension Plan reported a deficiency of \$1,790,383 (2010 - deficiency \$2,067,151). At December 31, 2011, the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$53,489 (2010 - deficiency \$39,959).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of \$9,136 (2011 - deficiency \$4,141) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$10,454 (2011 - surplus \$7,020). The expense for these two plans is limited to the employer's annual contributions for the year.

**NOTE 12 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 13 SUBSEQUENT EVENTS**

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministry of Human Services was restructured. The Ministry's responsibility for immigration was moved to the Ministry of Enterprise and Advanced Education. Persons with Development Disabilities (PDD) & Assured Income for Severely Handicapped (AISH) programs were also transferred from the Ministry of Seniors to the Ministry of Human Services.

**MINISTRY OF HUMAN SERVICES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 14 APPROVAL OF FINANCIAL STATEMENTS**

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

**MINISTRY OF HUMAN SERVICES**  
**CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS**  
**Revenues**  
**Year ended March 31, 2012**

Schedule 1

	(in thousands)		<b>2011</b> <b>Actual</b> <b>(Restated</b> <b>Note 3)</b>
	<b>2012</b>		
	<b>Budget</b>	<b>Actual</b>	
Transfers from the Government of Canada			
Services on First Nations Reserves	\$ 22,745	\$ 24,064	\$ 22,463
Children's Special Allowance and Disability Benefits	25,013	25,219	24,177
Rehabilitation of Disabled Persons	25,190	25,190	25,190
Labour Market Development	171,064	172,800	228,867
Other Transfers	7,458	1,924	12,660
	<u>251,470</u>	<u>249,197</u>	<u>313,357</u>
Premiums, Fees and Licenses	<u>700</u>	<u>818</u>	<u>682</u>
Other Revenue			
Refunds of Expenditures	5,608	16,082	23,014
First Nations Agencies Recoveries	1,049	973	992
Workers' Compensation Appeals	9,194	10,443	8,307
Occupational Health and Safety Transfer	27,694	27,694	25,458
Other	3,991	2,065	3,072
	<u>47,536</u>	<u>57,257</u>	<u>60,843</u>
	<u><b>\$ 299,706</b></u>	<u><b>\$ 307,272</b></u>	<u><b>\$ 374,882</b></u>

**MINISTRY OF HUMAN SERVICES**  
**CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS**  
**Credit or Recovery**  
**Year ended March 31, 2012**

**Schedule 2**

	<b>2012</b>		<b>(Shortfall) / Excess</b>
	<b>Authorized</b>	<b>Actual</b>	
	<i>(in thousands)</i>		
Workplace Health and Safety <sup>(2)</sup>	\$ 27,694	\$ 27,694	\$ -
	<u>\$ 27,694</u>	<u>\$ 27,694</u>	<u>\$ -</u>

(1) The revenue and expense related to credit or recovery initiatives are included in the Ministry's revenue and expense in the statement of operations. Shortfall is deducted from current year's authorized budget.

(2) Workplace 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.

**MINISTRY OF HUMAN SERVICES**  
**CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object**  
**Year ended March 31, 2012**

**Schedule 3**

	(in thousands)		
	2012		2011
	Budget	Actual	Actual (Restated Note 3)
Voted:			
Salaries, Wages and Employee Benefits	\$ 456,947	\$ 460,257	\$ 447,917
Supplies and Services	641,412	668,735	639,108
Supplies and Services from Support Arrangements with Related Parties <sup>(a)</sup>	2,011	2,279	2,444
Grants	1,310,412	1,289,886	1,325,427
Financial Transactions and Other	159	475	324
Amortization of Tangible Capital Assets	6,475	6,499	4,264
<b>Total Voted Expenses before Recoveries</b>	<b>2,417,416</b>	<b>2,428,131</b>	<b>2,419,484</b>
Less Recovery from Support Service Arrangements with Related Parties <sup>(b)</sup>	(1,356)	(1,676)	(1,583)
	<b>\$ 2,416,060</b>	<b>\$ 2,426,455</b>	<b>\$ 2,417,901</b>

(a) The Department receives financial and administrative support services from the Ministries of Education, Advanced Education and Technology, Justice and Attorney General and Seniors.

(b) The Department provides human resources, information technology, financial and other administrative support services to the Ministries of Advanced Education and Technology, Seniors, and Service Alberta. Costs incurred for these services are recovered from these ministries.

**MINISTRY OF HUMAN SERVICES  
CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS  
Budget  
Year ended March 31, 2012**

**Schedule 4**

(in thousands)

	2011-2012 Estimates	Adjustments	2011-2012 Budget	Authorized Supplementary <sup>(a)</sup>	2011-2012 Authorized Budget
<b>Revenues</b>					
Services on First Nations Reserves	\$ 22,745	\$ -	\$ 22,745	\$ -	\$ 22,745
Children's Special Allowance and Child Disability Benefit	25,013	-	25,013	-	25,013
Rehabilitation of Disabled Person	25,190	-	25,190	-	25,190
Labour Market Development	171,064	-	171,064	-	171,064
Other Transfer	7,458	-	7,458	-	7,458
Premium, Fees and Licences	700	-	700	-	700
Other Revenue	-	-	-	-	-
Refunds of Expense	6,657	-	6,657	-	6,657
Other	40,879	-	40,879	-	40,879
	<u>299,706</u>	<u>-</u>	<u>299,706</u>	<u>-</u>	<u>299,706</u>
<b>Expenses - Directly Incurred:</b>					
Ministry Support Services	38,401	-	38,401	-	38,401
Child Care	228,706	-	228,706	10,000	238,706
Prevention of Family Violence and Bullying	39,506	-	39,506	700	40,206
Child Intervention	607,408	-	607,408	6,283	613,691
Family Support for Children with Disabilities	129,463	-	129,463	950	130,413
Protection of Sexually Exploited Children	6,374	-	6,374	113	6,487
Child and Youth Advocate	7,173	-	7,173	-	7,173
Parenting Resources Initiatives	24,093	-	24,093	845	24,938
Fetal Alcohol Spectrum Disorder Initiatives	18,290	-	18,290	109	18,399
Youth in Transition	8,830	-	8,830	-	8,830
Family and Communities Support Services	75,684	-	75,684	-	75,684
Child and Family Research	1,500	-	1,500	-	1,500
Alberta's Promise	1,578	-	1,578	-	1,578
Program Delivery Services	38,242	-	38,242	-	38,242
Employment	936,167	-	936,167	4,231	940,398
Workplace Standards	42,957	-	42,957	-	42,957
Immigration	53,031	-	53,031	1,308	54,339
Health Workforce Development	35,000	-	35,000	-	35,000
Labour Relations Board	2,993	-	2,993	-	2,993
Appeals Commission for Alberta Workers Compensation	9,294	-	9,294	700	9,994
Homeless Support	97,470	-	97,470	-	97,470
Implementation of Alberta Supports	13,900	-	13,900	-	13,900
<b>Total Expenses</b>	<u>2,416,060</u>	<u>-</u>	<u>2,416,060</u>	<u>25,239</u>	<u>2,441,299</u>
<b>Net Operating Results</b>	<u>\$ (2,116,354)</u>	<u>\$ -</u>	<u>\$ (2,116,354)</u>	<u>\$ (25,239)</u>	<u>\$ (2,141,593)</u>
<b>Capital Investment</b>	<u>\$ 9,198</u>	<u>\$ -</u>	<u>\$ 9,198</u>	<u>\$ 1,132</u>	<u>\$ 10,330</u>

(a) Supplementary Estimates were approved on December 1, 2011 and March 05, 2012.

Schedule 5

(in thousands)

**MINISTRY OF HUMAN SERVICES**  
**CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS**  
**Comparison of Directly Incurred Expense, Capital Investment**  
**and Non-Budgetary Disbursements by Element to Authorized Spending**  
**Year ended March 31, 2012**

	2011-12 Estimates	Adjust- ments	2011-12 Budget	Authorized Supple- mentary (a)	2011-12 Authorized Budget	Amounts Not Required to be Voted	2011-12 Authorized Spending	2011-12 Actual Expense	2011-12 Unexpended (Over Expended) (b)
<b>1.0 Ministry Support Services</b>									
1.1 Minister's Office	923	-	923	-	923	-	923	908	15
1.2 Deputy Minister's Office	1,219	-	1,219	-	1,219	-	1,219	1,204	15
1.3 Strategic Corporate Services									
- Expenses	27,641	-	27,641	-	27,641	(316)	27,325	28,759	(1,434)
- Capital	578	-	578	-	578	-	578	529	49
1.4 Human Resource Services	7,287	-	7,287	-	7,287	-	7,287	7,115	172
1.5 Communications	1,331	-	1,331	-	1,331	-	1,331	1,543	(212)
	<b>38,979</b>	<b>-</b>	<b>38,979</b>	<b>-</b>	<b>38,979</b>	<b>(316)</b>	<b>38,663</b>	<b>40,058</b>	<b>(1,395)</b>
<b>2.0 Child Care</b>									
2.1 Child Care Subsidy and Supports	145,986	-	145,986	10,000	155,986	-	155,986	158,559	(2,573)
2.2 Child Care Capital Grants	-	-	-	-	-	-	-	30	(30)
2.3 Child Care Accreditation	82,720	-	82,720	-	82,720	-	82,720	80,780	1,940
	<b>228,706</b>	<b>-</b>	<b>228,706</b>	<b>10,000</b>	<b>238,706</b>	<b>-</b>	<b>238,706</b>	<b>239,369</b>	<b>(663)</b>
<b>3.0 Prevention of Family Violence and Bullying</b>									
3.1 Prevention of Family Violence and Bullying	11,130	-	11,130	43	11,173	-	11,173	10,997	176
3.2 Shelters for Women	28,376	-	28,376	657	29,033	-	29,033	30,420	(1,387)
	<b>39,506</b>	<b>-</b>	<b>39,506</b>	<b>700</b>	<b>40,206</b>	<b>-</b>	<b>40,206</b>	<b>41,417</b>	<b>(1,211)</b>
<b>4.0 Child Intervention</b>									
4.1 Child Intervention Services	362,317	-	362,317	4,186	366,503	(1,500)	365,003	366,013	(1,010)
4.2 Supports for Permanency	37,486	-	37,486	-	37,486	-	37,486	40,564	(3,078)
4.3 Early Intervention and Early Childhood Development	36,406	-	36,406	688	37,094	-	37,094	39,915	(2,821)
4.4 Foster Care Support	171,199	-	171,199	1,409	172,608	-	172,608	177,194	(4,586)
	<b>607,408</b>	<b>-</b>	<b>607,408</b>	<b>6,283</b>	<b>613,691</b>	<b>(1,500)</b>	<b>612,191</b>	<b>623,686</b>	<b>(11,495)</b>
<b>5.0 Family Support for Children with Disabilities</b>									
5.0 Family Support for Children with Disabilities	129,463	-	129,463	950	130,413	-	130,413	129,064	1,349
6.0 Protection of Sexually Exploited Children	6,374	-	6,374	113	6,487	-	6,487	5,772	715
7.0 Child and Youth Advocate	7,173	-	7,173	-	7,173	-	7,173	8,027	(854)
8.0 Parenting Resources Initiative	24,093	-	24,093	845	24,938	-	24,938	25,827	(889)
9.0 Fetal Alcohol Spectrum Disorder Initiatives	18,290	-	18,290	109	18,399	-	18,399	18,965	(566)
10.0 Youth in Transition	8,830	-	8,830	-	8,830	-	8,830	7,913	917
11.0 Family and Community Support Services	75,684	-	75,684	-	75,684	-	75,684	75,542	142
12.0 Child and Family Research	1,500	-	1,500	-	1,500	-	1,500	1,500	-
13.0 Alberta's Promise	1,578	-	1,578	-	1,578	-	1,578	656	922

**MINISTRY OF HUMAN SERVICES**  
**CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS**  
**Comparison of Directly Incurred Expense, Capital Investment**  
**and Non-Budgetary Disbursements by Element to Authorized Spending**  
**Year ended March 31, 2012**

Schedule 5 Continued

(in thousands)

	2011-12 Estimates	Adjust- ments	2011-12 Budget	Authorized Supple- mentary (a)	2011-12 Authorized Budget	Amounts Not Required to be Voted	2011-12 Authorized Spending	2011-12 Actual Expense	Unexpended (Over Expended) (b)
<b>Voted:</b>									
<b>14.0 Program Delivery Services</b>	\$ 38,242	-	\$ 38,242	-	\$ 38,242	\$ (3,037)	\$ 35,205	\$ 38,585	\$ (3,380)
14.0 - Expenses	5,600	-	5,600	-	5,600	-	5,600	5,989	(389)
14.0 - Capital investment	43,842	-	43,842	-	43,842	(3,037)	40,805	44,574	(3,769)
<b>15.0 Employment</b>									
15.1 Program Planning and Delivery									
Program Support and Delivery - Expenses	142,293	-	142,293	1,325	143,618	(3,046)	140,572	145,256	(4,684)
Program Support and Delivery - Capital	3,020	-	3,020	-	3,020	-	3,020	2,366	654
15.2 Child Support Services	5,309	-	5,309	-	5,309	-	5,309	5,941	(632)
	150,622	-	150,622	1,325	151,947	(3,046)	148,901	153,563	(4,662)
<b>Employment and Training Programs</b>									
15.4 Career Development Services									
Career Development Services - Expenses	56,885	-	56,885	1,890	58,775	-	58,775	54,386	4,389
Career Development Services - Capital	-	-	-	-	-	-	-	52	(52)
15.5 Basic Skills and Academic Upgrading	19,030	-	19,030	-	19,030	-	19,030	20,675	(1,645)
15.6 Disability Related Employment Supports	13,236	-	13,236	-	13,236	-	13,236	10,377	2,859
15.7 Summer Temporary and Other Employment Programs	7,413	-	7,413	-	7,413	-	7,413	7,142	271
15.8 Training for Work	65,797	-	65,797	(3,109)	62,688	-	62,688	55,895	6,793
	162,361	-	162,361	(1,219)	161,142	-	161,142	148,527	12,615
<b>Partnerships with Industry and Employers</b>									
15.9 Workforce Partnerships	6,000	-	6,000	-	6,000	-	6,000	3,418	2,582
15.10 Aboriginal Development Partnerships	3,409	-	3,409	-	3,409	-	3,409	5,197	(1,788)
	9,409	-	9,409	-	9,409	-	9,409	8,615	794
<b>Health Benefits</b>									
15.11 Alberta Child Health Benefit	28,076	-	28,076	-	28,076	-	28,076	25,369	2,707
15.12 Alberta Adult Health Benefit	28,578	-	28,578	-	28,578	-	28,578	35,421	(6,843)
15.13 Learners	3,000	-	3,000	4,125	7,125	-	7,125	5,261	1,864
15.14 People Expected to Work or Working	30,572	-	30,572	-	30,572	-	30,572	37,638	(7,066)
15.15 People with Barriers to Full Employment	58,924	-	58,924	-	58,924	-	58,924	57,608	1,316
	149,150	-	149,150	4,125	153,275	-	153,275	161,297	(8,022)
<b>Income Supports</b>									
15.16 Learners	59,508	-	59,508	-	59,508	-	59,508	50,934	8,574
15.17 People Expected to Work or Working	227,175	-	227,175	-	227,175	-	227,175	218,199	8,976
15.18 People with Barriers to Full Employment	178,962	-	178,962	-	178,962	-	178,962	176,815	2,147
15.19 Widows' Pension	2,000	-	2,000	-	2,000	-	2,000	1,521	479
	467,645	-	467,645	-	467,645	-	467,645	447,469	20,176
	\$ 939,187	-	\$ 939,187	\$ 4,231	\$ 943,418	\$ (3,046)	\$ 940,372	\$ 919,471	\$ 20,901

MINISTRY OF HUMAN SERVICES  
CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS  
Comparison of Directly Incurred Expense, Capital Investment  
and Non-Budgetary Disbursements by Element to Authorized Spending  
Year ended March 31, 2012

Schedule 5 Continued

(in thousands)

2011-12 Estimates	Adjust- ments	2011-12 Budget	Authorized Supple- mentary (a)	2011-12 Authorized Budget	Amounts Not Required to be Voted	2011-12 Authorized Spending	2011-12 Actual Expense	2011-12 Unexpended (Over Expended) (b)
\$ 1,192	-	\$ 1,192	-	\$ 1,192	-	\$ 1,192	\$ 1,147	\$ 45
1,076	-	1,076	-	1,076	-	1,076	860	216
315	-	315	-	315	-	315	280	35
2,583	-	2,583	-	2,583	-	2,583	2,287	296
1,000	-	1,000	-	1,000	-	1,000	920	80
812	-	812	-	812	-	812	1,010	(198)
1,812	-	1,812	-	1,812	-	1,812	1,930	(118)
7,968	-	7,968	-	7,968	-	7,968	7,953	15
2,475	-	2,475	-	2,475	-	2,475	1,926	549
17,251	-	17,251	-	17,251	-	17,251	18,340	(1,089)
27,694	-	27,694	-	27,694	-	27,694	28,219	(525)
556	-	556	-	556	-	556	483	73
10,312	-	10,312	-	10,312	-	10,312	10,934	(622)
10,868	-	10,868	-	10,868	-	10,868	11,417	(549)
42,957	-	42,957	-	42,957	-	42,957	43,853	(896)
1,881	-	1,881	-	1,881	-	1,881	2,122	(241)
7,637	-	7,637	-	7,637	-	7,637	7,767	(130)
4,069	-	4,069	-	4,069	-	4,069	3,699	370
4,109	-	4,109	-	4,109	-	4,109	3,404	705
4,009	-	4,009	608	4,617	-	4,617	3,644	973
9,066	-	9,066	700	9,766	-	9,766	9,376	390
3,700	-	3,700	-	3,700	-	3,700	3,227	473
18,560	-	18,560	-	18,560	-	18,560	17,059	1,501
51,150	-	51,150	1,308	52,458	-	52,458	48,176	4,282
\$ 53,031	-	\$ 53,031	\$ 1,308	\$ 54,339	-	\$ 54,339	\$ 50,298	\$ 4,041

Voted:

16.0 Workplace Standards  
16.1 Program Support  
16.2 Professions and Occupations  
16.3 Medical Panels for Alberta Workers' Compensation

16.4 Labour Relations  
Mediation  
16.5 Policy and Legislation

16.6 Occupational Health and Safety  
Policy and Legislation  
16.7 Partners in Injury Reduction  
16.8 Regional Services

16.9 Employment Standards  
Policy and Legislation  
16.10 Regional Services

17.0 Immigration

17.1 Immigration Policy Support  
Immigration Delivery  
17.2 Settlement and Integration  
17.3 Foreign Qualification Recognition  
17.4 Alberta Immigrant Nominee Program  
17.5 Labour Supply  
17.6 English as an Additional Language  
17.7 Bridging Programs  
17.8 Living Allowance for Immigrant Learners

MINISTRY OF HUMAN SERVICES  
CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS  
Comparison of Directly Incurred Expense, Capital Investment  
and Non Budgetary Disbursements by Element to Authorized Spending  
Year ended March 31, 2012

Schedule 5 Continued

(in thousands)

	2011-12 Estimates	Adjust- ments	2011-12 Budget	Authorized Supple- -mentary (a)	2011-12 Authorized Budget	Amounts Not Required to be Voted	2011-12 Authorized Spending	2011-12 Actual Expense	Unexpended (Over Expended) (b)
<b>18.0</b>	\$ 35,000	-	\$ 35,000	-	\$ 35,000	-	\$ 35,000	\$ 34,612	\$ 388
<b>19.0</b>	2,993	-	2,993	-	2,993	-	2,993	2,940	53
<b>20.0</b>	9,294	-	9,294	700	9,994	(100)	9,894	9,575	319
- Expenses	-	-	-	1,132	1,132	-	1,132	867	265
- Capital	9,294	-	9,294	1,832	11,126	(100)	11,026	10,442	584
<b>21.0</b>	2,292	-	2,292	-	2,292	-	2,292	604	1,688
21.1	2,082	-	2,082	-	2,082	-	2,082	3,403	(1,321)
21.2	496	-	496	-	496	-	496	435	61
21.3	38,500	-	38,500	-	38,500	-	38,500	39,086	(586)
21.4	54,100	-	54,100	-	54,100	-	54,100	53,315	785
21.5	97,470	-	97,470	-	97,470	-	97,470	96,843	627
<b>22.0</b>	13,900	-	13,900	-	13,900	-	13,900	8,224	5,676
<b>Expenses</b>	<b>2,416,060</b>	-	<b>2,416,060</b>	<b>25,239</b>	<b>2,441,299</b>	<b>(7,999)</b>	<b>2,433,300</b>	<b>2,419,249</b>	<b>14,051</b>
<b>Capital Investment</b>	<b>9,198</b>	-	<b>9,198</b>	<b>1,132</b>	<b>10,330</b>	-	<b>10,330</b>	<b>9,804</b>	<b>526</b>
	<b>\$ 2,425,258</b>	-	<b>\$ 2,425,258</b>	<b>\$ 26,371</b>	<b>\$ 2,451,629</b>	<b>\$ (7,999)</b>	<b>\$ 2,443,630</b>	<b>\$ 2,429,053</b>	<b>\$ 14,577</b>

(a) Supplementary Estimates were approved on December 1, 2011 and March 05, 2012.

(b) Unexpended amount includes dedicated revenue lapsed funds of \$10,290 in Labour Market Agreement, Targeted Initiative for Older Workers, Appeals Commission for Alberta Workers' Compensation and the Medical Panels for Alberta Workers' Compensation.

(c) Estimate amounts which do not require cash are no longer included in any supply vote. These amounts are now reported in all departments as non-cash amounts within the estimate of Amounts Not Required to be Voted. Non-cash amounts include the following:

- amortization expense, and
  - expense for unfunded changes in the value of a financial asset (i.e valuation adjustments and other provisions)
- (d) Expense incurred per Statement of Operations, excluding any valuation adjustments.

**MINISTRY OF HUMAN SERVICES**  
**CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS**  
**Lottery Fund Estimates**  
**Year ended March 31, 2012**

Schedule 6

	<b>2011-12 Lottery Fund Estimates</b>	<b>2011-12 Actual</b>	<b>Unexpended (Over Expended)</b>
	<i>(in thousands)</i>		
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	7,413	7,142	271
Settlement and Integration	4,574	4,574	-
	<b>\$ 75,487</b>	<b>\$ 75,216</b>	<b>\$ 271</b>

**MINISTRY OF HUMAN SERVICES  
CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS  
Related Party Transactions  
Year ended March 31, 2012**

**Schedule 7**

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 Department.

The Ministry 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 Ministry 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)	
	<b>Other Entities</b>	
	<b>2012</b>	<b>2011 (Restated)</b>
<b>Revenues:</b>		
Ministry of Education - School Division	\$ -	\$ 675
Ministry of Health and Wellness	168	-
Ministry of Justice & Attorney General	12	12
Ministry of Seniors & Community Supports	158	105
	<b>\$ 338</b>	<b>\$ 792</b>
<b>Expenses - Incurred by Others</b>		
Ministry of Advanced Education and Technology	\$ 38,457	\$ 27,065
Ministry of Education - School Division	5,041	12,211
Ministry of Finance	1,954	1,931
Ministry of Health & Wellness	5,013	2,623
Ministry of Infrastructure	899	642
Ministry of Seniors	1	37
Ministry of Service Alberta	5,566	4,965
Ministry of Solicitor General and Public Security	26	21
	<b>\$ 56,957</b>	<b>\$ 49,495</b>
<b>Tangible Capital Assets</b>		
Transferred to Ministry of Service Alberta	\$ -	\$ -
<b>Receivable from/(payable to) (net)</b>		
Ministry of Advanced Education and Technology	\$ (11)	\$ (197)
Ministry of Education - School Divisions	-	(395)
Ministry of Finance	(22,127)	-
Ministry of Health and Wellness	(494)	(1,000)
Ministry of Seniors	84	27
	<b>\$ (22,548)</b>	<b>\$ (1,565)</b>

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

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 8.

	(in thousands)	
	<b>Other Entities</b>	
	<b>2012</b>	<b>2011 (Restated)</b>
<b>Expenses (notional):</b>		
Accommodation	\$ 51,114	\$ 50,394
Legal Services	5,714	5,554
Internal Audit	51	227
Administrative	10,842	11,654
Air Transportation	136	63
Learning Centre	155	187
	<b>\$ 68,012</b>	<b>\$ 68,079</b>



**MINISTRY OF HUMAN SERVICES  
CONSOLIDATED SCHEDULE TO FINANCIAL STATEMENTS  
Allocated Costs  
Year ended March 31, 2012**

**Schedule 8**

Program	(in thousands)										2011 (Restated Note 3)
	2012										Total Expenses
	Expenses - Incurred by Others										
Expenses <sup>(1)</sup>	Accommodation Costs <sup>(2)</sup>	Legal Services <sup>(3)</sup>	Internal Audit	Learning Centre	Air Transportation	Admin Costs <sup>(4)</sup>	Total Expenses	Total Expenses	Total Expenses	Total Expenses	
Ministry Support Services	\$ 39,529	\$ 2,737	\$ 255	2	6	5	\$ 268	\$ 42,802	\$ 38,920	\$ 42,802	
Child Care	239,369	2,130		1	1	1	473	241,974	225,436	241,974	
Prevention of Family Violence and Bullying	41,417	264		1	2	2	58	41,745	37,718	41,745	
Child Intervention	624,065	19,317	5,110	2	4	4	4,300	652,803	626,822	652,803	
Family Support for Children with Disabilities	129,064	2,187		1	1	1	487	131,740	125,753	131,740	
Protection of Sexually Exploited Children	5,772	95		1	1	1	21	5,890	5,620	5,890	
Child and Youth Advocate	8,027	334		1	2	2	74	8,440	7,332	8,440	
Parenting Resources Initiatives	25,827							25,827	24,838	25,827	
Fetal Alcohol Spectrum Disorder Initiatives	18,965	39					9	19,013	16,806	19,013	
Youth in Transition	7,913	77					17	8,006	7,110	8,006	
Family and Communities Support Services	75,542	29		1	1		6	75,578	75,415	75,578	
Child and Family Research	1,500	126		1	1	1	28	1,656	2,000	1,656	
Alberta's Promise	656	48					11	715	470	715	
Program Delivery Services	41,709	1,824		3	8	7	406	43,958	37,374	43,958	
Employment	920,734	16,467	175	37	111	96	4,016	941,636	999,051	941,636	
Workplace Standards	43,852	3,116	165	2	5	5	191	47,336	43,290	47,336	
Immigration	50,300	1,390		2	6	5	219	51,922	58,202	51,922	
Health Workforce Development	34,612			1	4	4	151	34,772	34,431	34,772	
Federal Community Development Trust	-								11,641		
Labour Relations Board	2,940	240	1				13	3,194	3,286	3,194	
Appeals Commission for Alberta Workers Compensation	9,595	481	8		1	1	42	10,128	8,789	10,128	
Homeless Support	96,843	165			1	1	39	97,049	92,353	97,049	
Implementation of Alberta Supports	8,224	48					12	8,284	3,375	8,284	
	\$ 2,426,455	\$ 51,114	\$ 5,714	51	155	136	\$ 10,842	\$ 2,494,467	\$ 2,486,032	\$ 2,494,467	

(1) Expenses - Directly Incurred as per the 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 Attorney General, were allocated in proportion to the expenses incurred by each program.

(4) Administrative costs represents human resources, finance, business and corporate services provided by the Department of Service Alberta for which no consideration was exchanged. Costs were allocated by the number of Department employees per program.

## **DEPARTMENT OF HUMAN SERVICES**

### **FINANCIAL STATEMENTS**

**March 31, 2012**

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 – Comparison of Directly Incurred Expenses, Capital Investment  
and Non-Budgetary Disbursements by Element to Authorized Spending

Schedule 6 – Lottery Fund Estimates

Schedule 7 – Salary and Benefits Disclosures

Schedule 8 – Related Party Transactions

Schedule 9 – 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, 2012, 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, 2012, 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 5, 2012

Edmonton, Alberta

DEPARTMENT OF HUMAN SERVICES  
STATEMENT OF OPERATIONS  
Year ended March 31, 2012

	<u>2012</u>		<u>2011</u>
	<u>Budget</u> <u>(Schedule 4)</u>	<u>Actual</u>	<u>Actual</u> <u>(Restated</u> <u>Note 3)</u>
	<i>(in thousands)</i>		
<b>REVENUE (Schedule 1)</b>			
<b>Transfers from Government of Canada</b>			
Services on First Nations Reserves	\$ 22,745	\$ 24,063	\$ 22,463
Children's Special Allowance and Child Disability Benefit	25,013	25,219	24,177
Rehabilitation of Disabled Persons	25,190	25,190	25,190
Labour Market Development	171,064	172,800	228,867
Other Transfer	7,458	1,924	12,660
<b>Premium, Fees and Licences</b>	<b>700</b>	<b>818</b>	<b>682</b>
<b>Other Revenue</b>	<b>43,895</b>	<b>51,025</b>	<b>55,291</b>
	<u>296,065</u>	<u>301,039</u>	<u>369,330</u>
<b>Expenses - Directly Incurred (Note 2b and Schedule 9)</b>			
<b>Program (Schedules 3 and 5)</b>			
Ministry Support Services	38,401	39,529	36,569
Child Care	228,706	238,145	212,672
Prevention of Family Violence and Bullying	39,506	41,830	38,352
Child Intervention	603,944	620,571	589,033
Family Support for Children with Disabilities	129,286	133,051	123,457
Protection of Sexually Exploited Children	6,374	6,309	6,420
Child and Youth Advocate	7,173	8,027	7,332
Parenting Resources Initiatives	24,093	25,121	24,851
Fetal Alcohol Spectrum Disorder Initiatives	18,290	19,308	17,177
Youth in Transition	8,830	7,913	7,110
Family and Communities Support Services	75,684	75,542	75,414
Child and Family Research	1,500	1,500	2,000
Alberta's Promise	1,578	656	470
Program Delivery Services	38,242	41,854	38,794
Employment	936,167	920,733	977,929
Workplace Standards	42,957	43,852	39,935
Immigration	53,031	50,300	56,556
Health Workforce Development	35,000	34,612	34,256
Federal Community Development Trust	-	-	11,582
Labour Relations Board	2,993	2,940	3,033
Appeals Commission for Alberta Workers Compensation	9,294	9,595	8,258
Homeless Support	97,470	96,843	90,162
Implementation of Alberta Supports	13,900	8,224	3,127
	<u>2,412,419</u>	<u>2,426,455</u>	<u>2,404,489</u>
<b>Net Operating Results</b>	<u><b>\$ (2,116,354)</b></u>	<u><b>\$ (2,125,416)</b></u>	<u><b>\$ (2,035,159)</b></u>

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

**DEPARTMENT OF HUMAN SERVICES**  
**STATEMENT OF FINANCIAL POSITION**  
Year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
	Actual	Actual (Restated Note 3)
	<i>(in thousands)</i>	
<b>Assets</b>		
Cash	\$ 27	\$ 7,932
Prepaid Expenses	2,582	1,838
Accounts Receivable (Note 4)	22,180	14,640
Advances (Note 5)	2,005	2,117
Tangible Capital Assets (Note 6)	44,495	41,531
	<u>\$ 71,289</u>	<u>\$ 68,058</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 7)	\$ 101,918	\$ 132,195
Unearned Revenue	22,259	23,172
	<u>124,177</u>	<u>155,367</u>
<b>Net Liabilities</b>		
Net Liabilities at Beginning of Year	(87,309)	(77,115)
Net Operating Results	(2,125,416)	(2,035,159)
Net Financing Provided from General Revenues	2,159,837	2,024,965
	<u>(52,888)</u>	<u>(87,309)</u>
Net Liabilities at End of Year	<u>\$ 71,289</u>	<u>\$ 68,058</u>

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

**DEPARTMENT OF HUMAN SERVICES**  
**STATEMENT OF CASH FLOWS**  
Year ended March 31, 2012

	<b>2012</b>	<b>2011</b> <b>(Restated</b> <b>Note 3)</b>
	<u>(in thousands)</u>	
<b>Operating Transactions</b>		
Net Operating Results	\$ (2,125,416)	\$ (2,035,159)
Non-Cash Items included in Net Operating Results		
Amortization	<u>6,468</u>	<u>4,225</u>
	(2,118,948)	(2,030,934)
(Increase) in Accounts Receivable	(7,540)	(2,419)
(Increase) in Prepaid Expenses	(744)	(1,838)
Decrease in Advances	112	2,915
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(30,277)	15,467
(Decrease) Increase in Unearned Revenue	<u>(913)</u>	<u>7,143</u>
Cash Applied to Operating Transactions	(2,158,310)	(2,009,666)
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(9,793)	(8,203)
Non-Cash Items included in Capital Transactions		
Transfer of Capital Asset to another Ministry	<u>361</u>	<u>          </u>
Cash Applied to Capital Transactions	(9,432)	(8,203)
<b>Financing Transactions</b>		
Net Financing Provided from General Revenues	<u>2,159,837</u>	<u>2,024,965</u>
Cash Provided by Financing Transactions	2,159,837	2,024,965
<b>Increase (Decrease) in Cash</b>	(7,905)	7,096
<b>Cash at Beginning of Year</b>	7,932	836
<b>Cash at End of Year</b>	<u><u>\$ 27</u></u>	<u><u>\$ 7,932</u></u>

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

**DEPARTMENT OF HUMAN SERVICES  
NOTES TO THE FINANCIAL STATEMENTS**

**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 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 and ten regional provincial agencies, known as 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 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 (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

**(b) Basis of Financial Reporting**

**Revenues**

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 unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amount can be made.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

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.

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

- amortization of tangible capital assets.
- pension costs, which comprise 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 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 Department's operations not recognized and are disclosed in Schedule 8 and allocated to programs in Schedule 9.

**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.

**Cash**

*(In thousands)*

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years.

**DEPARTMENT OF HUMAN SERVICES  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
			(Restated Note 3)	
Cash <sup>(a)</sup>	\$ 27	\$ 27	\$ 7,932	\$ 7,932

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

**Tangible Capital Assets**

Assets acquired by right are not included. Tangible capital assets are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Amortization is only charged if the asset is in use. 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 values of cash, accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

**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.

**DEPARTMENT OF HUMAN SERVICES  
NOTES TO THE FINANCIAL STATEMENTS**

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

The Department of Human Services was established as a result of restructuring of government ministries announced on October 12, 2011 and other transfer of responsibilities to and from other departments. Comparatives for 2011 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 liabilities as previously reported	\$	102,036
Transfer from the Department of Housing and Urban Affairs		2,831
Transfer from the Department of Seniors		485
Transfer to the Department of Finance (Office of Statistics)		(64)
Transfer to the Department of Finance (Canada Social Transfers Revenue)		(17,947)
Transfer to the Department of Intergovernmental, International and Aboriginal Relations		<u>(32)</u>
Net liabilities at March 31, 2011	\$	<u>87,309</u>

**Lottery Fund Initiatives**

The method of funding the eligible initiatives from the lottery and gaming proceeds was changed during the year. Previously, they were funded directly from the Lottery Fund and were included in the department's revenues (\$75,487). However, such proceeds are now deposited into the General Revenue Fund to finance the eligible initiatives. Financial statements for prior years have been restated as if the current arrangement had always existed. Schedule 6 provides a comparison of estimates and actual expenses for Lottery Fund initiatives.

**NOTE 4 ACCOUNTS RECEIVABLE**  
(in thousands)

	<u>2012</u>			<u>2011</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated Note 3)
Accounts Receivable	\$ 22,670	\$ (2,040)	\$ 20,630	\$ 13,616
Refunds from Suppliers	1,550		\$ 1,550	1,024
	<u>\$ 24,220</u>	<u>\$ (2,040)</u>	<u>\$ 22,180</u>	<u>\$ 14,640</u>

Accounts receivable are unsecured and non-interest bearing.

**DEPARTMENT OF HUMAN SERVICES  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 ADVANCES**  
(in thousands)

	<u>2012</u>	<u>2011</u> (Restated Note 3)
Emergent benefit for clients	<u>\$ 2,005</u>	<u>\$ 2,117</u>

**NOTE 6 TANGIBLE CAPITAL ASSETS**  
(in thousands)

	<u>Computer Hardware and Equipment*</u>			<u>2012 Total</u>	<u>2011 Total</u> (Restated Note 3)
	5 years	5 years			
<b>Estimated Useful Life</b>					
<b>Historical Costs**</b>					
Beginning of year	\$ 4,548	\$ 85,741	\$ 90,289	\$ 82,086	
Additions	399	9,394	9,793	8,212	
Transfers In/Out		(1,107)	(1,107)		
Disposals, including write downs	(26)	-	(26)	(9)	
	<u>\$ 4,921</u>	<u>\$ 94,028</u>	<u>\$ 98,949</u>	<u>\$ 90,289</u>	
<b>Accumulated Amortization</b>					
Beginning of year	\$ 3,423	\$ 45,335	\$ 48,758	\$ 44,542	
Amortization Expense	311	6,157	6,468	4,225	
Transfers In/Out		(746)	(746)		
Effect of Disposals	(26)		(26)	(9)	
	<u>\$ 3,708</u>	<u>\$ 50,746</u>	<u>\$ 54,454</u>	<u>\$ 48,758</u>	
<b>Net Book value at March 31, 2012</b>	<u>\$ 1,213</u>	<u>\$ 43,282</u>	<u>\$ 44,495</u>		
<b>Net Book value at March 31, 2011</b>	<u>\$ 1,284</u>	<u>\$ 40,247</u>		<u>\$ 41,531</u>	

\* Equipment includes office equipment, furniture and other equipment.

\*\* Historical costs includes work-in-progress at March 31, 2012 totalling \$6,863 comprised of computer software (2011 - \$11,396).

**DEPARTMENT OF HUMAN SERVICES  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**  
(in thousands)

	<u>2012</u>	<u>2011</u> (Restated Note 3)
Child and Family Services Authorities	\$ 24,463	\$ 23,016
Trade	25,728	37,197
Government of Canada	-	175
Grants	25,388	32,917
Manpower	25,987	25,322
Other	352	13,568
	<u>\$ 101,918</u>	<u>\$ 132,195</u>

**NOTE 8 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.

The Department contracts with organizations to provide specific programs and services for children under care of the Ministry when needed. The Ministry has contracts for specific programs and services for the year ended March 31, 2012 similar to those provided by these organizations during the year ended March 31, 2011.

As at March 31, 2012, the Department has the following contractual obligations:

	<u>2012</u>	<u>2011</u> (Restated Note 3)
Obligations under operating leases, contracts and programs	\$ 42,831	\$ 42,669
	<u>\$ 42,831</u>	<u>\$ 42,669</u>

**DEPARTMENT OF HUMAN SERVICES  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 CONTRACTUAL OBLIGATIONS (Cont'd)**

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>
2012 - 13	\$ 35,205
2013 - 14	6,017
2014 - 15	1,585
2015 - 16	16
2016 - 17	8
Thereafter	-
	<u>\$ 42,831</u>

**NOTE 9 CONTINGENT LIABILITIES**

(in thousands)

At March 31, 2012, the Department is a defendant in eighty-two legal claims (2011 – sixty-three legal claims). Seventy-nine of these claims have specified amounts totaling \$1,323,687 and the remaining three have not specified any amount (2011 – sixty-two claims with a specified amount of \$1,243,713 and one has no specified amount).

Included in the total legal claims are sixty-two claims amounting to \$1,264,502 in which the Department has been jointly named with other entities (2011– forty-two claims with a specific amount of \$1,185,253). Sixty-four claims amounting to \$1,010,776 (2011 – forty-four claims amounting to \$959,368) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

**NOTE 10 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, 2012 the trust funds under administration are as follows:

	<u>2012</u>	<u>2011</u> (Restated Note 3)
Child Resources Rebate Trust Fund	\$ 928	\$ 975
Employment Standards Trust Fund	1,145	1,234
Gunn Centre Resident Trust Fund	4	7
	<u>\$ 2,077</u>	<u>\$ 2,216</u>

**DEPARTMENT OF HUMAN SERVICES  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11 BENEFIT PLANS**

(in thousands)

The Department participates in the multi-employer pension plans: Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$26,725 for the year ended March 31, 2012 (2011 - \$24,804). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of \$517,726 (2010 – Deficiency \$397,087) and the Public Service Pension Plan reported a deficiency of \$1,790,383 (2010 - deficiency \$2,067,151). At December 31, 2011, the Supplementary Retirement Plan for Public Service Managers had a deficiency of \$53,489 (2010 – deficiency \$39,959).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of \$9,136 (2011 – deficiency \$4,141) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$10,454 (2011 – surplus \$7,020). The expense for these two plans is limited to the employer's annual contributions for the year.

**NOTE 12 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 13 SUBSEQUENT EVENTS**

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministry of Human Services was restructured. The Ministry's responsibility for Immigration was moved to the Ministry of Enterprise and Advanced Education. Persons with Development Disabilities (PDD) & Assured Income for Severely Handicapped (AISH) programs were also transferred from the Ministry of Seniors to the Ministry of Human Services.

**NOTE 14 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, 2012**

**Schedule 1**

(in thousands)

	2012		2011
	Budget	Actual	Actual (Restated Note 3)
Transfers from the Government of Canada			
Services on First Nations Reserves	22,745	24,064	22,463
Children's Special Allowance and Disability Benefits	25,013	25,219	24,177
Rehabilitation of Disabled Persons	25,190	25,190	25,190
Labour Market Development	171,064	172,800	228,867
Other Transfers	7,458	1,924	12,660
	<u>251,470</u>	<u>249,197</u>	<u>313,357</u>
Premiums, Fees and Licenses	<u>700</u>	<u>818</u>	<u>682</u>
Other Revenue			
Refunds of Expenditures	5,608	11,453	19,933
First Nations Agencies Recoveries	1,049	973	992
Workers' Compensation Appeals	9,194	10,443	8,307
Occupational Health and Safety Transfer	27,694	27,694	25,458
Other	350	461	601
	<u>43,895</u>	<u>51,024</u>	<u>55,291</u>
Total Revenues	<u>\$ 296,065</u>	<u>\$ 301,039</u>	<u>\$ 369,330</u>

	2012		(Shortfall) / Excess
	Authorized	Actual	
	<i>(in thousands)</i>		
Workplace Health and Safety <sup>(2)</sup>	\$ 27,694	\$ 27,694	\$ -
	<u>\$ 27,694</u>	<u>\$ 27,694</u>	<u>\$ -</u>

(1) The revenue and expense related to credit or recovery initiatives are included in the Ministry's revenue and expense in the statement of operations. Shortfall is deducted from current year's authorized budget.

(2) Workplace 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.

**DEPARTMENT OF HUMAN SERVICES  
SCHEDULE TO FINANCIAL STATEMENTS  
Expenses - Directly Incurred Detailed by Object  
Year ended March 31, 2012**

**Schedule 3**

	(in thousands)		<b>2011</b>
	<b>2012</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
			<b>(Restated Note 3)</b>
Salaries, Wages and Employee Benefits	\$ 245,541	\$ 243,211	\$ 236,128
Supplies and Services	211,164	207,611	214,866
Supplies and Services from Support Service Arrangements with Related Parties <sup>(a)</sup>	2,011	2,279	2,274
Grants	1,948,425	1,968,319	1,948,356
Financial Transactions and Other	159	243	223
Amortization of Tangible Capital Assets	6,475	6,468	4,225
Total Expenses before Recoveries	<u>2,413,775</u>	<u>2,428,131</u>	<u>2,406,072</u>
Less Recovery from Support Service Arrangements with Related Parties <sup>(b)</sup>	<u>(1,356)</u>	<u>(1,676)</u>	<u>(1,583)</u>
	<u>\$ 2,412,419</u>	<u>\$ 2,426,455</u>	<u>\$ 2,404,489</u>

(a) The Department receives financial and administrative support services from the Ministries of Education, Advanced Education and Technology, Justice and Attorney General and Seniors.

(b) The Department provides human resources, information technology, financial and other administrative support services to the Ministries of Advanced Education and Technology, Seniors, and Service Alberta. Costs incurred for these services are recovered from these ministries.

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

**Year ended March 31, 2012**

**Schedule 4**

(in thousands)

	2011-2012 Estimates	Adjustments	2011-2012 Budget	Authorized Supplementary <sup>(a)</sup>	2011-2012 Authorized Budget
<b>Revenues</b>					
Transfers from Government of Canada					
Services on First Nations Reserves	\$ 22,745	\$ -	\$ 22,745	\$ -	\$ 22,745
Children's Special Allowance and Child Disability Benefit	25,013	-	25,013	-	25,013
Rehabilitation of Disabled Person	25,190	-	25,190	-	25,190
Labour Market Development	171,064	-	171,064	-	171,064
Other Transfer	7,458	-	7,458	-	7,458
Premium, Fees and Licences	700	-	700	-	700
Other Revenue	6,657	-	6,657	-	6,657
Refund of Expense	37,238	-	37,238	-	37,238
Other	296,065	-	296,065	-	296,065
<b>Expenses - Directly Incurred:</b>					
Ministry Support Services	38,401	-	38,401	-	38,401
Child Care	228,706	-	228,706	10,000	238,706
Prevention of Family Violence and Bullying	39,506	-	39,506	700	40,206
Child Intervention	603,944	-	603,944	6,283	610,227
Family Support for Children with Disabilities	129,286	-	129,286	950	130,236
Protection of Sexually Exploited Children	6,374	-	6,374	113	6,487
Child and Youth Advocate	7,173	-	7,173	-	7,173
Parenting Resources Initiatives	24,093	-	24,093	845	24,938
Fetal Alcohol Spectrum Disorder Initiatives	18,290	-	18,290	109	18,399
Youth in Transition	8,830	-	8,830	-	8,830
Family and Communities Support Services	75,684	-	75,684	-	75,684
Child and Family Research	1,500	-	1,500	-	1,500
Alberta's Promise	1,578	-	1,578	-	1,578
Program Delivery Services	38,242	-	38,242	-	38,242
Employment	936,167	-	936,167	4,231	940,398
Workplace Standards	42,957	-	42,957	-	42,957
Immigration	53,031	-	53,031	1,308	54,339
Health Workforce Development	35,000	-	35,000	-	35,000
Labour Relations Board	2,993	-	2,993	-	2,993
Appeals Commission for Alberta Workers Compensation	9,294	-	9,294	700	9,994
Homeless Support	97,470	-	97,470	-	97,470
Implementation of Alberta Supports	13,900	-	13,900	-	13,900
	2,412,419	-	2,412,419	25,239	2,437,658
Net Operating Results	\$ (2,116,354)	\$ -	\$ (2,116,354)	\$ (25,239)	\$ (2,141,593)
Equipment/Inventory Purchases	\$ 9,198	\$ -	\$ 9,198	\$ 1,132	\$ 10,330

(a) Supplementary Estimates were approved on December 1, 2011 and March 5, 2012

Schedule 5

DEPARTMENT OF HUMAN SERVICES  
 SCHEDULE TO FINANCIAL STATEMENTS  
 Comparison of Directly Incurred Expense, Capital Investment  
 and Non-Budgetary Disbursements by Element to Authorized Spending  
 Year ended March 31, 2012

	2011-12 Estimates	Adjust- ments	2011-12 Budget	Authorized Supple- mentary (a)	2011-12 Authorized Budget	Required to be Voted (c)	Amounts Not		2011-12 Actual Expense (d)	Unexpended (Over Expended) (b)
							2011-12 Authorized Budget	2011-12 Actual Expense (d)		
<b>1.0 Ministry Support Services</b>										
1.1 Minister's Office	923	-	923	-	923	-		923	908	15
1.2 Deputy Minister's Office	1,219	-	1,219	-	1,219	-		1,219	1,204	15
1.3 Strategic Corporate Services										
- Expenses	27,641	-	27,641	-	27,641	(316)		27,325	28,759	(1,434)
- Capital	578	-	578	-	578	-		578	529	49
1.4 Human Resource Services	7,287	-	7,287	-	7,287	-		7,287	7,115	172
1.5 Communications	1,331	-	1,331	-	1,331	-		1,331	1,543	(212)
	38,979	-	38,979	-	38,979	(316)		38,663	40,058	(1,395)
<b>2.0 Child Care</b>										
2.1 Child Care Subsidy and Supports	145,986	-	145,986	10,000	155,986	-		155,986	157,335	(1,349)
2.2 Child Care Capital Grants	-	-	-	-	-	-		-	30	(30)
2.3 Child Care Accreditation	82,720	-	82,720	-	82,720	-		82,720	80,780	1,940
	228,706	-	228,706	10,000	238,706	-		238,706	238,145	561
<b>3.0 Prevention of Family Violence and Bullying</b>										
3.1 Prevention of Family Violence and Bullying	11,130	-	11,130	43	11,173	-		11,173	11,410	(237)
3.2 Shelters for Women	28,376	-	28,376	657	29,033	-		29,033	30,420	(1,387)
	39,506	-	39,506	700	40,206	-		40,206	41,830	(1,624)
<b>4.0 Child Intervention</b>										
4.1 Child Intervention Services	359,153	-	359,153	4,186	363,339	(1,500)		361,839	371,887	(10,048)
4.2 Supports for Permanency	37,486	-	37,486	-	37,486	-		37,486	39,239	(1,753)
4.3 Early Intervention and Early Childhood Development	36,106	-	36,106	688	36,794	-		36,794	36,985	(191)
4.4 Foster Care Support	171,199	-	171,199	1,409	172,608	-		172,608	172,899	(291)
	603,944	-	603,944	6,283	610,227	(1,500)		608,727	621,010	(12,283)
<b>5.0 Family Support for Children with Disabilities</b>										
5.0 Protection of Sexually Exploited Children	129,286	-	129,286	950	130,236	-		130,236	133,051	(2,815)
6.0 Child and Youth Advocate	6,374	-	6,374	113	6,487	-		6,487	6,309	178
7.0 Parenting Resources Initiative	7,173	-	7,173	-	7,173	-		7,173	8,027	(854)
8.0 Fetal Alcohol Spectrum Disorder Initiatives	24,093	-	24,093	845	24,938	-		24,938	25,121	(183)
9.0 Youth in Transition	18,290	-	18,290	109	18,399	-		18,399	19,308	(909)
10.0 Family and Community Support Services	8,830	-	8,830	-	8,830	-		8,830	7,913	917
11.0 Child and Family Research	75,684	-	75,684	-	75,684	-		75,684	75,542	142
12.0 Alberta's Promise	1,500	-	1,500	-	1,500	-		1,500	1,500	-
13.0	1,578	-	1,578	-	1,578	-		1,578	656	922



Schedule 5 Continued

(in thousands)

**DEPARTMENT OF HUMAN SERVICES**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Comparison of Directly Incurred Expense, Capital Investment**  
**and Non-Budgetary Disbursements by Element to Authorized Spending**  
**Year ended March 31, 2012**

	2011-12 Estimates	Adjust- ments	2011-12 Budget	Authorized Supple- mentary (a)	2011-12 Authorized Budget	2011-12 Required to be Voted (c)	2011-12 Authorized Spending	2011-12 Actual Expense (d)	Unexpended (Over Expended) (b)
<b>Expense and Capital Investments</b>									
<b>16.0 Workplace Standards</b>									
16.1 Program Support	1,192	-	1,192	-	1,192	-	1,192	1,147	45
16.2 Professions and Occupations	1,076	-	1,076	-	1,076	-	1,076	860	216
16.3 Medical Panels for Alberta Workers' Compensation	315	-	315	-	315	-	315	280	35
	2,583	-	2,583	-	2,583	-	2,583	2,287	296
<b>Labour Relations</b>									
16.4 Mediation	1,000	-	1,000	-	1,000	-	1,000	920	80
16.5 Policy and Legislation	812	-	812	-	812	-	812	1,010	(198)
	1,812	-	1,812	-	1,812	-	1,812	1,930	(118)
<b>Occupational Health and Safety</b>									
16.6 Policy and Legislation	7,968	-	7,968	-	7,968	-	7,968	7,953	15
16.7 Partners in Injury Reduction	2,475	-	2,475	-	2,475	-	2,475	1,926	549
16.8 Regional Services	17,251	-	17,251	-	17,251	-	17,251	18,340	(1,089)
	27,694	-	27,694	-	27,694	-	27,694	28,219	(525)
<b>Employment Standards</b>									
16.9 Policy and Legislation	556	-	556	-	556	-	556	483	73
16.10 Regional Services	10,312	-	10,312	-	10,312	-	10,312	10,934	(622)
	10,868	-	10,868	-	10,868	-	10,868	11,417	(549)
	42,957	-	42,957	-	42,957	-	42,957	43,853	(896)
<b>17.0 Immigration</b>									
17.1 Immigration Policy Support	1,881	-	1,881	-	1,881	-	1,881	2,122	(241)
<b>Immigration Delivery</b>									
17.2 Settlement and Integration	7,637	-	7,637	-	7,637	-	7,637	7,767	(130)
17.3 Foreign Qualification Recognition	4,069	-	4,069	-	4,069	-	4,069	3,699	370
17.4 Alberta Immigration Nominee Program	4,109	-	4,109	-	4,109	-	4,109	3,404	705
17.5 Labour Supply	4,009	-	4,009	608	4,617	-	4,617	3,644	973
17.6 English as an Additional Language	9,066	-	9,066	700	9,766	-	9,766	9,376	390
17.7 Bridging Programs	3,700	-	3,700	-	3,700	-	3,700	3,227	473
17.8 Living Allowance for Immigrant Learners	18,560	-	18,560	-	18,560	-	18,560	17,059	1,501
	51,150	-	51,150	1,308	52,458	-	52,458	48,176	4,282
	53,031	-	53,031	1,308	54,339	-	54,339	50,298	4,041

DEPARTMENT OF HUMAN SERVICES  
SCHEDULE TO FINANCIAL STATEMENTS

Comparison of Directly Incurred Expense, Capital Investment  
and Non-Budgetary Disbursements by Element to Authorized Spending  
Year ended March 31, 2012

Schedule 5 Continued

		(in thousands)								
		2011-12 Estimates	Adjust- ments	2011-12 Budget	Authorized Supple- mentary (a)	2011-12 Authorized Budget	Amounts Not Required to be Voted (c)	2011-12 Authorized Spending	2011-12 Actual Expense (d)	Unexpended (Over Expended) (b)
<b>Expense and Capital Investments</b>										
18.0	Health Workforce Development	35,000	-	35,000	-	35,000	-	35,000	34,612	388
19.0	Labour Relations Board	2,993	-	2,993	-	2,993	-	2,993	2,940	53
20.0	Appeals Commission for Alberta Workers' Compensation	9,294	-	9,294	700	9,994	(100)	9,894	9,576	318
	- Expenses	-	-	-	1,132	1,132	-	1,132	867	265
	- Capital	9,294	-	9,294	1,832	11,126	(100)	11,026	10,443	583
21.0	Homelessness Support	2,292	-	2,292	-	2,292	-	2,292	604	1,688
21.1	Divisional Support	2,082	-	2,082	-	2,082	-	2,082	3,403	(1,321)
21.2	Homeless Support Program Delivery	496	-	496	-	496	-	496	435	61
21.3	Alberta Secretariat for Action on Homelessness	38,500	-	38,500	-	38,500	-	38,500	39,086	(586)
21.4	Emergency/Transitional Shelter Support	54,100	-	54,100	-	54,100	-	54,100	53,315	785
21.5	Outreach Support Services	97,470	-	97,470	-	97,470	-	97,470	96,843	627
22.0	Implementation of Alberta Supports	13,900	-	13,900	-	13,900	-	13,900	8,224	5,676
	Expenses	2,412,419	-	2,412,419	25,239	2,437,658	(7,999)	2,429,659	2,420,100	9,559
	Capital Investment	9,198	-	9,198	1,132	10,330	-	10,330	9,794	536
		<b>2,421,617</b>	<b>-</b>	<b>2,421,617</b>	<b>26,371</b>	<b>2,447,988</b>	<b>(7,999)</b>	<b>2,439,989</b>	<b>2,429,894</b>	<b>10,095</b>

(a) Supplementary Estimates were approved on December 1, 2011 and March 05, 2012

(b) Unexpended amount includes dedicated revenue lapsed funds of \$10,290 in Labour Market Agreement, Targeted Initiative for Older Workers, Appeals Commission for Alberta Workers' Compensation and the Medical Panels for Alberta Workers' Compensation.

(c) Estimate amounts which do not require cash are no longer included in any supply vote. These amounts are now reported in all departments as non-cash amounts within the estimate of Amounts Not Required to be Voted. Non-cash amounts include the following:

- amortization expense, and
- expense for unfunded changes in the value of a financial asset (i.e. valuation adjustments and other provisions).

(d) Expenses incurred per Statement of Operations, excluding any valuation adjustments.

	2011-12 Lottery Fund Estimates	2011-12 Actual	Unexpended (Over Expended)
	<i>(in thousands)</i>		
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	7,413	7,142	271
Settlement and Integration	4,574	4,574	-
	<b>\$ 75,487</b>	<b>\$ 75,216</b>	<b>\$ 271</b>

DEPARTMENT OF HUMAN SERVICES  
SCHEDULE TO FINANCIAL STATEMENTS  
Salary and Benefits Disclosure - Department  
Year ended March 31, 2012

Schedule 7(a)

	2012			2011 (Restated Note 3)	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-Cash Benefits <sup>(3)</sup>	Total	Total
	(in thousands)				
<b>Senior Officials</b>					
Deputy Minister <sup>(4)(5)</sup>	419	120	120	659	646
Child and Youth Advocate <sup>(5)</sup>	167	3	47	217	200
<b>Executives</b>					
Assistant Deputy Ministers					
Strategic Corporate Services <sup>(6)</sup>	304	5	82	391	455
Child Intervention Program Quality & Supports	189	12	52	253	237
Community Strategies & Support	177	1	7	185	209
Family Violence Prevention and Homeless Supports <sup>(5)</sup>	254	1	64	319	417
Aboriginal Policy and Community Engagement <sup>(7)</sup>	125	1	8	134	-
Child and Family Services Delivery <sup>(8)</sup>	82	1	26	109	-
Alberta Supports	168	1	46	215	227
Employment Services Delivery	181	5	11	197	282
Immigration	170	1	46	217	205
Workforce Supports <sup>(5)</sup>	167	1	44	212	190
Workplace Standards Policy	181	1	50	232	208
Workplace Standards Delivery <sup>(9)</sup>	133	1	39	173	-
Social Policy Framework <sup>(10)</sup>	50	1	16	67	-
Executive Director, Human Resources <sup>(5)</sup>	252	1	65	318	335
Executive Advisor to DM <sup>(8)</sup>	75	95	15	185	-

**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 (include overtime if relevant for the particular circumstance). There were no bonuses paid in 2012.
- (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, 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) The position was occupied by 2 individuals at different time during the year.
- (6) The position was occupied by 3 individuals at different time during the year.
- (7) Position created on September 6, 2011.
- (8) Position created on November 7, 2011.
- (9) Position created on April 1, 2011.
- (10) Position created on December 15, 2011.

DEPARTMENT OF HUMAN SERVICES  
SCHEDULE TO FINANCIAL STATEMENTS  
Salary and Benefits Disclosure - Labour Relations Board  
Year ended March 31, 2012

Schedule 7(b)

	2012			2011	
	Base Salary (1)	Other Cash Benefits (2)	Other Non- Cash Benefits (3)	Total	Total
	(in thousands)				
<b>Senior Official</b>					
Chair (4)(5)	\$ 252	\$ 1	\$ 10	\$ 263	\$ 264
<b>Executives</b>					
Vice Chair	157	1	3	161	161
Vice Chair (6)	157	1	42	200	118
Vice Chair (5)(7)	89	1	7	97	97
Executive Director (8)	158	-	41	199	168

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 (include overtime if relevant for the particular circumstance). There were no bonuses paid in 2012.

(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 changed to full time effective 4/1/2011.

(7) This position was occupied part time in 2012.

(8) This position was occupied by two individuals at different times during the year.

DEPARTMENT OF HUMAN SERVICES  
 SCHEDULE TO FINANCIAL STATEMENTS  
 Salary and Benefits Disclosure - Workers' Compensation Appeals  
 Year ended March 31, 2012

Schedule 7(c)

	2012			2011	
	Base Salary (1)	Other Cash Benefits (2)	Other Non- Cash Benefits (3)	Total	Total
	(in thousands)				
<b>Senior Official</b>					
Chief Appeals Commissioner (4)	\$ 201	\$ 1	\$ 56	\$ 258	\$ 250
Full Time Appeals Commissioners (5)	2,530	24	405	2,959	2,446
Temporary Appeals Commissioners	1,548	-	-	1,548	1,247

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 (include overtime if relevant for the particular circumstance). There were no bonuses paid in 2011.
- (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.

**DEPARTMENT OF HUMAN SERVICES  
SCHEDULE TO FINANCIAL STATEMENTS  
Related Party Transactions  
Year ended March 31, 2012**

**Schedule 8**

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:

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011
	(Restated Note 3)		(Restated Note 3)	
<b>Expenses - Directly Incurred</b>				
Grants to Child and Family Services Authorities	\$ 924,188	\$ 861,373	\$ -	\$ -
Ministry of Service Alberta	-	-	4,508	4,021
Ministry of Infrastructure	-	-	872	615
Ministry of Finance	-	-	1,954	1,931
Ministry of Health & Wellness - Health Authorities	-	-	2,814	94
Ministry of Advanced Education and Technology - Post Secondary	-	-	-	-
Ministry of Education - School Division	-	-	38,120	26,750
	-	-	1,136	8,398
	<u>\$ 924,188</u>	<u>\$ 861,373</u>	<u>\$ 49,404</u>	<u>\$ 41,809</u>
<b>Receivable from/(payable to)</b>				
Child and Family Services Authorities	\$ (23,063)	\$ (23,016)	\$ -	\$ -
Ministry of Advanced Education and Technology	-	-	(11)	(197)
Ministry of Education - School Divisions	-	-	-	(395)
Ministry of Health & Wellness - Health Authorities	-	-	(2)	-
	<u>\$ (23,063)</u>	<u>\$ (23,016)</u>	<u>\$ (13)</u>	<u>\$ (592)</u>

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

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 9.

	(in thousands)	
	Other Entities	
	2012	2011
	(Restated Note 3)	
<b>Expenses - Incurred by Others</b>		
Accommodation	\$ 26,882	\$ 27,470
Legal Services	1,233	1,275
Internal Audit	51	227
Administrative	5,247	6,847
Air Transportation	136	63
Learning Centre	155	187
	<u>\$ 33,704</u>	<u>\$ 36,069</u>

**DEPARTMENT OF HUMAN SERVICES**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Allocated Costs**  
**Year ended March 31, 2012**

Schedule 9

Program	(in thousands)										Total Expenses				
	2012											2011			
	Expenses - Incurred by Others											(Restated Note 3)			
Expenses <sup>(1)</sup>	Accommodation Costs <sup>(2)</sup>	Legal Services <sup>(3)</sup>	Internal Audit	Learning Centre	Air Transportation	Admin Costs <sup>(4)</sup>	Total Expenses	Expenses <sup>(1)</sup>	Accommodation Costs <sup>(2)</sup>	Legal Services <sup>(3)</sup>	Internal Audit	Learning Centre	Air Transportation	Admin Costs <sup>(4)</sup>	Total Expenses
Ministry Support Services	\$ 39,529	\$ 2,298	\$ 255	\$ 2	\$ 6	\$ 5	\$ 149	\$ 42,244	\$ 38,920						\$ 38,920
Child Care	238,145	125	-	-	1	1	20	238,292	212,672						212,672
Prevention of Family Violence and Bullying	41,830	257	-	1	2	2	42	42,134	38,352						38,352
Child Intervention	620,571	569	629	2	4	4	92	621,871	593,223						593,223
Family Support for Children with Disabilities	133,051	86	-	-	1	1	14	133,153	123,457						123,457
Protection of Sexually Exploited Children	6,309	78	-	-	1	1	13	6,402	6,420						6,420
Child and Youth Advocate	8,027	273	-	1	2	2	44	8,349	7,332						7,332
Parenting Resources Initiatives	25,121	-	-	-	-	-	-	25,121	24,851						24,851
Fetal Alcohol Spectrum Disorder Initiatives	19,308	31	-	-	-	-	5	19,344	17,177						17,177
Youth in Transition	7,913	62	-	-	-	-	10	7,985	7,110						7,110
Family and Communities Support Services	75,542	70	-	-	1	-	11	75,624	75,414						75,414
Child and Family Research	1,500	101	-	-	1	1	16	1,619	2,000						2,000
Alberta's Promise	656	39	-	-	-	-	6	701	470						470
Program Delivery Services	41,854	1,028	-	3	8	7	166	43,066	38,794						38,794
Employment	920,733	16,467	175	37	111	96	4,016	941,635	999,051						999,051
Workplace Standards	43,852	3,116	165	2	5	5	191	47,336	43,290						43,290
Immigration	50,300	1,390	-	2	6	5	219	51,922	58,202						58,202
Health Workforce Development	34,612	-	-	1	4	4	151	34,772	34,431						34,431
Federal Community Development Trust	-	-	-	-	-	-	-	-	11,641						11,641
Labour Relations Board	2,940	240	1	-	-	-	13	3,194	3,286						3,286
Appeals Commission for Alberta Workers Compensation	9,595	481	8	-	1	1	42	10,128	8,789						8,789
Homeless Support	96,843	132	-	-	1	1	21	96,998	92,353						92,353
Implementation of Alberta Supports	8,224	39	-	-	-	-	6	8,269	3,375						3,375
	\$ 2,426,455	\$ 26,882	\$ 1,233	\$ 51	\$ 155	\$ 136	\$ 5,247	\$ 2,460,159	\$ 2,440,610						\$ 2,440,610

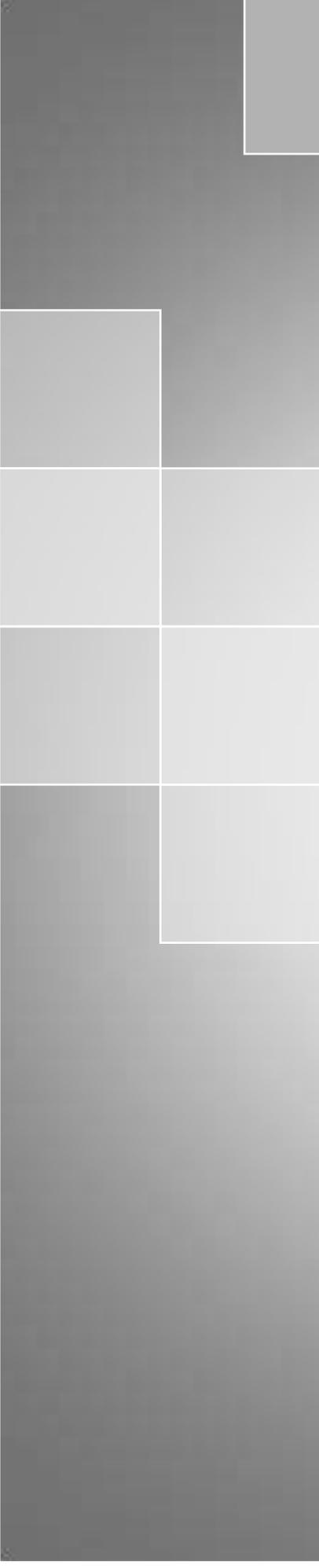
(1) Expenses - Directly Incurred as per the Statement of Operations.

(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 Attorney General, were allocated in proportion to the expenses incurred by each program.

(4) Administrative costs represents human resources, finance, business and corporate services provided by the Ministry of Service Alberta for which no consideration was exchanged.

Costs were allocated by the number of Department employees per program.



Child and Family  
Services Authorities  
Financial Statements

# **SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**

## **FINANCIAL STATEMENTS**

**Year Ended March 31, 2012**

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 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, 2012, 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 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, 2012, 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 30, 2012

Edmonton, Alberta

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2012

	(in thousands)		
	2012		2011
	Budget	Actual	Actual
<b>REVENUES</b>			
<b>Internal Government Transfers</b>			
Transfer from Department (Note 3)	\$ 47,988	\$ 50,254	\$ 46,711
<b>Other Revenue</b>			
Inter-Authority Services	78	588	215
Other	40	399	26
	<b>48,106</b>	<b>51,241</b>	<b>46,952</b>
<b>EXPENSES (SCHEDULES 1 AND 4)</b>			
Child Care Subsidy and Supports	9,478	9,876	9,220
Prevention of Family Violence and Bullying	-	71	52
Parenting Resources Initiative	400	1,411	1,387
Fetal Alcohol Spectrum Disorder Initiatives	91	463	482
Child Intervention Services	16,254	14,704	14,601
Supports for Permanency	1,684	2,145	1,686
Early Intervention and Early Childhood Development	1,315	1,286	1,179
Foster Care Support	9,251	8,504	8,488
Family Support for Children with Disabilities	7,984	7,516	7,925
Protection of Sexually Exploited Children	266	254	274
Program Delivery Services	1,187	1,120	1,030
Board Governance	118	123	104
Inter-Authority Services	78	588	215
	<b>48,106</b>	<b>48,061</b>	<b>46,643</b>
<b>TOTAL EXPENSES</b>	<b>48,106</b>	<b>48,061</b>	<b>46,643</b>
<b>Net Operating Results</b>	<b>\$ -</b>	<b>\$ 3,180</b>	<b>\$ 309</b>

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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 7,893	\$ 3,865
Accounts Receivable (Note 4)	1,219	1,568
Prepays	21	15
	<u><b>\$ 9,133</b></u>	<u><b>\$ 5,448</b></u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 5)	<u>\$ 4,566</u>	<u>\$ 4,061</u>
<b>Net Assets</b>		
Net Assets at Beginning of Year	1,387	1,078
Net Operating Results	<u>3,180</u>	<u>309</u>
Net Assets at End of Year	<u>4,567</u>	<u>1,387</u>
	<u><b>\$ 9,133</b></u>	<u><b>\$ 5,448</b></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, 2012

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Operating Transactions</b>		
Net Operating Results	\$ 3,180	\$ 309
Decrease (Increase) in Accounts Receivable	349	(272)
Decrease (Increase) in Prepaids	(6)	10
Increase in Accounts Payable and Accrued Liabilities	505	564
Cash Provided by (Applied to) Operating Transactions	<u>4,028</u>	<u>611</u>
<b>Increase in Cash</b>	4,028	611
<b>Cash, Beginning of Year</b>	3,865	3,254
<b>Cash, End of Year</b>	<u><u>\$ 7,893</u></u>	<u><u>\$ 3,865</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**

### **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**

##### **Revenues**

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.

##### Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services in return. Internal government transfers are recognized as revenue when received.

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

***Expenses***

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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.
- 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 excluded from the Statements of Operations and are disclosed in Schedule 4.

***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

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	<b>2012</b>		<b>2011</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Cash <sup>(a)</sup>	\$7,893	\$7,893	\$3,865	\$3,865

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

***Tangible Capital Assets***

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.

***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 represents 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 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$48,106 on March 9, 2011.

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

***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 \$1,219 and \$4,566 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.

**NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES**

(in thousands)

The grant is determined as follows:

Initial (original) budget	\$ 47,988
Additional funding for the current year	2,266
Grant for the year	<u>\$ 50,254</u>

**NOTE 4 ACCOUNTS RECEIVABLE**

(in thousands)

	2012		2011	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Child & Family Services Authorities	\$ 16	\$ -	\$ 16	\$ 76
Department of Human Services	1,150	-	1,150	1,431
Refunds from Suppliers	57	4	53	61
	<u>\$ 1,223</u>	<u>\$ 4</u>	<u>\$ 1,219</u>	<u>\$ 1,568</u>

Accounts receivable are unsecured and non-interest bearing.

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

(in thousands)

	2012	2011
Trade Payable	\$ 2,246	\$ 2,088
Accrued Vacation Pay and Manpower Expenses	1,219	1,958
Department of Human Services	11	15
Child and Family Services Authorities	1	-
Department of Finance	1,089	-
	\$ 4,566	\$ 4,061

**NOTE 6 CONTRACTUAL OBLIGATIONS**

(in thousands)

The Authority contracts with organizations to provide specific programs and services for children under the care of the Authority. The Authority has contracts for specific programs and services in the year ended March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 7 CONTINGENT LIABILITIES**

(in thousands)

At March 31, 2012, the Authority is a defendant in three legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claim occurred (2011 – three legal claims). Three of the claims have specified amounts totalling \$334,200 (2011 – three claims with a specified amount of \$334,200). The Authority is jointly named with other entities in these three claims. One claim amounting to \$1,300 (2011 – one claim amounting to \$1,300) is covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**NOTE 8 BENEFIT PLANS**

(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$1,162 for the year ended March 31, 2012 (2011 - \$1,132 – March 31, 2011). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 10 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board in May 2012.

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object - Schedule 1**  
**Year ended March 31, 2012**

	(in thousands)		
	<b>2012</b>	<b>2011</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
Salaries, Wages and Employee Benefits	\$ 13,617	\$ 13,733	\$ 13,524
Supplies and Services	18,372	16,710	16,151
Grants	16,039	17,027	16,753
Inter-Authority Services	78	588	215
Other	-	3	-
<b>Total Expenses</b>	<b>\$ 48,106</b>	<b>\$ 48,061</b>	<b>\$ 46,643</b>

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Salary and Benefits Disclosure - Schedule 2**  
**Year ended March 31, 2012**

	(in thousands)				<b>2011</b>
	<b>2012</b>			Total	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-Cash Benefits <sup>(3)</sup>		
Co-Chair of the Authority	\$ -	\$ 44	\$ -	\$ 44	\$ 35
Co-Chair of the Authority	-	26	-	26	18
Board Members (6 members)	-	52	-	52	49
Chief Executive Officer	131	1	32	164	159

**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 2012. Co-chairs and board members receive honoraria only. The Department of Human Services paid \$22 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, professional memberships and tuition fees.

**SCHEDULE TO FINANCIAL STATEMENTS**  
**Related Party Transactions - Schedule 3**  
**Year ended March 31, 2012**

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 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)			
	<b>Entities in the Ministry</b>		<b>Other Entities</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>				
Grant from the Department Human Services	\$ 50,254	\$ 46,711	\$ -	\$ -
Recoveries - Inter-Authority Services	588	215	-	-
	<b>\$ 50,842</b>	<b>\$ 46,926</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses - Directly Incurred</b>				
Inter-Authority Services Received	\$ 9	\$ 13	\$ -	\$ -
Department of Human Services	177	177	-	-
Department of Education	-	-	87	85
Department of Health and Wellness	-	-	686	686
Department of Service Alberta	-	-	78	68
Department of Seniors and Community Supports	-	-	-	37
	<b>\$ 186</b>	<b>\$ 190</b>	<b>\$ 851</b>	<b>\$ 876</b>
<b>Receivable from/(Payable to):</b>				
Department of Human Services (Net)	\$ 1,139	\$ 1,416	\$ -	\$ -
Southeast Alberta Child and Family Services Authority	16	76	-	-
Calgary and Area Child and Family Services Authority	(1)	-	-	-
Department of Seniors and Community Supports	-	-	-	(2)
Department of Finance	-	-	(1,089)	-
	<b>\$ 1,154</b>	<b>\$ 1,492</b>	<b>\$ (1,089)</b>	<b>\$ (2)</b>

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)	
	<b>Other Entities</b>	
	<b>2012</b>	<b>2011</b>
<b>Expenses (Notional):</b>		
Accommodation	\$ 1,588	\$ 1,472
Administrative	367	314
	<b>\$ 1,955</b>	<b>\$ 1,786</b>

**SOUTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Allocated Costs - Schedule 4**  
**Year ended March 31, 2012**

Program	(in thousands)				2012		2011	
	Expenses <sup>(1)</sup>	Expenses - Incurred by Others		Total Expenses	Total Expenses	Total Expenses	Total Expenses	
		Accommodation Costs <sup>(2)</sup>	Administration Costs <sup>(3)</sup>					
Child Care Subsidy and Supports	\$ 9,876	\$ 91	\$ -	\$ 9,967	\$ 9,967	\$ 9,300	\$ 9,300	
Prevention of Family Violence and Bullying	71	10	-	81	81	62	62	
Parenting Resources Initiative	1,411	-	-	1,411	1,411	1,387	1,387	
Fetal Alcohol Spectrum Disorder Initiatives	463	-	-	463	463	482	482	
Child Intervention Services	14,704	1,039	-	15,743	15,743	15,698	15,698	
Support for Permanency	2,145	-	-	2,145	2,145	1,686	1,686	
Early Intervention and Early Childhood Development	1,286	58	-	1,344	1,344	1,179	1,179	
Foster Care Support	8,504	231	-	8,735	8,735	8,611	8,611	
Family Support for Children with Disabilities	7,516	94	-	7,610	7,610	8,003	8,003	
Protection of Sexually Exploited Children	254	7	-	261	261	283	283	
Program Delivery Services	1,120	58	367	1,545	1,545	1,419	1,419	
Board Governance	123	-	-	123	123	104	104	
Inter-Authority Services	588	-	-	588	588	215	215	
	<b>\$ 48,061</b>	<b>\$ 1,588</b>	<b>\$ 367</b>	<b>\$ 50,016</b>	<b>\$ 50,016</b>	<b>\$ 48,429</b>	<b>\$ 48,429</b>	

(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, 2012**

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 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, 2012, 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 auditors' 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 Southeast Alberta Child and Family Services Authority as at March 31, 2012, 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 31, 2012

Edmonton, Alberta

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
**Year ended March 31, 2012**

	(in thousands)		
	2012		2011
	Budget	Actual	Actual
<b>REVENUE</b>			
<b>Internal Government Transfers</b>			
Grant from the Department of Human Services (NOTE 3)	\$ 26,608	\$ 28,646	\$ 27,457
<b>Other Revenue</b>			
Recoveries - Inter-Authority Services	-	3	-
Miscellaneous Revenue	19	8	32
<b>Total Revenue</b>	<b>26,627</b>	<b>28,657</b>	<b>27,489</b>
<b>EXPENSE (SCHEDULES 1 AND 4)</b>			
<b>Program</b>			
Child Care Subsidy and Supports	5,855	6,081	5,697
Prevention of Family Violence and Bullying	70	77	110
Parenting Resources Initiative	265	935	929
Fetal Alcohol Spectrum Disorder Initiatives	90	96	93
Child Intervention Services	9,425	10,375	9,487
Supports for Permanency	1,022	1,282	1,242
Early Intervention and Early Childhood Development	1,291	1,606	1,522
Foster Care Support	4,274	4,299	4,267
Family Support for Children with Disabilities	3,184	2,710	2,814
Protection of Sexually Exploited Children	65	77	70
Program Support	1,036	1,146	1,041
Board Governance	50	66	65
Inter-Authority Services	-	3	-
<b>TOTAL EXPENSES</b>	<b>26,627</b>	<b>28,753</b>	<b>27,337</b>
<b>Net Operating Results</b>	<b>\$ -</b>	<b>\$ (96)</b>	<b>\$ 152</b>

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

\* This includes write-down of tangible capital assets (if any)

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**  
**As at March 31, 2012**

	(in thousands)	
	2012	2011
<b>Assets</b>		
Cash	\$ 1,372	\$ 993
Accounts Receivable (NOTE 4)	1,096	1,055
Prepaid Expenses	38	13
Tangible Capital Assets (NOTE 5)	-	2
	<b>\$ 2,506</b>	<b>\$ 2,063</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (NOTE 6)	\$ 2,686	\$ 2,147
	2,686	2,147
<b>Net Assets (Liabilities)</b>		
Net Assets at Beginning of Year	(84)	(236)
Net Operating Results	(96)	152
Net Assets at End of Year	(180)	(84)
	<b>\$ 2,506</b>	<b>\$ 2,063</b>

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, 2012**

	(in thousands)	
	<b>2012</b>	<b>2011</b>
<b>Operating Transactions</b>		
Net Operating Results	\$ (96)	\$ 152
Non-Cash Items included in Net Operating Results:		
Amortization	<u>2</u>	<u>1</u>
	(94)	153
(Increase) in Accounts Receivable (a)	(40)	(294)
(Increase) in Prepayments	(25)	(9)
Increase in Accounts Payable and Accrued Liabilities (a)	538	244
	<u>379</u>	<u>94</u>
Cash Provided by Operating Transactions		
	379	94
<b>Increase in Cash</b>	379	94
<b>Cash, Beginning of Year</b>	993	899
	<u>993</u>	<u>899</u>
<b>Cash, End of Year</b>	<u><u>\$ 1,372</u></u>	<u><u>\$ 993</u></u>

<sup>(a)</sup> Adjusted for valuation adjustment.

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

## SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

### 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

The financial statements have been 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

##### *Revenues*

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.

## SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

#### Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services in return.

Internal government transfers are recognized as revenue when received.

#### ***Expenses***

##### Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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.
- Valuation adjustments which included 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 excluded from the Statements of Operations and are disclosed in Schedule 4.

#### ***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.

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

***Cash***

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	<i>(in thousands)</i>			
Cash <sup>(a)</sup>	\$ 1,372	\$ 1,372	\$ 993	\$ 993

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

***Tangible Capital Assets***

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.

***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**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

***Net Assets (Liabilities)***

Net assets (liabilities) represent the difference between the carrying value of assets held by the Authority and its liabilities.

***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 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$26,627 on March 24, 2011.

***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 \$1,096 and \$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.

***Voluntary Contributions***

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 GRANT FROM THE DEPARTMENT OF HUMAN SERVICES**

*(in thousands)*

**The grant is determined as follows:**

	<u>2012</u>	<u>2011</u>
Initial (original) budget	\$ 26,608	\$ 24,005
Additional funding for the current year	2,038	3,452
Grant for the year	<u>\$ 28,646</u>	<u>\$ 27,457</u>

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 ACCOUNTS RECEIVABLE**  
(in thousands)

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 1,079	\$ -	\$ 1,079	\$ 1,016
Child and Family Service Authorities	3	-	3	-
Refunds from Suppliers	14	-	14	39
	\$ 1,096	\$ -	\$ 1,096	\$ 1,055

Accounts receivable are unsecured and non-interest bearing.

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 TANGIBLE CAPITAL ASSETS**  
(in thousands)

	<u>2012</u>		<u>2011</u>
	<u>Equipment*</u>	<u>Total</u>	<u>Total</u>
<b>Estimated Useful Life</b>	5 years		
<b>Historical Cost</b>			
Beginning of Year	\$ 6	\$ 6	\$ 6
Additions	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6</u>	<u>6</u>	<u>6</u>
<b>Accumulated Amortization</b>			
Beginning of Year	4	4	3
Amortization Expense	<u>2</u>	<u>2</u>	<u>1</u>
	<u>6</u>	<u>6</u>	<u>4</u>
<b>Net Book Value at March 31, 2012</b>	<u>\$ -</u>	<u>\$ -</u>	
<b>Net Book Value at March 31, 2011</b>			<u>\$ 2</u>

\*Equipment includes office equipment, furniture and other equipment.

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**  
(in thousands)

	<u>2012</u>	<u>2011</u>
Trade Payables	\$ 816	\$ 749
Accrued Vacation Pay and Manpower Expenses	879	1,318
Department of Human Services	2	2
Child and Family Services Authorities	52	78
Department of Finance	937	-
	<u>\$ 2,686</u>	<u>\$ 2,147</u>

**NOTE 7 CONTRACTUAL OBLIGATIONS**  
(in thousands)

The Authority contracts with organizations to provide specific programs and services for children under the care of the Authority. The Authority has contracts for specific programs and services for the year ending March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 8 CONTINGENT LIABILITIES**  
(in thousands)

At March 31, 2012, the Authority is a defendant in three legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claim occurred. Two of the claims have specified amounts totalling \$332,900 and the third claim has no specified amount. The Authority is jointly named with other entities in all three claims. Neither claim is covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 BENEFIT PLANS**  
(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$752 for the year ended March 31, 2012 (2011 – \$697). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NOTE 10 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 11 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board on May 31, 2012.

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object - Schedule 1**  
**Year ended March 31, 2012**

	(in thousands)		
	2012		2011
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	\$ 8,180	\$ 8,476	\$ 8,066
Supplies and Services	13,203	12,866	11,009
Grants	5,244	7,406	8,261
Amortization of Tangible Capital Assets	-	2	1
Inter-Authority Services	-	3	-
<b>Total Expenses</b>	<b>\$ 26,627</b>	<b>\$ 28,753</b>	<b>\$ 27,337</b>

**SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Salary and Benefits Disclosure - Schedule 2**  
**Year ended March 31, 2012**

	2012			2011	
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
	(in thousands)				
Co-Chair of the Authority	\$ -	\$ 23	\$ -	\$ 23	\$ 20
Co-Chair of the Authority	-	23	-	23	17
Board Members (5 members)	-	27	-	27	26
Chief Executive Officer	181	8	45	234	218

**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 2012. Co-chairs and board members receive honoraria only. The Department of Human Services paid \$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 pension, health care, dental coverage, group life insurance, short term disability plans, professional memberships.

**SOUTHEAST ALBERTA CHILD & FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Related Party Transactions - Schedule 3**  
**Year ended March 31, 2012**

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 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	
	2012	2011	2012	2011
<b>Revenues:</b>				
Grant from the Department of Human Services	\$ 28,646	\$ 27,457	\$ -	\$ -
Recoveries - Inter-Authority Services	-	-	-	-
Prior-Year Revenue - First Nations Reserves	-	-	-	-
	<b>\$28,646</b>	<b>\$ 27,457</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses - Directly Incurred</b>				
Inter-Authority Services Received	\$ 632	\$ 292	\$ -	\$ -
Department of Human Services	295	295	-	-
Department of Education	-	-	330	299
Department of Health and Wellness	-	-	136	166
Department of Service Alberta	-	-	44	68
	<b>\$ 927</b>	<b>\$ 587</b>	<b>510</b>	<b>\$ 533</b>
<b>Receivable to/(Payable from):</b>				
Department of Human Services (Net)	\$ 1,077	\$ 1,016	\$ -	\$ -
Calgary and Area Child and Family Services Authority	(13)	(2)	-	-
Southwest Child and Family Services Authority	(16)	(76)	-	-
Edmonton and Area Child And Family Services Authority	(20)	-	-	-
Department of Finance	(937)	-	-	-
	<b>\$ 91</b>	<b>\$ 938</b>	<b>\$ -</b>	<b>\$ -</b>

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	
	2012	2011
Accommodation	\$ 911	\$ 848
Administrative	220	182
Legal Services	-	-
	<b>\$ 1,131</b>	<b>\$ 1,030</b>

SOUTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY

SCHEDULE TO FINANCIAL STATEMENTS

Allocated Costs - Schedule 4

Year ended March 31, 2012

Program	(in thousands)					
	2012			2011		
	Expenses <sup>(1)</sup>	Expenses - Incurred by Others		Legal Services	Total Expenses	Total Expenses
	Accommodation Costs <sup>(2)</sup>	Administration Costs <sup>(3)</sup>				
Child Care Subsidy and Supports	6,081	80	19	-	6,180	5,697
Prevention of Family Violence and Bullying	77	5	1	-	83	110
Parenting Resources Initiative	935	-	-	-	935	929
Fetal Alcohol Spectrum Disorder Initiatives	96	-	-	-	96	93
Child Intervention Services	10,375	646	156	-	11,177	9,487
Supports for Permanency	1,282	-	-	-	1,282	1,242
Early Intervention and Early Childhood Development	1,606	-	-	-	1,606	1,522
Foster Care Support	4,299	56	14	-	4,369	4,267
Family Support for Children with Disabilities	2,710	34	8	-	2,752	2,814
Protection of Sexually Exploited Children	77	3	1	-	81	70
Program Support	1,146	87	21	-	1,254	1,041
Board Governance	66	-	-	-	66	65
Inter-Authority Services	3	-	-	-	3	-
	<b>\$ 28,753</b>	<b>\$ 911</b>	<b>\$ 220</b>	<b>\$ -</b>	<b>\$ 29,884</b>	<b>\$ 27,337</b>

(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 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.

# **CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY**

## **FINANCIAL STATEMENTS**

**Year Ended March 31, 2012**

Independent Auditor's Report

Statement of Operations

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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 Calgary and Area Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2012, 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 generally accepted accounting principles, 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 and 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 Calgary and Area Child and Family Services Authority as at March 31, 2012, 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 31, 2012

Edmonton, Alberta

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year Ended March 31, 2012

	(in thousands)		
	<b>2012</b>		<b>2011</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
<b>Internal Government Transfers</b>			
Transfer from Department (Note 3)	\$ 244,894	\$ 274,500	\$ 242,928
<b>Other Revenue</b>			
Inter-Authority Services	100	138	113
Other	905	869	707
	<b>245,899</b>	<b>275,507</b>	<b>243,748</b>
<b>EXPENSES (SCHEDULES 1 AND 4)</b>			
Child Care Subsidy and Supports	35,961	42,378	38,954
Prevention of Family Violence and Bullying	750	1,033	874
Parenting Resources Initiative	2,087	6,276	6,175
Fetal Alcohol Spectrum Disorder Initiatives	1,430	2,156	2,159
Child Intervention Services	89,606	96,059	89,635
Supports for Permanency	11,180	13,153	11,629
Early Intervention and Early Childhood Development	8,910	8,921	8,338
Foster Care Support	44,189	49,551	43,277
Family Support for Children with Disabilities	46,403	51,071	49,334
Protection of Sexually Exploited Children	2,063	1,835	1,689
Program Delivery Services	3,095	2,817	2,707
Board Governance	125	108	111
Inter-Authority Services	100	138	113
<b>TOTAL EXPENSES</b>	<b>245,899</b>	<b>275,496</b>	<b>254,995</b>
<b>Net Operating Results</b>	<b>\$ -</b>	<b>\$ 11</b>	<b>\$ (11,247)</b>

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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 14,190	\$ 9,257
Accounts Receivable (Note 4)	6,781	7,782
Tangible Capital Assets (Note 5)	50	70
	<u><b>\$ 21,021</b></u>	<u><b>\$ 17,109</b></u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 6)	<u>\$ 23,656</u>	<u>\$ 19,755</u>
<b>Net Assets</b>		
Net Assets at Beginning of Year	(2,646)	8,601
Net Operating Results	<u>11</u>	<u>(11,247)</u>
Net (Liabilities) Assets at End of Year	<u>(2,635)</u>	<u>(2,646)</u>
	<u><b>\$ 21,021</b></u>	<u><b>\$ 17,109</b></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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Operating Transactions</b>		
Net Operating Results	\$ 11	\$ (11,247)
Non-Cash Items included in Net Operating Results:		
Amortization	20	28
	<u>31</u>	<u>(11,219)</u>
Decrease (Increase) in Accounts Receivable	1,001	(1,631)
Increase in Accounts Payable and Accrued Liabilities	<u>3,901</u>	<u>2,133</u>
Cash Provided (Applied to) by Operating Transactions	<u>4,933</u>	<u>(10,717)</u>
Increase (Decrease) in Cash	4,933	(10,717)
<b>Cash at Beginning of Year</b>	9,257	19,974
<b>Cash at End of Year</b>	<u><u>\$ 14,190</u></u>	<u><u>\$ 9,257</u></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

### 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

##### *Revenues*

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.

## CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

#### Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services in return. Internal government transfers are recognized as revenue when received.

#### ***Expenses***

##### Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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.

##### Incurred by Others

Services contributed by other entities in support of the Authority's operations are excluded from the Statement of Operations and are disclosed in Schedule 4.

#### ***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.

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

***Cash***

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	<i>(in thousands)</i>			
Cash <sup>(a)</sup>	\$ 14,190	\$ 14,190	\$ 9,257	\$ 9,257

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund

***Tangible Capital Assets***

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.

***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.

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (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 Statement of Operations was included in the 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$245,899 on May 16, 2011.

***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 \$6,781 and \$23,656 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**

**NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES**

(in thousands)

The grant is determined as follows:

Initial (original) budget	\$ 244,894
Additional funding for the current year	<u>29,606</u>
Grant for the year	<u><u>\$ 274,500</u></u>

**NOTE 4 ACCOUNTS RECEIVABLE**

(in thousands)

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 5,515	\$ -	\$ 5,515	\$ 5,626
Refunds from suppliers	1,240	-	1,240	2,131
Child and Family Services Authorities	26	-	26	25
	<u>\$ 6,781</u>	<u>\$ -</u>	<u>\$ 6,781</u>	<u>\$ 7,782</u>

Accounts receivable are unsecured and non-interest bearing.

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 TANGIBLE CAPITAL ASSETS**  
(in thousands)

	<b>Equipment*</b>	<b>Leasehold Improvements</b>	<b>Computer hardware and software</b>	<b>2012 Total</b>	<b>2011 Total</b>
<b>Estimated Useful Life</b>	10 Years	7 Years	5 Years		
<b>Historical Cost</b>					
Beginning of Year	\$ 199	\$ 59	\$ 329	\$ 587	\$ 587
Additions	-	-	-	-	-
	<u>199</u>	<u>59</u>	<u>329</u>	<u>587</u>	<u>587</u>
<b>Accumulated Amortization</b>					
Beginning of Year	129	59	329	517	489
Amortization Expense	20	-	-	20	28
	<u>149</u>	<u>59</u>	<u>329</u>	<u>537</u>	<u>517</u>
<b>Net Book Value at March 31, 2012</b>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>	
<b>Net Book Value at March 31, 2011</b>	<u>\$ 70</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 70</u>

\*Equipment includes office equipment, furniture and other equipment

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

(in thousands)

	<u>2012</u>	<u>2011</u>
Trade Payable	\$ 13,730	\$ 12,292
Accrued Vacation Pay and Manpower Expenses	5,127	7,410
Ministry of Finance	4,628	-
Department of Human Services	154	43
Child and Family Services Authorities	13	6
Other	4	4
	<u>\$ 23,656</u>	<u>\$ 19,755</u>

**NOTE 7 CONTRACTUAL OBLIGATIONS**

The Authority contracts with organizations to provide specific programs and services for children under the care of the Authority. The Authority has contracts for specific programs and services for the year ended March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 8 CONTINGENT LIABILITIES**

(in thousands)

At March 31, 2012, the Authority is a defendant in thirteen legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claim occurred (2011—ten legal claims). The thirteen claims have specified amounts totalling \$403,629 (2011—ten claims with a specified amount of \$386,709). Included in the total legal claims are twelve claims amounting to \$403,387 (2011—eight claims amounting to \$373,767) in which the Authority has been jointly named with other entities. Ten claims amounting to \$66,793 (2011—six claims amounting to \$49,631) are covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 THIRD PARTY AGREEMENTS**

(in thousands)

The Authority has entered into third party agreements with Seniors and Community Supports to deliver various program services. The expenses (in brackets in the table below) of \$58 (2011 - \$170) are included in the financial statements.

	<u>2012</u>	<u>2011</u>
Seniors and Community Supports	(58)	(170)
	<u>\$ (58)</u>	<u>\$ (170)</u>

**NOTE 10 BENEFIT PLANS**

(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$4,469 for the year ended March 31, 2012 (2011 – \$4,170). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NOTE 11 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 12 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board in May, 2012.

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object - Schedule 1**  
**Year Ended March 31, 2012**

	(in thousands)		
	<u>2012 Budget</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Salaries, Wages and Employee Benefits	\$ 50,753	\$ 52,899	\$ 49,886
Supplies and Services	120,867	134,226	121,188
Supplies and Services from support service arrangements with related parties <sup>(a)</sup>	-	58	170
Grants	74,179	88,052	83,456
Amortization of Capital Assets	-	20	28
Inter-Authority Services	100	138	113
Other	-	103	154
<b>Total Expenses</b>	<b><u>\$ 245,899</u></b>	<b><u>\$ 275,496</u></b>	<b><u>\$ 254,995</u></b>

(a) The Authority receives residential placement services from the Department of Seniors and Community Supports.

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Salary and Benefits Disclosure - Schedule 2**  
**Year Ended March 31, 2012**

	2012			2011	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-Cash Benefits <sup>(3)</sup> (in thousands)	Total	Total
Co-Chair of the Authority	\$ -	\$ 15	\$ -	\$ 15	\$ 17
Co-Chair of the Authority <sup>(4)</sup>	-	9	-	9	26
Board Members (11 members)	-	62	-	62	37
Chief Executive Officer	191	55	7	253	249

**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 2012. Co-chairs and board members receive honoraria only. The Department of Human Services paid \$8 (2011 - \$11) 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, 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, 2012**

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 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	
	2012	2011	2012	2011
<b>Revenues:</b>				
Grant from the Department of Human Services	\$ 274,500	\$ 242,928	\$ -	\$ -
Recoveries - Inter-Authority Services	138	113	-	-
	<u>\$ 274,638</u>	<u>\$ 243,041</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses - Directly Incurred</b>				
Inter-Authority Services Received	\$ 156	\$ 93	\$ -	\$ -
Department of Human Services	1,416	1,416	-	-
Department of Advanced Education and Technology	-	-	198	195
Department of Education	-	-	880	636
Department of Health and Wellness	-	-	1,087	1,441
Department of Service Alberta	-	-	164	129
Department of Infrastructure	-	-	19	18
	<u>\$ 1,572</u>	<u>\$ 1,509</u>	<u>\$ 2,348</u>	<u>\$ 2,419</u>
<b>Receivable from/(Payable to):</b>				
Department of Human Services (Net)	\$ 5,361	\$ 5,583	\$ -	\$ -
Department of Health and Wellness	-	-	(452)	-
Ministry of Finance	-	-	(4,628)	-
Southwest Alberta Child and Family Services Authority	1	-	-	-
Southeast Alberta Child and Family Services Authority	13	2	-	-
Edmonton and Area Child and Family Services Authority	(9)	6	-	-
Central Alberta Child and Family Services Authority	8	(5)	-	-
Northeast Alberta Child and Family Services Authority	-	16	-	-
	<u>\$ 5,374</u>	<u>\$ 5,602</u>	<u>\$ (5,080)</u>	<u>\$ -</u>

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	
	2012	2011
<b>Expenses (Notional):</b>		
Accommodation	\$ 5,195	\$ 4,839
Administrative	1,352	1,127
Legal Services	1,898	1,765
	<u>\$ 8,445</u>	<u>\$ 7,731</u>

**CALGARY AND AREA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Allocated Costs - Schedule 4**  
**Year Ended March 31, 2012**

Program	(in thousands)				Total Expenses	Total Expenses
	2012					
	Expenses <sup>(1)</sup>	Expenses - Incurred by Others				
		Accommodation Costs <sup>(2)</sup>	Administration Costs <sup>(3)</sup>	Legal Services <sup>(4)</sup>		
Child Care Subsidy and Supports	\$ 42,378	\$ 342	\$ 89	\$ -	\$ 42,809	\$ 39,228
Prevention of Family Violence and Bullying	1,033	1	-	-	1,034	885
Parenting Resources Initiative	6,276	-	-	-	6,276	6,175
Fetal Alcohol Spectrum Disorder Initiatives	2,156	-	-	-	2,156	2,159
Child Intervention Services	96,059	3,791	988	1,898	102,736	96,197
Supports for Permanency	13,153	244	63	-	13,460	11,629
Early Intervention and Early Childhood Development	8,921	-	-	-	8,921	8,338
Foster Care Support	49,551	182	47	-	49,780	43,473
Family Support for Children with Disabilities	51,071	541	141	-	51,753	49,923
Protection of Sexually Exploited Children	1,835	9	2	-	1,846	1,700
Program Delivery Services	2,817	85	22	-	2,924	2,795
Board Governance	108	-	-	-	108	111
Inter-Authority Services	138	-	-	-	138	113
	<b>\$ 275,496</b>	<b>\$ 5,195</b>	<b>\$ 1,352</b>	<b>\$ 1,898</b>	<b>\$ 283,941</b>	<b>\$ 262,726</b>

(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 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*.

# **CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**

## **FINANCIAL STATEMENTS**

**Year Ended March 31, 2012**

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 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, 2012, 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 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 as at March 31, 2012, 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 24, 2012

Edmonton, Alberta

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2012

	(in thousands)		
	2012		2011
	Budget	Actual	Actual
<b>REVENUES</b>			<b>(Restated) Note 9</b>
<b>Internal Government Transfers</b>			
Transfer from Department (Note 3)	\$ 73,812	\$ 77,844	\$ 74,585
<b>Other Revenue</b>			
Inter-Authority Services	75	30	38
Other Revenue - Donations / External	1,600	2,187	2,028
	<b>75,487</b>	<b>80,061</b>	<b>76,651</b>
<b>EXPENSES (SCHEDULES 1 AND 4)</b>			
Child Care Subsidy and Supports	9,488	10,324	9,399
Prevention of Family Violence and Bullying	716	629	607
Parenting Resources Initiative	1,015	2,649	2,591
Fetal Alcohol Spectrum Disorder Initiatives	243	288	246
Child Intervention Services	27,995	28,727	26,459
Supports for Permanency	3,409	3,615	3,374
Early Intervention and Early Childhood Development	3,129	3,768	3,609
Foster Care Support	16,766	18,788	18,036
Family Support for Children with Disabilities	9,558	7,702	8,433
Protection of Sexually Exploited Children	993	1,005	971
Program Delivery Services	1,900	1,986	2,031
Board Governance	200	208	215
Inter-Authority Services	75	30	38
<b>TOTAL EXPENSES</b>	<b>75,487</b>	<b>79,719</b>	<b>76,009</b>
<b>Net Operating Results</b>	<b>\$ -</b>	<b>\$ 342</b>	<b>\$ 642</b>

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, 2012**

		(in thousands)	
		<u>2012</u>	<u>2011</u>
<b>Assets</b>			
	Cash	\$ 8,526	\$ 6,475
	Accounts Receivable (Note 4)	2,552	2,731
		<u><b>\$ 11,078</b></u>	<u><b>\$ 9,206</b></u>
<b>Liabilities</b>			
	Accounts Payable and Accrued Liabilities (Note 5)	\$ 8,017	\$ 6,487
		<u><b>\$ 8,017</b></u>	<u><b>\$ 6,487</b></u>
<b>Net Assets</b>			
	Net Assets at Beginning of Year	2,719	2,077
	Net Operating Results	342	642
	Net Assets at End of Year	<u>3,061</u>	<u>2,719</u>
		<u><b>\$ 11,078</b></u>	<u><b>\$ 9,206</b></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, 2012

	(in thousands)	
	<u>2012</u>	<u>2011</u>
	(Restated) Note 9	
<b>Operating Transactions</b>		
Net Operating Results	\$ 342	\$ 833
	<u>342</u>	<u>833</u>
Decrease (Increase) in Accounts Receivable	179	(462)
Increase in Accounts Payable and Accrued Liabilities	<u>1,530</u>	<u>1,133</u>
Cash Provided by Operating Transactions	<u>2,051</u>	<u>1,504</u>
<b>Increase in Cash</b>	2,051	1,504
<b>Cash at Beginning of Year</b>	6,475	4,971
<b>Cash at End of Year</b>	<u><u>\$ 8,526</u></u>	<u><u>\$ 6,475</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

### 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

##### ***Revenues***

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.

##### Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services in return. Internal government transfers are recognized as revenue when received.

## CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

#### *Expenses*

##### Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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.
- 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 excluded from the Statement of Operations and are disclosed in Schedule 4.

#### *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.

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)**

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Cash <sup>(a)</sup>	\$8,526	\$8,526	\$6,475	\$6,475

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

***Tangible Capital Assets***

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.

***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.

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (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 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$75,487 on May 2, 2011.

***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 \$2,552 and \$8,017 respectively 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**

**NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES**  
(in thousands)

The grant is determined as follows:	<u>2012</u>
Initial (original) budget	\$ 73,812
Additional funding for the current year	4,032
Grant for the year	<u>\$ 77,844</u>

**NOTE 4 ACCOUNTS RECEIVABLE**  
(in thousands)

	<u>2012</u>			<u>2011</u>
	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Realizable Value</u>	<u>Net Realizable Value</u>
Department of Human Services	\$ 1,651	\$ -	\$ 1,651	\$ 2,015
Other Receivables	764	-	\$ 764	710
Refunds from suppliers	136	-	\$ 136	-
Child and Family Services Authorities	1	-	\$ 1	6
	<u>\$ 2,552</u>	<u>\$ -</u>	<u>\$ 2,552</u>	<u>\$ 2,731</u>

Accounts receivable are unsecured and non-interest bearing.

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**  
(in thousands)

	<u>2012</u>	<u>2011</u>
Trade Payable	\$ 2,868	\$ 3,465
Accrued Vacation Pay and Manpower Expenses	1,704	2,693
Department of Human Services	173	171
Ministry of Finance	2,905	-
Child and Family Services Authorities	38	15
Other	329	143
	<u>\$ 8,017</u>	<u>\$ 6,487</u>

**NOTE 6 CONTRACTUAL OBLIGATIONS**

The Authority contracts with organizations to provide specific programs and services for children under the care of the Authority. The Authority has contracts for specific programs and services for the year ended March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 7 CONTINGENT LIABILITIES**  
(in thousands)

At March 31, 2012, the Authority is a defendant in three legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claim occurred (2011– three legal claims). The three claims have specified amounts totalling \$334,050 (2011– three claims with a specified amount of \$334,050). Included in the total legal claims are three claims amounting to \$334,050 in which the Authority has been jointly named with other entities. One claim amounting to \$1,150 (2011–one claim amounting to \$1,150) is covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 BENEFIT PLANS**

(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$1,748 for the year ended March 31, 2012 (2011 – \$1,674). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NOTE 9 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 10 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board in May 2012.

**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, 2012**

	(in thousands)		<b>2011 Actual (Restated) Note 9</b>
	<b>2012 Budget</b>	<b>2012 Actual</b>	
Salaries, Wages and Employee Benefits	\$ 18,506	\$ 20,038	\$ 19,199
Supplies and Services	40,640	45,092	39,960
Supplies and Services from support service arrangements with related parties	-	4	5
Grants	16,341	14,487	16,764
Inter-Authority Services	-	30	38
Other	-	68	43
<b>Total Expenses</b>	<b>\$ 75,487</b>	<b>\$ 79,719</b>	<b>\$ 76,009</b>

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENT**  
**Salary and Benefits Disclosure - Schedule 2**  
**For the Year ended March 31, 2012**

	<b>2012</b>				<b>2011</b>
	<u>Base Salary<sup>(1)</sup></u>	<u>Other Cash Benefits<sup>(2)</sup></u>	<u>Other Non-Cash Benefits<sup>(3)</sup></u> (in thousands)	<u>Total</u>	<u>Total</u>
Co-Chair of the Authority <sup>(5)</sup>	\$ -	\$ 38	\$ -	\$ 38	\$ 30
Co-Chair of the Authority <sup>(5)</sup>	-	42	-	42	34
Board Members (13 members)	-	87	-	87	89
Chief Executive Officer <sup>(4)</sup>	142	5	39	186	169

**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 2012. 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, professional memberships and tuition fees.
- (4) Automobile provided, no dollar amount included in other non-cash benefits.
- (5) Change of Co-Chairs in January 2012

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENT**  
**Related Party Transactions - Schedule 3**  
**For the Year ended March 31, 2012**

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 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	
	2012	2011	2012	2011
<b>Revenues:</b>				
Grant from Department of Human Services	\$ 77,844	\$ 74,585	\$ -	\$ -
Recoveries - Inter-Authority Services	30	38	-	-
	<b>\$ 77,874</b>	<b>\$ 74,623</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses - Directly Incurred</b>				
Inter-Authority Services Received	\$ 308	\$ 245	\$ -	\$ -
Department of Human Services	472	472	-	-
Department of Advanced Education and Technology	-	-	-	1
Department of Education	-	-	1,262	1,133
Department of Health and Wellness	-	-	-	-
Department of Service Alberta	-	-	148	136
	<b>\$ 780</b>	<b>\$ 717</b>	<b>\$ 1,410</b>	<b>\$ 1,270</b>
<b>Receivable from/(Payable to):</b>				
Department of Human Services (Net)	\$ 1,479	\$ 1,844	\$ -	\$ -
Calgary & Area Child and Family Services Authority	1	4	-	-
East Central Alberta Child and Family Services Authority	-	1	-	-
Department of Finance	(2,905)	-	-	-
Edmonton & Area Child and Family Services Authority	(30)	1	-	-
Calgary and Area Child and Family Services Authority	(9)	-	-	-
Edmonton & Area Child and Family Services Authority	-	(15)	-	-
	<b>\$ (1,464)</b>	<b>\$ 1,835</b>	<b>\$ -</b>	<b>\$ -</b>

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	
	2012	2011
<b>Expenses (Notional):</b>		
Accommodation	\$ 2,907	\$ 2,649
Administrative	513	425
Legal Services	38	26
	<b>\$ 3,458</b>	<b>\$ 3,100</b>

**CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENT**  
**Allocated Costs- Schedule 4**  
**For the Year ended March 31, 2012**

(in thousands)

Program	2012					2011	
	Expenses <sup>(1)</sup>	Expenses - Incurred by Others			Total Expenses	Total Expenses	Total Expenses (Restated) Note 9
		Accommodation Costs <sup>(2)</sup>	Admin Costs <sup>(3)</sup>	Legal Services <sup>(4)</sup>			
Child Care Subsidy and Supports	\$ 10,324	\$ 142	\$ 25	\$ -	10,491	\$ 9,592	
Prevention of Family Violence and Bullying	629	24	4	-	657	714	
Parenting Resources Initiative	2,649	-	-	-	2,649	2,591	
Fetal Alcohol Spectrum Disorder Initiatives	288	-	-	-	288	246	
Child Intervention Services	28,727	2,120	374	38	31,259	28,561	
Supports for Permanency	3,615	-	-	-	3,615	3,374	
Early Intervention and Early Childhood Development	3,768	-	-	-	3,768	3,609	
Foster Care Support	18,788	222	39	-	19,049	18,265	
Family Support for Children with Disabilities	7,702	237	42	-	7,981	8,714	
Protection of Sexually Exploited Children	1,005	-	-	-	1,005	971	
Program Delivery Services	1,986	162	29	-	2,177	2,219	
Board Governance	208	-	-	-	208	215	
Inter-Authority Services	30	-	-	-	30	38	
	<b>\$ 79,719</b>	<b>\$ 2,907</b>	<b>\$ 513</b>	<b>\$ 38</b>	<b>\$ 83,177</b>	<b>\$ 79,109</b>	

<sup>(1)</sup> Expenses - Directly Incurred as per the Statement of Operations.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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, 2012**

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 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, 2012, 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 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, 2012, 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, 2012

Edmonton, Alberta

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2012

	(in thousands)		
	<b>2012</b>		<b>2011</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
<b>Internal Government Transfers</b>			
Transfer from Department (Note 3)	\$ 21,448	\$ 22,794	\$ 22,510
Other Revenue	16	254	45
	<b>21,464</b>	<b>23,048</b>	<b>22,555</b>
<b>EXPENSES (SCHEDULES 1 AND 4)</b>			
Child Care Subsidy and Supports	2,461	2,721	2,634
Prevention of Family Violence and Bullying	30	142	95
Parenting Resources Initiative	433	1,346	1,307
Fetal Alcohol Spectrum Disorder Initiatives	50	50	50
Child Intervention Services	6,977	6,919	5,951
Supports for Permanency	1,374	1,082	1,043
Early Intervention and Early Childhood Development	598	658	557
Foster Care Support	3,093	3,396	3,165
Family Support for Children with Disabilities	4,886	4,170	4,922
Protection of Sexually Exploited Children	83	83	80
Program Delivery Services	1,390	1,262	1,262
Board Governance	89	99	87
	<b>21,464</b>	<b>21,928</b>	<b>21,153</b>
<b>TOTAL EXPENSES</b>	<b>21,464</b>	<b>21,928</b>	<b>21,153</b>
<b>Net Operating Results</b>	<b>\$ -</b>	<b>\$ 1,120</b>	<b>\$ 1,402</b>

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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 5,303	\$ 3,728
Accounts Receivable (Note 4)	679	709
	<u>\$ 5,982</u>	<u>\$ 4,437</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 5)	<u>\$ 2,567</u>	<u>\$ 2,142</u>
<b>Net Assets</b>		
Net Assets at Beginning of Year	2,295	893
Net Operating Results	<u>1,120</u>	<u>1,402</u>
Net Assets at End of Year	<u>3,415</u>	<u>2,295</u>
	<u>\$ 5,982</u>	<u>\$ 4,437</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, 2012

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Operating Transactions</b>		
Net Operating Results	\$ 1,120	\$ 1,402
Decrease (Increase) in Accounts Receivable	30	(29)
Increase in Accounts Payable and Accrued Liabilities	<u>425</u>	<u>639</u>
Cash Provided by Operating Transactions	1,575	2,012
<b>Cash, Beginning of Year</b>	3,728	1,716
<b>Cash, End of Year</b>	<u><u>\$ 5,303</u></u>	<u><u>\$ 3,728</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

### 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

##### Revenues

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.

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services in return. Internal government transfers are recognized as revenue when received.

***Expenses***

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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.
- 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 excluded from the Statement of Operations and are disclosed in Schedule 4.

***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.

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

***Cash***

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	<i>(in thousands)</i>			
Cash <sup>(a)</sup>	\$5,303	\$ 5,303	\$3,728	\$3,728

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

Assets acquired by right are not included.

***Tangible Capital Assets***

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.

***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.

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

***Net Asset***

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 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$21,464 on February 25, 2011.

***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 \$679 (2011-\$709) and \$2,567 (2011-\$2,142) 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**

**NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES**

(in thousands)

The grant is determined as follows:

	<u>2012</u>	<u>2011</u>
Initial (original) budget	\$ 21,448	\$ 21,074
Additional funding for the current year	<u>1,346</u>	<u>1,436</u>
Grant for the year	<u>\$ 22,794</u>	<u>\$ 22,510</u>

**NOTE 4 ACCOUNTS RECEIVABLE**

(in thousands)

	<u>2012</u>			<u>2011</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 587	\$ -	\$ 587	\$ 595
Refunds from Suppliers	92	-	92	114
	<u>\$ 679</u>	<u>\$ -</u>	<u>\$ 679</u>	<u>\$ 709</u>

Accounts receivable are unsecured and non-interest bearing.

**NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

(in thousands)

	<u>2012</u>	<u>2011</u>
Trade Payable	\$ 1,805	\$ 1,698
Ministry of Finance	640	-
Accrued Vacation Pay and Manpower Expenses	28	338
Department of Human Services	79	97
Child and Family Services Authorities	15	9
	<u>\$ 2,567</u>	<u>\$ 2,142</u>

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 CONTRACTUAL OBLIGATIONS**

The Authority contracts with organizations to provide specific programs and services for children under the care of the Ministry. The Authority has contracts for specific programs and services for the year ended March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 7 CONTINGENT LIABILITIES**

(in thousands)

At March 31, 2012, the Authority is a defendant in two legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claim occurred (2011—two-legal claims). The two claims have specified amount totalling \$332,900 (2011—two claims with a specified amount of \$332,900). Included in the total legal claims are two claims amounting to \$332,900 in which the Authority has been jointly named with other entities. Neither claim is covered by Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**NOTE 8 BENEFIT PLANS**

(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$569 for the year ended March 31, 2012 (2011 – \$489). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NOTE 9 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 10 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board on May 29, 2012.

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object - Schedule 1**  
**Year ended March 31, 2012**

	(in thousands)		
	<u>2012 Budget</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Salaries, Wages and Employee Benefits	\$ 5,969	\$ 6,337	\$ 5,625
Supplies and Services	9,220	9,008	8,392
Grants	6,275	6,571	7,122
Other	-	12	14
<b>Total Expenses</b>	<b><u>\$ 21,464</u></b>	<b><u>\$ 21,928</u></b>	<b><u>\$ 21,153</u></b>

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
SCHEDULE TO FINANCIAL STATEMENTS  
Salary and Benefit Disclosure - Schedule 2  
Year ended March 31, 2012**

	<b>2012</b>				<b>2011</b>
	<u>Base Salary<sup>(1)</sup></u>	<u>Other Cash Benefits<sup>(2)</sup></u>	<u>Other Non-Cash Benefits<sup>(3)</sup></u> (in thousands)	<u>Total</u>	<u>Total</u>
Co-Chair of the Authority	\$ -	\$ 37	\$ -	\$ 37	\$ 34
Co-Chair of the Authority	-	23	-	23	24
Board Members (6 members)	-	49	-	49	25
Chief Executive Officer <sup>(4)</sup>	139	3	36	178	157

**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 2012. Co-chairs and board members receive honoraria only. The Department of Human Services paid \$26 (2011-\$16) 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, 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, 2012**

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 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	
	2012	2011	2012	2011
<b>Revenues:</b>				
Grant from the Department of Human Services	\$ 22,794	\$ 22,510	\$ -	\$ -
	<u>\$ 22,794</u>	<u>\$ 22,510</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses - Directly Incurred</b>				
Inter-Authority Services Received	\$ 116	\$ 180	\$ -	\$ -
Department of Human Services	177	177	-	-
Department of Education	-	-	52	43
Department of Health and Wellness	-	-	50	49
Department of Service Alberta	-	-	68	59
Persons with Developmental Disabilities	-	-	1	-
	<u>\$ 293</u>	<u>\$ 357</u>	<u>\$ 171</u>	<u>\$ 151</u>
<b>Receivable from/(Payable to):</b>				
Department of Human Services (Net)	\$ 508	\$ 498	\$ -	\$ -
Central Alberta Child and Family Services Authority	-	(1)	-	-
Edmonton and Area Child and Family Services Authority	(29)	(11)	-	-
North Central Alberta Child and Family Services Authority	(6)	-	-	-
Ministry of Finance	-	-	(640)	-
	<u>\$ 473</u>	<u>\$ 486</u>	<u>\$ (640)</u>	<u>\$ -</u>

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	
	2012	2011
<b>Expenses (Notional):</b>		
Accommodation	\$ 896	\$ 662
Administrative	151	120
Legal Services	22	38
	<u>\$ 1,069</u>	<u>\$ 820</u>

**EAST CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Allocated Costs - Schedule 4**  
**Year ended March 31, 2012**

Program	(in thousands)					
	2012			2011		
	Expenses <sup>(1)</sup>	Accommodation Costs <sup>(2)</sup>	Administration Costs <sup>(3)</sup>	Legal Services <sup>(4)</sup>	Total Expenses	Total Expenses
Child Care Subsidy and Supports	\$ 2,721	\$ 59	\$ 10	\$ 1	\$ 2,791	\$ 2,697
Prevention of Family Violence and Bullying	142	15	2	-	159	111
Parenting Resources Initiative	1,346	-	-	-	1,346	1,307
Fetal Alcohol Spectrum Disorder Initiatives	50	-	-	-	50	50
Child Intervention Services	6,919	532	90	13	7,554	6,421
Supports for Permanency	1,082	-	-	-	1,082	1,043
Early Intervention and Early Childhood Development	658	10	2	1	671	557
Foster Care Support	3,396	51	8	1	3,456	3,191
Family Support for Children with Disabilities	4,170	104	18	3	4,295	5,033
Protection of Sexually Exploited Children	83	-	-	-	83	80
Program Delivery Services	1,262	125	21	3	1,411	1,396
Board Governance	99	-	-	-	99	87
	<b>\$ 21,928</b>	<b>\$ 896</b>	<b>\$ 151</b>	<b>\$ 22</b>	<b>\$ 22,997</b>	<b>\$ 21,973</b>

(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, 2012**

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 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, 2012, 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 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 as at March 31, 2012, 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 31, 2012

Edmonton, Alberta

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2012

	(in thousands)		
	2012		2011
	Budget	Actual	Actual
<b>REVENUES</b>			
<b>Internal Government Transfers</b>			
Transfer from Department (Note 3)	\$ 323,396	\$ 345,736	\$ 328,116
<b>Other Revenue</b>			
Inter-Authority Services	266	922	735
Other Revenue - Donations / External	488	1,453	1,515
	<b>324,150</b>	<b>348,111</b>	<b>330,366</b>
<b>EXPENSES (SCHEDULES 1 AND 4)</b>			
Child Care Subsidy and Supports	57,325	64,935	57,143
Prevention of Family Violence and Bullying	530	594	567
Parenting Resources Initiative	3,035	7,020	6,535
Fetal Alcohol Spectrum Disorder Initiatives	934	1,434	1,398
Child Intervention Services	133,530	136,478	136,180
Supports for Permanency	11,856	11,895	10,767
Early Intervention and Early Childhood Development	8,054	10,600	9,692
Foster Care Support	63,797	65,851	63,716
Family Support for Children with Disabilities	38,258	42,915	39,039
Protection of Sexually Exploited Children	2,362	2,240	2,133
Program Delivery Services	4,028	4,076	3,554
Board Governance	175	182	170
Inter-Authority Services	266	922	735
<b>TOTAL EXPENSES</b>	<b>324,150</b>	<b>349,142</b>	<b>331,629</b>
<b>Net Operating Results</b>	<b>\$ -</b>	<b>\$ (1,031)</b>	<b>\$ (1,263)</b>

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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 7,539	\$ 3,263
Accounts Receivable (Note 4)	12,523	10,802
Tangible Capital Assets (Note 5)	9	-
	<u><b>\$ 20,071</b></u>	<u><b>\$ 14,065</b></u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 6)	<u>\$ 32,708</u>	<u>\$ 25,671</u>
<b>Net Assets (Liabilities)</b>		
Net (Liabilities) Assets at Beginning of Year	(11,606)	(10,343)
Net Operating Results	<u>(1,031)</u>	<u>(1,263)</u>
Net Liabilities at End of Year	<u>(12,637)</u>	<u>(11,606)</u>
	<u><b>\$ 20,071</b></u>	<u><b>\$ 14,065</b></u>

Contractual obligations (Note 7)  
Contingent liabilities (Note 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, 2012

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Operating Transactions</b>		
Net Operating Results	\$ (1,031)	\$ (1,263)
Non-Cash Items included in Net Operating Results:		
Amortization	<u>1</u>	<u>-</u>
	(1,030)	(1,263)
 (Increase) in Accounts Receivable	 (1,721)	 (2,321)
Increase in Accounts Payable and Accrued Liabilities	<u>7,037</u>	<u>4,405</u>
Cash Provided by Operating Transactions	<u>4,286</u>	<u>821</u>
 <b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	<u>(10)</u>	<u>-</u>
Cash (Applied to) Capital Transactions	<u>(10)</u>	<u>-</u>
 <b>Increase in Cash</b>	 4,276	 821
 <b>Cash at Beginning of Year</b>	 3,263	 2,442
 <b>Cash at End of Year</b>	 <u><u>\$ 7,539</u></u>	 <u><u>\$ 3,263</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

### 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.

#### (a) Basis of Financial Reporting

##### **Revenues**

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**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(Cont'd)**

Internal Government Transfers

Internal government transfers are transfers between entities within the Government reporting entity where the entity making the transfer does not receive goods or services in return. Internal government transfers are recognized as revenue when received.

***Expenses***

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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 relating to vacation pay, guarantees and indemnities.
- Grants are recognized as expenses when authorised, 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 excluded from the Statement of Operations and are disclosed in Schedule 4.

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

**Cash**

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	<i>(in thousands)</i>			
Cash <sup>(a)</sup>	\$7,539	\$7,539	\$3,263	\$3,263

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

**Tangible Capital Assets**

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.

**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.

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(Cont'd)**

***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 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 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$324,150 on April 28, 2011.

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(Cont'd)**

***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 \$12,523 and \$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.

***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>2012</u>	<u>2011</u>
Initial (original) budget	\$ 323,396	\$ 283,992
Increase in funding for the current year	<u>22,340</u>	<u>44,124</u>
Grant for the year	<u>\$ 345,736</u>	<u>\$ 328,116</u>

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 ACCOUNTS RECEIVABLE**  
(in thousands)

	<u>2012</u>	<u>2011</u>	
	<u>Gross Amount</u>	<u>Net Realizable Value</u>	<u>Net Realizable Value</u>
Department of Human Services	\$ 10,798	\$ 10,798	\$ 9,194
Refunds from Suppliers	1,588	1,588	1,518
Child and Family Services Authorities	137	137	90
	<u>\$ 12,523</u>	<u>\$ 12,523</u>	<u>\$ 10,802</u>

Accounts receivable are unsecured and non-interest bearing.

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 TANGIBLE CAPITAL ASSETS**  
(in thousands)

	<u>Equipment*</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Estimated Useful Life</b>	10 Years		
<b>Historical Cost</b>			
Beginning of Year	\$ 64	\$ 64	\$ 64
Additions	<u>10</u>	<u>10</u>	<u>-</u>
	<u>74</u>	<u>74</u>	<u>64</u>
<b>Accumulated Amortization</b>			
Beginning of Year	64	64	64
Amortization Expense	<u>1</u>	<u>1</u>	<u>-</u>
	<u>65</u>	<u>65</u>	<u>64</u>
<b>Net Book Value at March 31, 2012</b>	<u>9</u>	<u>9</u>	<u>0</u>
<b>Net Book Value at March 31, 2011</b>	<u>\$ -</u>		<u>\$ -</u>

\*Equipment includes office equipment, furniture and other equipment.

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

(in thousands)

	<u>2012</u>	<u>2011</u>
Trade Payables	\$ 17,196	\$ 13,504
Accrued Vacation Pay and Manpower Expenses	7,966	11,900
Department of Finance	7,197	-
Department of Human Services	345	249
Child and Family Services Authorities	4	18
	<u>\$ 32,708</u>	<u>\$ 25,671</u>

**NOTE 7 CONTRACTUAL OBLIGATIONS**

(in thousands)

The Authority contracts with organizations to provide specific programs and services for children under the care of the Authority. The Authority has contracts for specific programs and services in the year ending March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 8 CONTINGENT LIABILITIES**

(in thousands)

At March 31, 2012, the Authority is a defendant in twenty eight legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claim occurred (2011 – seventeen legal claims). Twenty eight claims have specified amounts totalling \$495,824 (2011 – seventeen claims with a specified amount of \$468,257). Included in the total legal claims are twenty five claims amounting to \$495,047 in which the Authority has been jointly named with other entities. Twenty two claims amounting to \$133,748 (2011 – eleven claims amounting to \$125,601) are covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 9 THIRD PARTY AGREEMENTS**

(in thousands)

The Authority's third party agreement with Edmonton Student Health Partnership, to deliver integrated health and related support services for children with special health needs registered in school programs ended in July 2010. All costs incurred under this agreement were covered by reimbursement from Edmonton Catholic Schools. The following amounts were included in the financial statements:

	<u>2012</u>	<u>2011</u>
Edmonton Student Health Partnership Revenues	\$ -	\$ 675
Edmonton Student Health Partnership Expenses	-	(675)
	<u>\$ -</u>	<u>\$ -</u>

**NOTE 10 BENEFIT PLANS**

(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$6,590 for the year ended March 31, 2012 (2011 – \$6,457). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NOTE 11 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 12 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board on May 31, 2012.

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object - Schedule 1**  
**Year ended March 31, 2012**

	(in thousands)		
	<u>2012 Budget</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Salaries, Wages and Employee Benefits	\$ 77,284	\$ 78,185	\$ 77,643
Supplies and Services	168,870	179,765	169,785
Supplies and Services from support service arrangements with related parties <sup>(a)</sup>	-	26	21
Grants	77,730	90,243	83,445
Amortization of Tangible Capital Assets	-	1	-
Inter-Authority Services	<u>266</u>	<u>922</u>	<u>735</u>
<b>Total Expenses</b>	<b><u>\$ 324,150</u></b>	<b><u>\$ 349,142</u></b>	<b><u>\$ 331,629</u></b>

(a) The Authority receives residential placement services from the Department of Solicitor General and Public Security.

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Salary and Benefits Disclosure - Schedule 2**  
**Year ended March 31, 2012**

	2012			2011	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-Cash Benefits <sup>(3)</sup> (in thousands)	Total	Total
Co-Chair of the Authority	\$ -	\$ 26	\$ -	\$ 26	\$ 20
Co-Chair of the Authority	-	25	-	25	22
Board Members (13 members)	-	118	-	118	117
Chief Executive Officer	195	1	82	278	288

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

- <sup>(1)</sup> Base salary includes pensionable base pay.
- <sup>(2)</sup> Other cash benefits include vacation payments and lump sum payments. There were no bonuses paid in 2012 or 2011. Co-chairs and board members receive honoraria only. The Department of Human Services paid \$14 of the total honoraria expenses disclosed in this schedule.
- <sup>(3)</sup> 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, 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, 2012**

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 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)			
	<b>Entities in the Ministry</b>		<b>Other Entities</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>				
Grant from the Department of Human Services	\$ 345,736	\$ 328,116	\$ -	\$ -
Recoveries - Inter-Authority Services	922	735	-	-
Miscellaneous Revenue:				
Department of Education	-	-	-	675
Department of Health and Wellness	-	-	168	-
Department of Seniors and Community Supports	-	-	158	105
	<b>\$ 346,658</b>	<b>\$ 328,851</b>	<b>\$ 326</b>	<b>\$ 780</b>
<b>Expenses - Directly Incurred</b>				
Inter-Authority Services Received	46	185	\$ -	\$ -
Department of Human Services	1,828	1,828	-	-
Department of Advanced Education and Technology	-	-	126	99
Department of Education	-	-	221	443
Department of Health and Wellness	-	-	116	70
Department of Infrastructure	-	-	7	9
Department of Service Alberta	-	-	175	166
Department of Solicitor General and Public Security	-	-	26	21
	<b>\$ 1,874</b>	<b>\$ 2,013</b>	<b>\$ 671</b>	<b>\$ 808</b>

**EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Related Party Transactions - Schedule 3 (Continued)**  
**Year ended March 31, 2012**

	(in thousands)			
	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011
<b>Receivable from/(Payable to):</b>				
Department of Human Services (Net)	\$ 10,453	\$ 8,945	\$ -	\$ -
Southeast Alberta Child and Family Services Authority	20	-	-	-
Calgary and Area Child and Family Services Authority	9	(6)	-	-
Central Alberta Child and Family Services Authority	30	14	-	-
East Central Alberta Child and Family Services Authority	29	11	-	-
North Central Alberta Child and Family Services Authority	8	18	-	-
Northwest Alberta Child and Family Services Authority	16	7	-	-
Northeast Alberta Child and Family Services Authority	(4)	-	-	-
Metis Settlements Child And Family Services Authority	25	28	-	-
Department of Finance	-	-	(7,197)	-
Department of Health and Wellness	-	-	(40)	-
Department of Seniors and Community Supports	-	-	84	29
	<b>\$ 10,586</b>	<b>\$ 9,017</b>	<b>\$ (7,153)</b>	<b>\$ 29</b>

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	
	2012	2011
<b>Expenses (Notional):</b>		
Accommodation	\$ 8,831	\$ 8,294
Administrative	2,074	1,817
Legal Services	2,397	2,376
	<b>\$ 13,302</b>	<b>\$ 12,487</b>

EDMONTON AND AREA CHILD AND FAMILY SERVICES AUTHORITY  
 SCHEDULE TO FINANCIAL STATEMENTS  
 Allocated Costs - Schedule 4  
 Year ended March 31, 2012

Program	(in thousands)					
	2012		2011			
	Expenses <sup>(1)</sup>	Expenses - Incurred by Others	Expenses	Total	Expenses	Total
	Accommodation Costs <sup>(2)</sup>	Administration Costs <sup>(3)</sup>	Legal Services <sup>(4)</sup>	Total Expenses	Total Expenses	Total Expenses
Child Care Subsidy and Supports	\$ 64,935	\$ 419	\$ -	\$ -	\$ 65,354	\$ 57,634
Prevention of Family Violence and Bullying	594	9	-	-	603	578
Parenting Resources Initiative	7,020	-	-	-	7,020	6,535
Fetal Alcohol Spectrum Disorder Initiatives	1,434	-	-	-	1,434	1,398
Child Intervention Services	136,478	6,911	2,074	2,397	147,860	167,524
Supports for Permanency	11,895	-	-	-	11,895	-
Early Intervention and Early Childhood Development	10,600	17	-	-	10,617	-
Foster Care Support	65,851	364	-	-	66,215	63,796
Family Support for Children with Disabilities	42,915	901	-	-	43,816	39,803
Protection of Sexually Exploited Children	2,240	68	-	-	2,308	2,251
Program Support	4,076	142	-	-	4,218	3,692
Board Governance	182	-	-	-	182	170
Inter-Authority Services	922	-	-	-	922	735
	<b>\$ 349,142</b>	<b>\$ 8,831</b>	<b>\$ 2,074</b>	<b>\$ 2,397</b>	<b>\$ 362,444</b>	<b>\$ 344,116</b>

(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, 2012**

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 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, 2012, 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 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, 2012, 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 30, 2012

Edmonton, Alberta

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2012

	(in thousands)		
	2012		2011
	Budget	Actual	Actual (Restated Note 10)
<b>REVENUES</b>			
<b>Internal Government Transfers</b>			
Transfer from Department (Note 3)	\$ 52,208	\$ 55,170	\$ 51,985
<b>Other Revenue</b>			
Inter-Authority Services	395	616	676
Other Revenue - Donations / External	42	503	511
	<b>52,645</b>	<b>56,289</b>	<b>53,172</b>
<b>EXPENSES (SCHEDULES 1 AND 4)</b>			
Child Care Subsidy and Supports	6,404	5,574	5,381
Prevention of Family Violence and Bullying	-	44	53
Parenting Resources Initiative	743	2,258	2,129
Fetal Alcohol Spectrum Disorder Initiatives	250	504	565
Child Intervention Services	19,947	20,411	20,538
Supports for Permanency	3,572	4,054	3,569
Early Intervention and Early Childhood Development	1,964	1,963	1,768
Foster Care Support	12,599	13,485	12,618
Family Support for Children with Disabilities	5,394	4,632	4,837
Protection of Sexually Exploited Children	60	60	55
Program Delivery Services	1,117	1,325	1,126
Board Governance	200	197	166
Inter-Authority Services	395	616	676
	<b>52,645</b>	<b>55,123</b>	<b>53,481</b>
<b>TOTAL EXPENSES</b>			
	<b>52,645</b>	<b>55,123</b>	<b>53,481</b>
<b>Net Operating Results</b>	<b>\$ -</b>	<b>\$ 1,166</b>	<b>\$ (309)</b>

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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u> (Restated Note 10)
<b>Assets</b>		
Cash	\$ 9,003	\$ 6,367
Accounts Receivable (Note 4)	1,752	2,107
Prepaid Expenses	40	52
Tangible Capital Assets (Note 5)	13	18
	<u><b>\$ 10,808</b></u>	<u><b>\$ 8,544</b></u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 6)	<u>\$ 5,811</u>	<u>\$ 4,713</u>
<b>Net Assets</b>		
Net Assets at Beginning of Year	3,831	4,140
Net Operating Results	<u>1,166</u>	<u>(309)</u>
Net Assets at End of Year	<u><b>4,997</b></u>	<u><b>3,831</b></u>
	<u><b>\$ 10,808</b></u>	<u><b>\$ 8,544</b></u>

Contractual obligations (Note 7)

Contingent liabilities (Note 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, 2012

	(in thousands)	
	<b>2012</b>	<b>2011</b> (Restated Note 10)
<b>Operating Transactions</b>		
Net Operating Results	\$ 1,166	\$ (309)
Non-Cash Items included in Net Operating Results:		
Amortization	5	5
	<u>1,171</u>	<u>(304)</u>
Decrease (Increase) in Accounts Receivable	355	(724)
Decrease in Prepaid Expenses	12	9
Increase in Accounts Payable and Accrued Liabilities	1,098	1,051
Cash provided by Operating Transactions	<u>2,636</u>	<u>32</u>
<b>Increase in Cash</b>	2,636	32
<b>Cash at Beginning of Year</b>	6,367	6,335
<b>Cash at End of Year</b>	<u><u>\$ 9,003</u></u>	<u><u>\$ 6,367</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

### 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***

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.

##### Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services in return.

Internal government transfers are recognized as revenue when received.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(Cont'd)**

***Expenses***

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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.
- 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 excluded from the Statements of Operations and are disclosed in Schedule 4.

***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.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(Cont'd)**

***Cash***

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	<u>2012</u>		<u>2011</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
	<i>(in thousands)</i>			
Cash <sup>(a)</sup>	\$9,003	\$9,003	\$6,367	\$6,367

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

Assets acquired by rights are not included.

***Tangible Capital Assets***

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.

***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**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(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 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$52,645 on April 27, 2011.

***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 \$1,752 and \$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**

**NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES**

(in thousands)

The grant is determined as follows:

	<u>2012</u>
Initial (original) budget	\$ 52,208
Additional funding for the current year	<u>2,962</u>
Grant for the year	<u><u>\$ 55,170</u></u>

**NOTE 4 ACCOUNTS RECEIVABLE**

(in thousands)

	<u>2012</u>			<u>2011</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 1,649	-	\$ 1,649	\$ 1,594
Child and Family Services Authorities	43	-	43	75
Refunds from Suppliers	12	-	12	387
Accounts Receivable - Other	48	-	48	51
	<u>\$ 1,752</u>	<u>\$ -</u>	<u>\$ 1,752</u>	<u>\$ 2,107</u>

Accounts receivable are unsecured and non-interest bearing.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 TANGIBLE CAPITAL ASSETS**  
(in thousands)

	<u>Equipment*</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Estimated Useful Life</b>	5 Years		
<b>Historical Cost</b>			
Beginning of Year	\$ 30	\$ 30	\$ 88
Additions	-	-	-
Disposals, including write-downs	-	-	(58)
	<u>30</u>	<u>30</u>	<u>30</u>
<b>Accumulated Amortization</b>			
Beginning of Year	12	12	65
Amortization Expense	5	5	5
Effect of Disposals	-	-	(58)
	<u>17</u>	<u>17</u>	<u>12</u>
<b>Net Book Value at March 31, 2012</b>	<u>\$ 13</u>	<u>\$ 13</u>	
<b>Net Book Value at March 31, 2011</b>			<u>\$ 18</u>

\*Equipment includes office equipment, furniture and other equipment.

**NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**  
(in thousands)

	<u>2012</u>	<u>2011</u>
Trade Payable	\$ 1,583	\$ 1,690
Accrued Vacation Pay and Manpower Expenses	1,288	2,000
Department of Human Services	78	58
Child and Family Services Authorities	100	112
Department of Finance	1,978	-
Other	784	853
	<u>\$ 5,811</u>	<u>\$ 4,713</u>

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7 CONTRACTUAL OBLIGATIONS**

The Authority contracts with organizations to provide specific programs and services for children under the care of the Ministry. The Authority has contracts for specific programs and services for the year ended March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 8 CONTINGENT LIABILITIES**

(in thousands)

At March 31, 2012, the Authority is a defendant in seven legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claim occurred (2011 – six legal claims). Six claims have specified amounts totalling \$343,465 (2011 – Five claims with a specified amount of \$372,295). The remaining one has not specified any amount. The Authority is jointly named with other entities in these seven claims. Four claims amounting to \$6,965 (2011 – three claims amounting to \$35,795) are covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**NOTE 9 BENEFIT PLANS**

(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$1,127 for the year ended March 31, 2012 (2011 – \$1,089).

The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NOTE 10 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 11 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board on May 30, 2012.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULES TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object - Schedule 1**  
**Year ended March 31, 2012**

	(in thousands)		
	<b>2012 Budget</b>	<b>2012 Actual</b>	<b>2011 Actual (Restated Note 10)</b>
Salaries, Wages and Employee Benefits	\$ 13,530	\$ 14,498	\$ 14,298
Supplies and Services	27,821	29,562	27,907
Grants	10,899	10,404	10,536
Amortization of Tangible Capital Assets	-	5	5
Inter-Authority Services	395	616	676
Other	-	38	59
<b>Total Expenses</b>	<b>\$ 52,645</b>	<b>\$ 55,123</b>	<b>\$ 53,481</b>

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULES TO FINANCIAL STATEMENTS**  
**Salary and Benefits Disclosure - Schedule 2**  
**Year ended March 31, 2012**

	(in thousands)				<b>2011</b>
	<b>2012</b>			<b>Total</b>	
	<u>Base Salary <sup>(1)</sup></u>	<u>Other Cash Benefits <sup>(2)</sup></u>	<u>Other Non-Cash Benefits <sup>(3)</sup></u>		<u>Total</u>
Co-Chair of the Authority	\$ -	\$ 35	\$ -	\$ 35	\$ 37
Co-Chair of the Authority	-	42	-	42	39
Board Members (8)	-	74	-	74	50
Chief Executive Officer	157	62	7	226	197

**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 2012.

Co-chairs and board members receive honoraria only.  
The Department of Human Services paid \$19 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, professional memberships and tuition fees.
- (4) Board membership for 2012 on average was 10 compared to 8 in 2011.

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**

**SCHEDULES TO FINANCIAL STATEMENTS**

**Related Party Transactions - Schedule 3**

**Year ended March 31, 2012**

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 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	
	2012	2011	2012	2011
<b>Revenues:</b>				
Grant from the Department of Human Services	\$ 55,170	\$ 51,985	\$ -	\$ -
Recoveries - Inter-Authority Services	616	676	-	-
	<u>\$ 55,786</u>	<u>\$ 52,661</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses - Directly Incurred</b>				
Inter-Authority Services Received	\$ 817	\$ 674	\$ -	\$ -
Department of Human Services	846	425	-	-
Department of Advanced Education and Technology	-	-	7	14
Department of Education	-	-	11	9
Department of Health and Wellness	-	-	3	3
Department of Infrastructure	-	-	1	-
Department of Service Alberta	-	-	134	117
	<u>\$ 1,663</u>	<u>\$ 1,099</u>	<u>\$ 156</u>	<u>\$ 143</u>
<b>Receivable from/(Payable to):</b>				
Department of Human Services (Net)	\$ 1,571	\$ 1,535	\$ -	\$ -
Department of Finance	-	-	(1,978)	-
East Central Alberta Child and Family Services Authority	6	-	-	-
Edmonton and Area Child and Family Services Authority	(8)	(18)	-	-
Northeast Alberta Child and Family Services Authority	36	20	-	-
Métis Settlements Child And Family Services Authority	(91)	(40)	-	-
	<u>\$ 1,514</u>	<u>\$ 1,497</u>	<u>\$ (1,978)</u>	<u>\$ -</u>

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	
	2012	2011
<b>Expenses (Notional):</b>		
Accommodation	\$ 1,816	\$ 1,953
Administration	376	328
Legal Services	79	24
	<u>\$ 2,271</u>	<u>\$ 2,305</u>

**NORTH CENTRAL ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULES TO FINANCIAL STATEMENTS**  
**Allocated Costs - Schedule 4**  
**Year ended March 31, 2012**

(in thousands)

Program	2012				2011	
	Expenses - Incurred by Others				Total Expenses	Total Expenses
	Accommodation	Administration	Legal	Services <sup>(4)</sup>		
	Costs <sup>(2)</sup>	Costs <sup>(3)</sup>	Costs <sup>(4)</sup>	Costs <sup>(4)</sup>		(Restated Note 10)
Child Care Subsidy and Supports	\$ 5,574	\$ 92	\$ 19	\$ -	\$ 5,685	\$ 5,505
Prevention of Family Violence and Bullying	44	5	1	-	50	59
Parenting Resources Initiative	2,258	-	-	-	2,258	2,129
Fetal Alcohol Spectrum Disorder Initiatives	504	-	-	-	504	565
Child Intervention Services	20,411	1,410	292	79	22,192	22,325
Supports for Permanency	4,054	41	9	-	4,104	3,569
Early Intervention and Early Childhood Development	1,963	12	2	-	1,977	1,768
Foster Care Support	13,485	126	26	-	13,637	12,784
Family Support for Children with Disabilities	4,632	71	15	-	4,718	4,964
Protection of Sexually Exploited Children	60	-	-	-	60	55
Program Delivery Services	1,325	59	12	-	1,396	1,221
Board Governance	197	-	-	-	197	166
Inter-Authority Services	616	-	-	-	616	676
	<b>\$ 55,123</b>	<b>\$ 1,816</b>	<b>\$ 376</b>	<b>\$ 79</b>	<b>\$ 57,394</b>	<b>\$ 55,786</b>

(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, 2012**

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, 2012, 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 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 as at March 31, 2012, 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 30, 2012

Edmonton, Alberta

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2012

	(in thousands)		
	2012		2011
	Budget	Actual	Actual
<b>REVENUES</b>			
<b>Internal Government Transfers</b>			
Transfer from Department (Note 3)	\$ 40,130	\$ 42,111	\$ 41,080
<b>Other Revenue</b>			
Inter-Authority Services	350	127	67
Other Revenue - Donations / External	215	96	313
	<b>40,695</b>	<b>42,334</b>	<b>41,460</b>
<b>EXPENSES (SCHEDULES 1 AND 4)</b>			
Child Care Subsidy and Supports	4,951	4,801	5,220
Prevention of Family Violence and Bullying	112	146	209
Parenting Resources Initiative	451	1,586	1,507
Fetal Alcohol Spectrum Disorder Initiatives	169	193	171
Child Intervention Services	15,451	14,290	14,900
Supports for Permanency	1,770	1,878	1,677
Early Intervention and Early Childhood Development	3,223	3,629	3,205
Foster Care Support	5,735	7,212	6,230
Family Support for Children with Disabilities	4,479	4,359	4,149
Protection of Sexually Exploited Children	224	156	155
Program Delivery Services	3,481	3,461	3,197
Board Governance	299	248	231
Inter-Authority Services	350	127	67
	<b>40,695</b>	<b>42,086</b>	<b>40,918</b>
<b>TOTAL EXPENSES</b>			
	<b>40,695</b>	<b>42,086</b>	<b>40,918</b>
<b>Net Operating Results</b>	<b>\$ -</b>	<b>\$ 248</b>	<b>\$ 542</b>

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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 6,721	\$ 6,668
Accounts Receivable (Note 4)	2,176	1,603
Prepaid Expenses	9	-
Advances	-	2
Tangible Capital Assets (Note 5)	5	9
	<u>\$ 8,911</u>	<u>\$ 8,282</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 6)	<u>\$ 4,174</u>	<u>\$ 3,793</u>
<b>Net Assets</b>		
Net Assets at Beginning of Year	4,489	3,947
Net Operating Results	248	542
Net Assets at End of Year	<u>4,737</u>	<u>4,489</u>
	<u>\$ 8,911</u>	<u>\$ 8,282</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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Operating Transactions</b>		
Net Operating Results	\$ 248	\$ 542
Non-Cash Items included in Net Operating Results:		
Amortization	<u>4</u>	<u>4</u>
	252	546
Increase in Accounts Receivable	(573)	(179)
Decrease (Increase) in Advances	2	(2)
Increase in Prepayments	(9)	-
Increase in Accounts Payable and Accrued Liabilities	381	226
Cash Provided by Operating Transactions	<u>53</u>	<u>591</u>
<b>Increase in Cash</b>	53	591
<b>Cash at Beginning of Year</b>	6,668	6,077
<b>Cash at End of Year</b>	<u><u>\$ 6,721</u></u>	<u><u>\$ 6,668</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

### 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

##### **Revenues**

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.

##### Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services directly in return. Internal government transfers are recognized as revenue when received.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(Cont'd)**

***Expenses***

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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.
- 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 excluded from the Statements of Operations and are disclosed in Schedule 4.

***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.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(Cont'd)**

***Cash***

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	<u>2012</u>		<u>2011</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
	<i>(in thousands)</i>			
Cash <sup>(a)</sup>	\$6,721	\$ 6,721	\$6,668	\$6,668

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

***Tangible Capital***

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.

***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.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES  
(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 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$40,695 on March 12, 2011.

***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 \$2,176 and \$4,174 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**

**NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES**

(in thousands)

	<u>2012</u>	<u>2011</u>
The grant is determined as follows:		
Initial (original) budget	\$ 40,130	\$ 38,254
Increase funding for the current year	<u>1,981</u>	<u>2,826</u>
Grant for the year	<u>\$ 42,111</u>	<u>\$ 41,080</u>

**NOTE 4 ACCOUNTS RECEIVABLE**

(in thousands)

	<u>2012</u>		<u>2011</u>	
	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Realizable Value</u>	<u>Net Realizable Value</u>
Department of Human Services	\$ 1,294	\$ -	\$ 1,294	\$ 1,445
Refunds from Suppliers	879	-	879	127
Other Receivables	3	-	3	22
Child and Family Services Authorities	-	-	-	9
	<u>\$ 2,176</u>	<u>\$ -</u>	<u>\$ 2,176</u>	<u>\$ 1,603</u>

Accounts receivable are unsecured and non-interest bearing.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 TANGIBLE CAPITAL ASSETS**  
(in thousands)

	<u>Equipment*</u>	<u>Computer Hardware and Software</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Estimated Useful Life</b>	5 Years	5 Years		
<b>Historical Cost</b>				
Beginning of Year	\$ 11	\$ 122	\$ 133	\$ 133
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>11</u>	<u>122</u>	<u>133</u>	<u>133</u>
<b>Accumulated Amortization</b>				
Beginning of Year	5	119	124	120
Amortization Expense	<u>2</u>	<u>2</u>	<u>4</u>	<u>4</u>
	<u>7</u>	<u>121</u>	<u>128</u>	<u>124</u>
<b>Net Book Value at March 31, 2012</b>	<u>4</u>	<u>1</u>	<u>5</u>	
<b>Net Book Value at March 31, 2011</b>	<u>\$ 6</u>	<u>\$ 3</u>		<u>\$ 9</u>

\*Equipment includes office equipment, furniture and other equipment.

**NOTE 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**  
(in thousands)

	<u>2012</u>	<u>2011</u>
Ministry of Finance	\$ 1,841	\$ -
Trade Payable	1,155	1,347
Accrued Vacation Pay and Manpower Expenses	1,152	2,422
Child and Family Services Authorities	16	16
Department of Human Services	<u>10</u>	<u>8</u>
	<u>\$ 4,174</u>	<u>\$ 3,793</u>

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 7 CONTRACTUAL OBLIGATIONS**

The Authority contracts with organizations to provide specific programs and services for children under the care of the Ministry. The Authority has contracts for specific programs and services for the year ended March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 8 CONTINGENT LIABILITIES**

(in thousands)

At March 31, 2012, the Authority is a defendant in two legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claim occurred (2011 – three legal claims). The two claims have specified amounts totalling \$332,900 (2011 – two claims with a specified amount of \$6,650). The Authority is jointly named with other entities in these two claims. Zero claims amounting to \$0 (2011 – zero claim amounting to \$0) are covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**NOTE 9 BENEFIT PLANS**

(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$1,234 for the year ended March 31, 2012 (2011 – \$1,226). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NOTE 10 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 11 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board on May 30, 2012.

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object - Schedule 1**  
**Year ended March 31, 2012**

	(in thousands)		
	<u>2012</u> <u>Budget</u>	<u>2012</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
Salaries, Wages and Employee Benefits	\$ 15,560	\$ 14,398	\$ 15,313
Supplies and Services	17,641	19,444	17,490
Grants	7,140	8,057	7,994
Amortization of Tangible Capital Assets	4	4	4
Inter-Authority Services	350	127	67
Other	-	56	50
<b>Total Expenses</b>	<b><u>\$ 40,695</u></b>	<b><u>\$ 42,086</u></b>	<b><u>\$ 40,918</u></b>

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
SCHEDULE TO FINANCIAL STATEMENTS  
Salary and Benefits Disclosure - Schedule 2  
Year ended March 31, 2012**

	2012			Total	2011
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3) (in thousands)		Total
Co-Chair of the Authority	\$ -	\$ 31	\$ -	\$ 31	\$ 29
Co-Chair of the Authority	-	28	-	28	29
Board Members (7 members)	-	111	-	111	87
Chief Executive Officer	135	7	35	177	168

**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 2012. 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, 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, 2012**

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 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	
	2012	2011	2012	2011
<b>Revenues:</b>				
Grant from the Department of Human Services	\$ 42,111	\$ 41,080	\$ -	\$ -
Recoveries - Inter-Authority Services	127	67	-	-
Miscellaneous Revenue:				
Maintenance Enforcement Program	-	-	12	12
	<u>\$ 42,238</u>	<u>\$ 41,147</u>	<u>\$ 12</u>	<u>\$ 12</u>
<b>Expenses - Directly Incurred</b>				
Department of Human Services	\$ 354	\$ 354	\$ -	\$ -
Inter-Authority Services Received	53	5	-	-
Department of Education	-	-	670	746
Department of Service Alberta	-	-	181	173
	<u>\$ 407</u>	<u>\$ 359</u>	<u>\$ 851</u>	<u>\$ 919</u>
<b>Receivable from/(Payable to):</b>				
Ministry of Finance	\$ (1,841)	\$ -	\$ -	\$ -
Department of Human Services (Net)	1,284	1,437	-	-
Edmonton and Area Child and Family Services Authority	(16)	-	-	-
North Central Alberta Child and Family Services Authority	-	(7)	-	-
	<u>\$ (573)</u>	<u>\$ 1,430</u>	<u>\$ -</u>	<u>\$ -</u>

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	
	2012	2011
<b>Expenses (Notional):</b>		
Accommodation	\$ 1,306	\$ 1,476
Administrative	346	329
Legal Services	4	1
	<u>\$ 1,656</u>	<u>\$ 1,806</u>

**NORTHWEST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Allocated Costs - Schedule 4**  
**Year ended March 31, 2012**

Program	(in thousands)					
	2012			2011		
	Expenses <sup>(1)</sup>	Expenses - Incurred by Others		Total Expenses	Total Expenses Restated	
	Accommodation Costs <sup>(2)</sup>	Administration Costs <sup>(3)</sup>	Legal Services <sup>(4)</sup>	Expenses		
Child Care Subsidy and Supports	\$ 4,801	\$ 54	\$ 14	\$ -	\$ 4,869	\$ 5,292
Prevention of Family Violence and Bullying	146	9	2	-	157	221
Parenting Resources Initiative	1,586	-	-	-	1,586	1,507
Fetal Alcohol Spectrum Disorder Initiatives	193	-	-	-	193	171
Child Intervention Services	14,290	812	215	4	15,321	15,945
Supports for Permanency	1,878	-	-	-	1,878	1,677
Early Intervention and Early Childhood Development	3,629	49	13	-	3,691	3,205
Foster Care Support	7,212	96	26	-	7,334	6,505
Family Support for Children with Disabilities	4,359	72	19	-	4,450	4,254
Protection of Sexually Exploited Children	156	-	-	-	156	155
Program Delivery Services	3,461	214	57	-	3,732	3,494
Board Governance	248	-	-	-	248	231
Inter-Authority Services	127	-	-	-	127	67
	<b>\$ 42,086</b>	<b>\$ 1,306</b>	<b>\$ 346</b>	<b>\$ 4</b>	<b>\$ 43,742</b>	<b>\$ 42,724</b>

<sup>(1)</sup> Expenses - Directly Incurred as per the Statement of Operations, excluding valuation adjustments.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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*.

# **NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**

## **FINANCIAL STATEMENTS**

**Year Ended March 31, 2012**

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 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 the Northeast Alberta Child and Family Services Authority, which comprise the statement of financial position as at March 31, 2012, 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 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, 2012, 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 31, 2012

Edmonton, Alberta

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2012

	(in thousands)		
	2012		2011
	Budget	Actual	Actual
<b>REVENUES</b>			
<b>Internal Government Transfers</b>			
Transfer from Department (Note 3)	\$ 13,424	\$ 14,347	\$ 13,977
<b>Other Revenue</b>			
Other	310	463	356
	<b>13,734</b>	<b>14,810</b>	<b>14,333</b>
<b>EXPENSES (SCHEDULES 1 AND 4)</b>			
Child Care Subsidy and Supports	521	1,053	960
Prevention of Family Violence and Bullying	100	47	116
Parenting Resources Initiative	151	996	978
Fetal Alcohol Spectrum Disorder Initiatives	10	-	16
Child Intervention Services	6,092	5,444	5,253
Supports for Permanency	455	492	366
Early Intervention and Early Childhood Development	1,149	1,222	1,144
Foster Care Support	2,279	2,195	1,798
Family Support for Children with Disabilities	2,023	1,919	1,890
Protection of Sexually Exploited Children	60	-	-
Program Delivery Services	857	1,040	940
Board Governance	37	79	39
<b>TOTAL EXPENSES</b>	<b>13,734</b>	<b>14,487</b>	<b>13,500</b>
<b>Net Operating Results</b>	<b>\$ -</b>	<b>\$ 323</b>	<b>\$ 833</b>

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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 3,816	\$ 2,964
Accounts Receivable (Note 4)	434	464
	<u>\$ 4,250</u>	<u>\$ 3,428</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 5)	\$ 1,419	\$ 920
	<u>1,419</u>	<u>920</u>
<b>Net Assets</b>		
Net Assets at Beginning of Year	2,508	1,675
Net Operating Results	323	833
Net Assets at End of Year	<u>2,831</u>	<u>2,508</u>
	<u>\$ 4,250</u>	<u>\$ 3,428</u>

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

Contractual Obligations (Note 6)  
 Contingent Liabilities (Note 7)

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
Year ended March 31, 2012

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Operating Transactions</b>		
Net Operating Results	\$ 323	\$ 833
	<u>323</u>	<u>833</u>
Decrease (Increase) in Accounts Receivable	30	(144)
Increase in Accounts Payable and Accrued Liabilities	499	166
Cash Provided by (applied to) Operating Transactions	<u>852</u>	<u>855</u>
<b>Increase in Cash</b>	852	855
<b>Cash, Beginning of Year</b>	2,964	2,109
<b>Cash, End of Year</b>	<u><u>\$ 3,816</u></u>	<u><u>\$ 2,964</u></u>

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

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**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**

**Revenues**

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.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

Internal Government Transfers

Internal government transfers are transfers between entities within the Government reporting entity where the entity making the transfer does not receive goods or services in return. Internal government transfers are recognized as revenue when received.

***Expenses***

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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.
- 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 excluded from the Statement of Operations and are disclosed in Schedule 4.

***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.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

Cash includes deposits in the Consolidated Cash Investment Fund (CCTIF) of the Province of Alberta. The CCTIF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCTIF investments, the carrying value approximates fair value.

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
Cash <sup>(a)</sup>	\$3,816	\$ 3,816	\$2,964	\$2,964

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

***Tangible Capital Assets***

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 major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

***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.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

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 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 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$13,734 on May 11, 2011.

***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 \$434 and \$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

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

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.

**NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES  
(in thousands)**

The grant is determined as follows:	<u>2012</u>	<u>2011</u>
Initial (original) budget	\$ 13,424	\$ 12,394
Additional funding for the current year	<u>923</u>	<u>1,583</u>
Grant for the year	<u>\$ 14,347</u>	<u>\$ 13,977</u>

**NOTE 4 ACCOUNTS RECEIVABLE  
(in thousands)**

	<u>2012</u>			<u>2011</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 283	\$ -	\$ 283	\$ 348
Child and Family Services Authorities	4	-	4	-
Other	156	9	147	116
	<u>\$ 443</u>	<u>\$ 9</u>	<u>\$ 434</u>	<u>\$ 464</u>

Accounts receivable are unsecured and non-interest bearing.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**  
(in thousands)

	<u>2012</u>	<u>2011</u>
Trade Payable	\$ 502	\$ 390
Department of Finance	576	-
Accrued Vacation Pay and Manpower Expenses	303	493
Department of Human Services	2	1
Child and Family Services Authorities	36	36
	<u>\$ 1,419</u>	<u>\$ 920</u>

**NOTE 6 CONTRACTUAL OBLIGATIONS**  
(in thousands)

The Authority contracts with organizations to provide specific programs and services for children under the care of the Authority. The Authority has contracts for specific programs and services for the year ended March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 7 CONTINGENT LIABILITIES**  
(in thousands)

At March 31, 2012, the Authority is a defendant in two legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claims occurred (2011 – two legal claims). Two claims have specified amounts totalling \$332,900 (2011 – two claims with a specified amount of \$6,500). The Authority is jointly named with other entities in these two claims. Neither claim is covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**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 \$418 (2011 - \$340) and expenses of \$418 (2011 - \$340) are included in the financial statements.

Student Health Partnership	2012	2011
Revenue	\$ 418	\$ 340
Expense	(418)	(340)
	\$ -	\$ -

**NOTE 9 BENEFIT PLANS**

(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$313 for the year ended March 31, 2012 (2011 - \$310). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NOTE 10 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 11 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board on May 31, 2012.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object - Schedule 1**  
**Year ended March 31, 2012**

	(in thousands)		
	<u>2012</u>	<u>2012</u>	<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Salaries, Wages and Employee Benefits	\$ 4,525	\$ 4,344	\$ 4,365
Supplies and Services <sup>(a)</sup>	6,760	7,279	6,026
Grants	2,449	2,864	3,100
Other	-	-	9
<b>Total Expenses</b>	<b><u>\$ 13,734</u></b>	<b><u>\$ 14,487</u></b>	<b><u>\$ 13,500</u></b>

(a) The Authority receives residential placement services from the Department of Seniors and Community Supports.

**NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
SCHEDULE TO FINANCIAL STATEMENTS  
Salary and Benefits Disclosure - Schedule 2  
Year ended March 31, 2012**

	(in thousands)				<b>2011</b>
	<b>2012</b>			<b>Total</b>	
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)		Total
Co-Chair of the Authority	\$ -	\$ 27	\$ -	\$ 27	\$ 24
Co-Chair of the Authority	-	27	-	27	3
Board Members (4 members)	-	16	-	16	12
Chief Executive Officer (4)	172	59	6	237	240

**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 2012. Co-chairs and board members receive honoraria only. The Department of Human Services paid \$16 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, 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, 2012**

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 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)			
	<b>Entities in the Ministry</b>		<b>Other Entities</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>				
Grant from the Department of Human Services	\$ 14,347	\$ 13,977	\$ -	\$ -
Recoveries - Inter-Authority Services	-	-	-	-
	<b>\$ 14,347</b>	<b>\$ 13,977</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses - Directly Incurred</b>				
Inter-Authority Services Received	\$ 437	\$ 232	\$ -	\$ -
Department of Human Services	25	19	-	-
Department of Education	-	-	359	401
Department of Health and Wellness	-	-	121	114
Department of Service Alberta	-	-	21	18
	<b>\$ 462</b>	<b>\$ 251</b>	<b>\$ 501</b>	<b>\$ 533</b>
<b>Receivable from/(Payable to):</b>				
Department of Human Services (Net)	\$ 281	\$ 348	\$ -	\$ -
Calgary and Area Child and Family Services Authority	-	16	-	-
Edmonton and Area Child and Family Services Authority	(4)	-	-	-
North Central Alberta Child and Family Services Authority	36	20	-	-
Department of Finance	-	-	(576)	-
	<b>\$ 313</b>	<b>\$ 384</b>	<b>\$ (576)</b>	<b>\$ -</b>

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)	
	<b>Other Entities</b>	
	<b>2012</b>	<b>2011</b>
<b>Expenses (Notional):</b>		
Accommodation	\$ 402	\$ 374
Administrative	96	86
Legal Services	7	-
	<b>\$ 505</b>	<b>\$ 460</b>

NORTHEAST ALBERTA CHILD AND FAMILY SERVICES AUTHORITY  
 SCHEDULE TO FINANCIAL STATEMENTS

Allocated Costs - Schedule 4  
 Year ended March 31, 2012

(in thousands)

Program	2012				2011	
	Expenses - Incurred by Others				Total	Total
	Expenses <sup>(1)</sup>	Accommodation Costs <sup>(2)</sup>	Administration Costs <sup>(3)</sup>	Legal Services <sup>(4)</sup>	Expenses	Expenses
Child Care Subsidy and Supports	\$ 1,053	\$ 35	\$ 9	\$ 1	\$ 1,098	\$ 994
Prevention of Family Violence and Bullying	47	6	1	-	54	122
Parenting Resources Initiative	996	-	-	-	996	978
Fetal Alcohol Spectrum Disorder Initiatives	-	-	-	-	-	16
Child Intervention Services	5,444	236	55	4	5,739	7,084
Supports for Permanency	492	22	6	-	520	-
Early Intervention and Early Childhood Development	1,222	22	6	-	1,250	-
Foster Care Support	2,195	-	-	-	2,195	1,798
Family Support for Children with Disabilities	1,919	36	9	1	1,965	1,935
Program Delivery Services	1,040	45	10	1	1,096	994
Board Governance	79	-	-	-	79	39
	<b>\$ 14,487</b>	<b>\$ 402</b>	<b>\$ 96</b>	<b>\$ 7</b>	<b>\$ 14,992</b>	<b>\$ 13,960</b>

<sup>(1)</sup> Expenses - Directly Incurred as per the Statement of Operations.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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, 2012**

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 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, 2012, 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 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 as at March 31, 2012, 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 2, 2012

Edmonton, Alberta

**MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY**  
**STATEMENT OF OPERATIONS**  
Year ended March 31, 2012

	(in thousands)		
	<b>2012</b>		<b>2011</b>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>REVENUES</b>			
<b>Internal Government Transfers</b>			
Transfer from Department (Note 3)	\$ 11,872	\$ 12,785	\$ 12,024
<b>Other Revenue</b>			
Inter-Authority Services - Recoveries	419	650	600
Miscellaneous Revenue	6	2	18
	<u>12,297</u>	<u>13,437</u>	<u>12,642</u>
<b>EXPENSES (SCHEDULES 1 AND 4)</b>			
Child Care Subsidy and Supports	1,055	877	955
Prevention of Family Violence and Bullying	393	359	208
Parenting Resources Initiative	59	506	264
Fetal Alcohol Spectrum Disorder Initiatives	29	1	54
Child Intervention Services	5,127	5,495	4,591
Supports for Permanency	1,164	967	976
Early Intervention and Early Childhood Development	699	691	735
Foster Care Support	2,371	1,835	2,249
Family Support for Children with Disabilities	227	172	144
Protection of Sexually Exploited Children	54	-	14
Program Delivery Services	535	724	634
Board Governance	165	190	140
Inter-Authority Services	419	650	600
<b>TOTAL EXPENSES</b>	<u>12,297</u>	<u>12,467</u>	<u>11,564</u>
<b>Net Operating Results</b>	<u>\$ -</u>	<u>\$ 970</u>	<u>\$ 1,078</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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Cash	\$ 3,165	\$ 1,488
Accounts Receivable (Note 4)	494	521
	<u>\$ 3,659</u>	<u>\$ 2,009</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 5)	<u>\$ 1,528</u>	<u>\$ 848</u>
<b>Net Assets</b>		
Net Assets at Beginning of Year	1,161	83
Net Operating Results	970	1,078
Net Assets at End of Year	<u>2,131</u>	<u>1,161</u>
	<u>\$ 3,659</u>	<u>\$ 2,009</u>

Contractual Obligations and Contingent liabilities (Note 6 and 7)  
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, 2012**

	(in thousands)	
	<u>2012</u>	<u>2011</u>
<b>Operating Transactions</b>		
Net Operating Results	\$ 970	\$ 1,078
	<u>970</u>	<u>1,078</u>
Decrease in Accounts Receivable	27	67
Increase (Decrease) in Accounts Payable and Accrued Liabilities	<u>680</u>	<u>(159)</u>
<b>Cash provided by Operating Transactions, being increase in Cash</b>	1,677	986
<b>Cash, Beginning of Year</b>	1,488	502
<b>Cash, End of Year</b>	<u>\$ 3,165</u>	<u>\$ 1,488</u>

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

## MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

### 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

##### Revenues

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.

**MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

Internal Government Transfers

Internal government transfers are transfers between entities within the Government reporting entity where the entity making the transfer does not receive goods or services in return. Internal government transfers are recognized as revenue when received.

***Expenses***

Directly Incurred

Directly incurred expenses are those costs the Authority has primary responsibility and accountability for, as reflected in the Authority'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.
- 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 excluded from the Statement of Operations and are disclosed in Schedule 4.

***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.

**MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

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

***Cash***

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the Fund have an average effective yield of 1.25% per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	2012		2011	
	Book Value	Fair Value	Book Value	Fair Value
	<i>(in thousands)</i>			
Cash <sup>(a)</sup>	\$3,165	\$ 3,165	\$1,488	\$1,488

(a) Cash includes Deposits in Consolidated Cash Investment Trust Fund.

Assets acquired by right are not included.

***Tangible Capital Assets***

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.

***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.

## MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

### ***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 Statement of Operations was included in the 2011-12 Government and Lottery Fund Estimates tabled in the Legislative Assembly on April 29, 2011. The Authority approved the budget of \$12,297 on March 26, 2011.

### ***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 \$494 and \$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**

**NOTE 3 GRANTS FROM THE DEPARTMENT OF HUMAN SERVICES**

(in thousands)

The grant is determined as follows:	<u>2012</u>	<u>2011</u>
Initial (original) budget	\$ 11,872	\$ 8,812
Additional funding for the current year	<u>913</u>	<u>3,212</u>
Grant for the year	<u>\$ 12,785</u>	<u>\$ 12,024</u>

**NOTE 4 ACCOUNTS RECEIVABLE**

(in thousands)

	<u>2012</u>			<u>2011</u>
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Human Services	\$ 364	\$ -	\$ 364	\$ 397
Edmonton and Area CFSA	-	-	-	-
North Central Alberta CFSA	92	-	92	94
Refund from others	34	-	34	-
Refund from Suppliers	4	-	4	30
	<u>\$ 494</u>	<u>\$ -</u>	<u>\$ 494</u>	<u>\$ 521</u>

Accounts receivable are unsecured and non-interest bearing.

**NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

(in thousands)

	<u>2012</u>	<u>2011</u>
Trade Payable	\$ 622	\$ 232
Department of Human Services	7	-
Accrued Vacation Pay and Manpower Expenses	335	533
Payable to Ministry of Finance	538	1
Child and Family Services Authorities	26	82
	<u>\$ 1,528</u>	<u>\$ 848</u>

**MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6 CONTRACTUAL OBLIGATIONS**

The Authority contracts with organizations to provide specific programs and services for children under the care of the Ministry. The Authority has contracts for specific programs and services for the year ended March 31, 2013 similar to those provided by these organizations during the year ended March 31, 2012.

**NOTE 7 CONTINGENT LIABILITIES**

(in thousands)

At March 31, 2012, the Authority is a defendant in four legal claims either directly as a named defendant or peripherally as the Authority with management responsibility when the incident giving rise to the claim occurred (2011 – four legal claims). The four claims have specified amounts totalling \$333,750 (2011 – four claims with a specified amount of \$333,750). Included in the total legal claims are three claims amounting to \$333,650 (2011 – three claims amounting to \$333,650) in which Authority has been jointly named with other entities. Two claims amounting to \$850 (2011 – two claims amounting to \$850) are covered by the Alberta Risk Management Fund. The resulting loss, if any, from these claims cannot be determined.

**NOTE 8 BENEFIT PLANS**

(in thousands)

The Authority participates in the multi-employer Management Employees Pension and Public Services Pension Plan. The Authority also participates in the multi-employee Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of \$362 for the year ended March 31, 2012 (2011 – \$325). The Authority is not responsible for future funding of the plan deficit other than through contribution increases.

**NOTE 9 COMPARATIVE FIGURES**

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

**NOTE 10 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Authority's Board on June 2, 2012.

**MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Expenses - Directly Incurred Detailed by Object - Schedule 1**  
**Year ended March 31, 2012**

	(in thousands)		
	<u>2012</u> <b>Budget</b>	<u>2012</u> <b>Actual</b>	<u>2011</u> <b>Actual</b>
Salaries, Wages and Employee Benefits	\$ 4,190	\$ 4,092	\$ 3,624
Supplies and Services	7,150	6,773	6,275
Grants	957	955	1,012
Inter-Authority Services	-	650	600
Other	-	(3)	53
<b>Total Expenses</b>	<b><u>\$ 12,297</u></b>	<b><u>\$ 12,467</u></b>	<b><u>\$ 11,564</u></b>

**MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Salary and Benefits Disclosure- Schedule 2**  
**Year ended March 31, 2012**

	(in thousands)				2011
	2012			Total	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-Cash Benefits <sup>(3)</sup>		Total
Co-Chair of the Authority	\$ -	\$ 47	\$ -	\$ 47	\$ 29
Co-Chair of the Authority	-	44	-	44	28
Board Members (6 members)	-	50	-	50	41
Chief Executive Officer	168	9	44	221	201

**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 2012. Co-chairs and board members receive honoraria only. The Department of Children and Youth Services paid \$18 (2011-\$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, 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, 2012**

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 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	
	2012	2011	2012	2011
<b>Revenues:</b>				
Grant from the Department of Human Services	\$ 12,785	\$ 12,024	\$ -	\$ -
Recoveries - Inter-Authority Services	650	600	-	-
Miscellaneous and Prior Year Revenue	2	18	-	-
	<u>\$ 13,437</u>	<u>\$ 12,642</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses - Directly Incurred</b>				
Inter-Authority Services Received	\$ 540	\$ 526	\$ -	\$ -
Department of Advanced Education and Technology	-	-	2	6
Department of Education	-	-	37	19
Department of Service Alberta	-	-	45	39
	<u>\$ 540</u>	<u>\$ 526</u>	<u>\$ 84</u>	<u>\$ 64</u>
<b>Receivable from/(Payable to):</b>				
Department of Human Services (Net)	\$ 357	\$ 395	\$ -	\$ -
Payable to Department of Finance	(538)	-	-	-
Edmonton and Area Child and Family Services Authority	(26)	27	-	-
North Central Alberta Child and Family Services Authority	91	40	-	-
	<u>\$ (116)</u>	<u>\$ 462</u>	<u>\$ -</u>	<u>\$ -</u>

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	
	2012	2011
<b>Expenses (Notional):</b>		
Accommodation	\$ 379	\$ 356
Administrative	99	79
Legal Services	36	48
	<u>\$ 514</u>	<u>\$ 483</u>

**MÉTIS SETTLEMENTS CHILD AND FAMILY SERVICES AUTHORITY**  
**SCHEDULE TO FINANCIAL STATEMENTS**  
**Allocated Costs - Schedule 4**  
**Year ended March 31, 2012**

(in thousands)

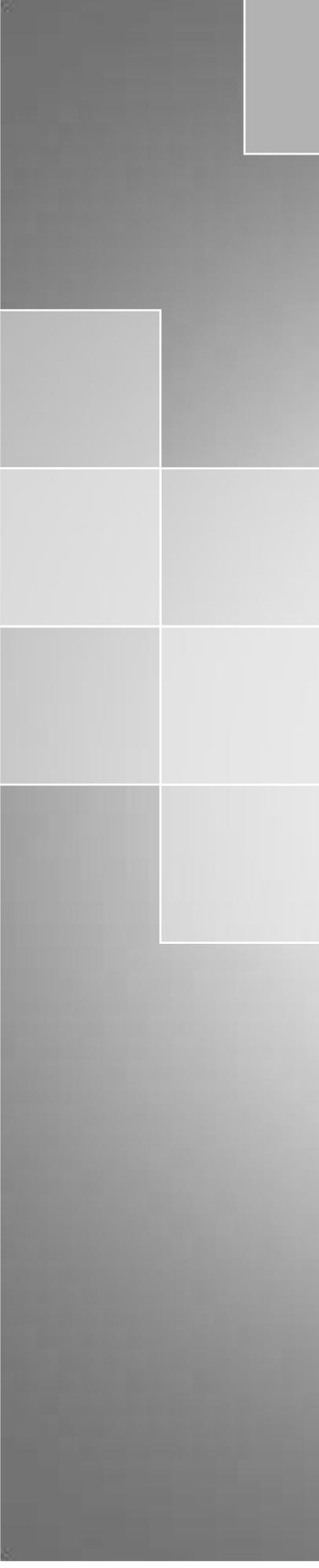
Program	2012				2011	
	Expenses <sup>(1)</sup>	Costs <sup>(2)</sup>	Costs <sup>(3)</sup>	Services <sup>(4)</sup>	Total Expenses	Total Expenses
	Expenses - Incurred by Others	Accommodation	Administration	Legal		
Child Care Subsidy and Supports	\$ 877	\$ 58	\$ 15	\$ 5	\$ 955	\$ 993
Prevention of Family Violence and Bullying	359	-	-	-	359	208
Parenting Resources Initiative	506	-	-	-	506	264
Fetal Alcohol Spectrum Disorder Initiatives	1	-	-	-	1	54
Child Intervention Services	5,495	304	79	29	5,907	4,993
Supports for Permanency	967	-	-	-	967	976
Early Intervention and Early Childhood Development	691	-	-	-	691	735
Foster Care Support	1,835	-	-	-	1,835	2,249
Family Support for Children with Disabilities	172	-	-	-	172	144
Protection of Sexually Exploited Children	-	-	-	-	-	14
Program Delivery Services	724	17	5	2	748	680
Board Governance	190	-	-	-	190	140
Inter-Authority Services	650	-	-	-	650	600
	<b>\$ 12,467</b>	<b>\$ 379</b>	<b>\$ 99</b>	<b>\$ 36</b>	<b>\$ 12,981</b>	<b>\$ 12,050</b>

<sup>(1)</sup> Expenses - Directly Incurred as per the Statement of Operations.

<sup>(2)</sup> Accommodation costs (includes grants in lieu of taxes), which were paid by the Department of Infrastructure and Transportation, represent the Métis Settlements Child and Family Services Authority's buildings costs allocated by the number of Authority employees per program.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 Annual Report

WCB-Alberta

# Management Discussion and Analysis of Financial Statements and Operating Results

For the year ended December 31, 2011

## **Business Overview**

### **2011 Financial Performance**

Operating Highlights

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### **Appendix: Glossary**

# Management Discussion and Analysis of 2011 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-Alberta). The MD&A, prepared as at April 17, 2012, should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2011.*

## **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-Alberta objectives, strategies, targeted and expected financial results; and the outlook for WCB-Alberta'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-Alberta 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-Alberta 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. Numbers have been prepared for the first time under International Financial Reporting Standards (IFRS) for the year ended December 31, 2011. The comparative numbers for the year ended December 31, 2010 have been restated on an IFRS basis.*

# Business Overview

## Corporate profile

Founded in 1918, WCB-Alberta 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 of Alberta Human Services, WCB-Alberta is independently funded and operated as an insurance enterprise. Through the payment of premiums, over 146,000 employers fund the system, which covers more than 1.7 million workers.

## WCB-Alberta'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<sup>1</sup>, 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-Alberta to ensure that it be fully funded.

At the highest and simplest level, WCB-Alberta 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-Alberta is meeting its financial obligations.

## WCB-Alberta vision and mission

The core principles set out in WCB-Alberta'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-Alberta'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.

<sup>1</sup> Refer to the Glossary for an outline of the concepts.

# 2011 Financial Performance

## OPERATING HIGHLIGHTS

The major themes underscoring WCB-Alberta's financial results for the year centre on the Alberta economy and the global capital markets. WCB-Alberta maintained a sound financial position, despite continued uncertainty within capital markets. Customer operations continued their commitment to service excellence and a focus on return to work as Alberta's economy delivered strong growth. The important themes that underscore the 2011 performance include the following:

- WCB-Alberta's key business activities, represented through customer operations and financial management, yielded an operating surplus of \$72.0 million in 2011, a decrease from a \$460.4 million surplus in 2010. The year over year decrease was primarily due to lower equity market returns, and a decrease in surplus from customer operations as revenues and costs ended the year closer to budget expectations. The results in 2011 contributed to the Funded Position of \$1,655.1 million, or 128.3%.
- Despite year over year growth of 8.5% in employer insurable earnings, premium revenue grew only marginally at 0.2% to \$1,033.9 million in 2011, due to a 6.1% drop in the actual average premium rate in 2011 to \$1.23, from \$1.31 in 2010.
- Total claims and claims management expenses of \$864.1 million increased \$83.5 million from the previous year primarily due to increased claim volumes and associated costs related to health care and long term disability. Average claim duration increased again slightly in 2011, ending the year at 36.6 days, as lost-time claims grew slightly faster than available modified-work opportunities. Lost-time claim volume of 27,900 was up 9.4% from 2010.
- Investment revenue was down in 2011 at \$287.8 million, compared to \$644.3 million in 2010 as equity market returns significantly underperformed during the year. Despite the weak equity markets, WCB-Alberta's strategic focus to reduce exposure to equity risk, and better diversify the portfolio led to a return of 4.4%, which exceeded the benchmark return of 4.0%.
- Expenses associated with financial management were down in 2011 at \$261.6 million, compared to \$313.9 million in 2010 due to actuarial adjustments.

In its simplest terms, the funding model for WCB-Alberta 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 on the opposite page represent this view, with the first presenting the major contributors to WCB-Alberta's operating surplus, and the second presenting the revenues and expenses that are associated with each business activity.

### Sources of operating surplus

(\$ millions)	2011 Budget	2011 Actual	2010 Actual
<b>Surplus from Customer Operations</b>			
<b>Premiums</b>			
Surplus premium revenue resulting from the actual premium rate collected of \$1.23 (2010 – \$1.31) being higher than the required premium rate of \$1.17 (2010 – \$1.16), based on insurable earnings	\$ 17.1	\$ 47.4	\$ 121.0
<b>Other revenue (expense) items</b>	5.8	(1.6)	9.0
	<u>22.9</u>	<u>45.8</u>	<u>130.0</u>
<b>Surplus from Financial Management</b>			
<b>Investments</b>			
Net excess of investment revenue over the claim benefit liability interest expense of \$228.8 million (2010 – \$259.0 million)	80.5	59.0	385.4
Interest on employee benefit liabilities	(2.8)	(4.5)	(3.8)
	<u>77.7</u>	<u>54.5</u>	<u>381.6</u>
<b>Actuarial remeasurement</b>			
Losses due to changes in actuarial methods and assumptions	-	(26.9)	(164.2)
Gains (losses) due to claims experience	87.0	(1.4)	113.0
	<u>87.0</u>	<u>(28.3)</u>	<u>(51.2)</u>
	<u>164.7</u>	<u>26.2</u>	<u>330.4</u>
<b>OPERATING SURPLUS</b>	\$ 187.6	\$ 72.0	\$ 460.4

### Operating surplus by business activity

(\$ millions)	2011 Budget	2011 Actual	2010 Actual
<b>Customer Operations</b>			
Premiums	\$ 982.3	\$1,033.9	\$1,031.5
Claims and claims management	(829.6)	(864.1)	(780.6)
Corp admin and injury reduction	(129.8)	(124.0)	(121.0)
	<u>22.9</u>	<u>45.8</u>	<u>130.0</u>
<b>Surplus from Customer Operations</b>			
<b>Financial Management</b>			
Investment income	376.9	310.8	662.4
Investment management expense	(24.3)	(23.0)	(18.1)
Investment revenue	352.6	287.8	644.3
Interest expense on claim benefit liabilities	(272.1)	(228.8)	(259.0)
Remeasurement of claim benefit liabilities	87.0	(28.3)	(51.2)
Interest on employee benefit liabilities	(2.8)	(4.5)	(3.8)
Financial management expenses	(187.9)	(261.6)	(313.9)
	<u>164.7</u>	<u>26.2</u>	<u>330.4</u>
<b>Surplus from Financial Management</b>			
<b>OPERATING SURPLUS</b>	\$ 187.6	\$72.0	\$460.4

# Customer Operations

## PREMIUMS

### Insurable earnings

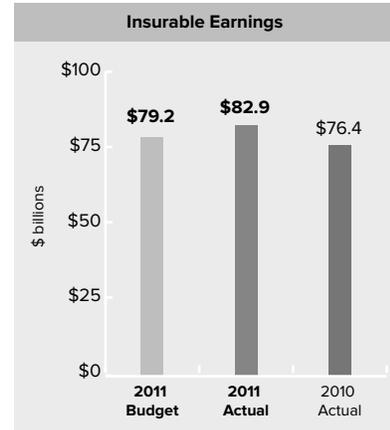
↗ \$3.7 billion (4.7%) over budget

↗ \$6.5 billion (8.5%) over prior year

Alberta's economy exhibited strong growth in 2011, which resulted in better-than-expected and year over year increases in payrolls due to both wage escalation and employment growth. 2011 insurable earnings of \$82.9 billion were 4.7% higher than the budget of \$79.2 billion, and 8.5% higher over 2010 of \$76.4 billion.

Insurable earnings were higher in seven out of nine sectors, with mining, oil & gas (20.6%) and agriculture & forestry (7.6%) showing the highest increases compared to budget for the year.

Sectors that experienced the greatest increases over 2010 were mining, oil & gas (13.7%) and agriculture (15.4%).



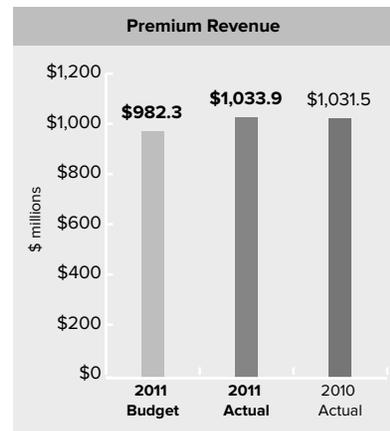
### Premium revenue

↗ \$51.6 million (5.2%) over budget

The 2011 positive budget variance in premium revenue of \$51.6 million was consistent with the positive budget variance in insurable earnings. Contributing sectors were mining, oil & gas; municipal government, education, & health; and transportation, with offsets in construction and manufacturing.

↗ \$2.4 million (0.2%) over prior year

Despite year over year growth of 8.5% in employer insurable earnings, premium revenue grew only marginally at 0.2% to \$1,033.9 million in 2011, due to a 6.1% drop in the actual average premium rate in 2011 to \$1.23, from \$1.31 in 2010.



## 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-Alberta operations and transfer levies.

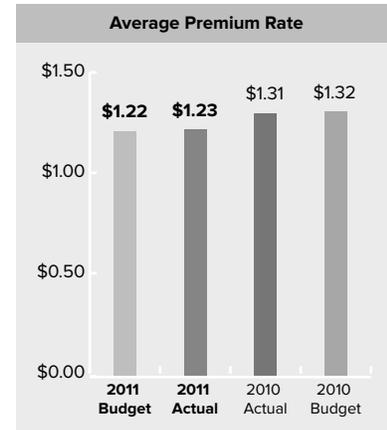
### Average premium rate

↗ **\$0.01 (0.8%) over budget**

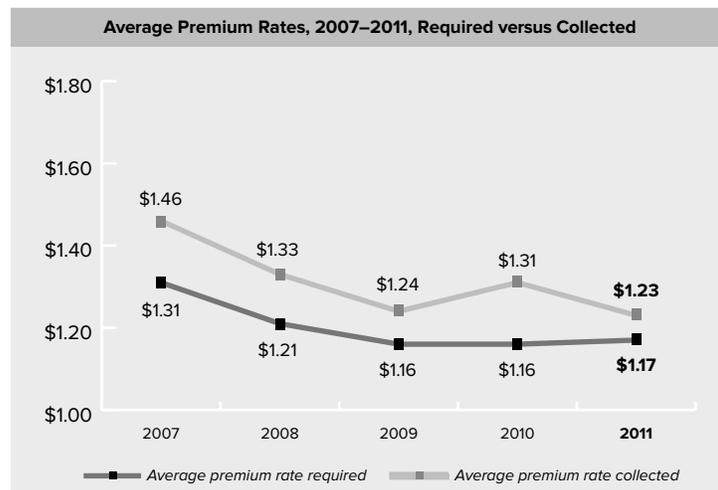
The actual average premium rate of \$1.23 was comparable to the average budgeted premium rate of \$1.22.

↘ **\$0.10 (-7.6%) budget reduction from prior year**

The reduction from \$1.32 to \$1.22 in the average budget rate is reflective of the projected increase in insurable earnings and a projected decrease in base revenue requirements for 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 2011 premium requirement and rate were based on projected base revenue requirements and insurable earnings using the best information available in early Q4 2010. The surplus from premium revenue offset the unfavourable variance in claim costs, resulting in a marginal 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 occurring in 2011, and the future costs to administer these claims.

### Claims and claims management expenses

↗ **\$34.5 million (4.2%) higher than budget**

↗ **\$83.5 million (10.7%) higher than prior year**

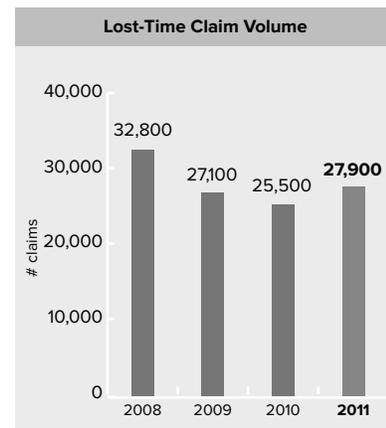
Claims and claims management expenses were higher than budget and prior year due to increased claim volumes and associated costs primarily related to health care and long-term disability.



### Lost-time claim volume

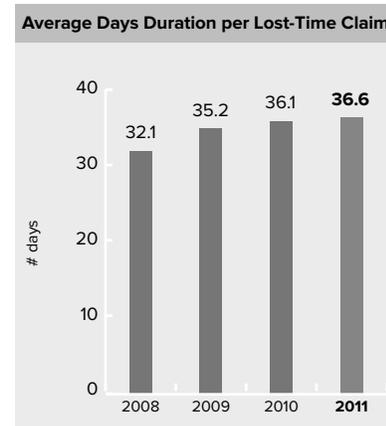
Lost-time claim (LTC) volume rose from 25,500 in 2010 to 27,900 in 2011, an increase of 9.4%.

The rise in LTCs coincided with an increase in covered workers of approximately 84,000. The LTC projected rate rose from its 2010 low of 1.49 to 1.56 claims per 100 workers in 2011, an increase of 4.7%. Similarly, the disabling-injury rate (LTC + modified-work-only cases = disabling injuries) rose by 1.8%, to 2.78 disabling injuries per 100 workers.



### Claim duration

Claim duration (average elapsed time from injury to return to work) increased slightly in 2011 to 36.6 days, up from 36.1 days in 2010. This increase was primarily due to lost-time claims growing slightly faster than modified work opportunities during the year.



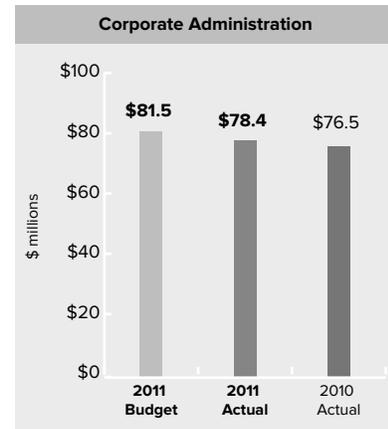
## CORPORATE ADMINISTRATION

↘ **\$3.1 million (3.8%) under budget**

Corporate administration came in under budget due to effective expenditure management.

↗ **\$1.9 million (2.4%) higher than prior year**

The increase over 2010 reflects inflationary impacts. Corporate administration expenses exclude costs for administrating claims (2011 – \$87.2 million, 2010 – \$83.2 million) that are included in claims management expenses.



## Financial Management

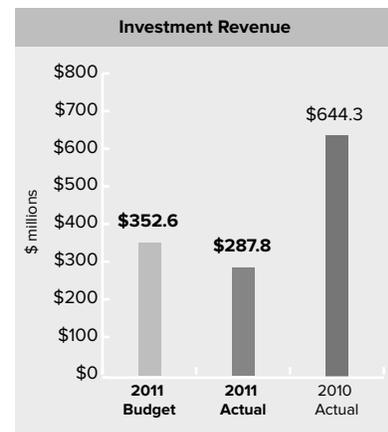
### INVESTMENTS

#### *Investment revenue*

↘ **\$64.8 million (18.4%) under budget**

↘ **\$356.5 million (55.3%) under prior year**

Investment revenue was lower than budget and prior year primarily due to lower equity market returns for 2011. In 2011, the portfolio earned a nominal market rate of return of 4.4% as compared to 10.2% in 2010.



Investment returns played a key role in WCB-Alberta's 2011 financial results. The following discussion provides an overview of the economic and market forces that had a direct impact on WCB-Alberta's investment portfolio and returns.

#### *Capital markets overview*

2011 was another year of uncertainty and large swings in sentiment and capital market performance. Politics played a bigger role than usual as the debt ceiling debacle in the U.S., and ongoing issues in Greece and other peripheral European countries dominated market news. As year-end approached, there were some signs of economic recovery in the U.S. New monetary stimulus from the U.S. Federal Reserve and European central bank provided funding to banks, boosted liquidity generally and capital markets responded positively. Interest rates remained very low and this provided gains to bonds and pushed up valuations on other assets with high income, such as real estate.

#### **Portfolio performance**

##### *Market returns*

The portfolio earned a nominal market rate of return of 4.4% for 2011 (0.4% above the policy benchmark) and 2.7% for the four-year period ended December 31, 2011 (on par with 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 actuarial real rate of return (referred to as the real discount rate). On this basis, the real rate of return for 2011 of 2% (nominal rate of 4.4% less inflation of 2.4%) was below the actuarial required rate of 3.0%.

For further information on WCB-Alberta's Investments and Investment Policy, the *2011 Annual Investment Report* can be found online at [www.wcb.ab.ca](http://www.wcb.ab.ca).

## CLAIM BENEFIT LIABILITIES

At the end of each fiscal year, WCB-Alberta determines its claim benefit liabilities for all injuries that have taken place up to that date. 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, 2011, claim benefit liabilities had aggregated to \$5,628.5 million, an increase of \$349.6 million over 2010.

### Significant changes in liabilities

The overall \$349.6 million increase in claim benefit liabilities was attributable to the following:

(\$ millions)	2011 changes
Customer Operations related	
Provision for future costs of current-year injuries	\$ 606.1
Benefit payments for prior years' injuries	(521.0)
Policy changes	7.4
	<u>92.5</u>
Financial Management related	
Interest expense on the liability	228.8
Changes in actuarial methods and assumptions	26.9
Claims experience loss	1.4
	<u>257.1</u>
	<u>\$ 349.6</u>

### Actuarial methods and assumptions

The following actuarial methods and assumptions changes increased claim benefit liabilities by \$26.9 million:

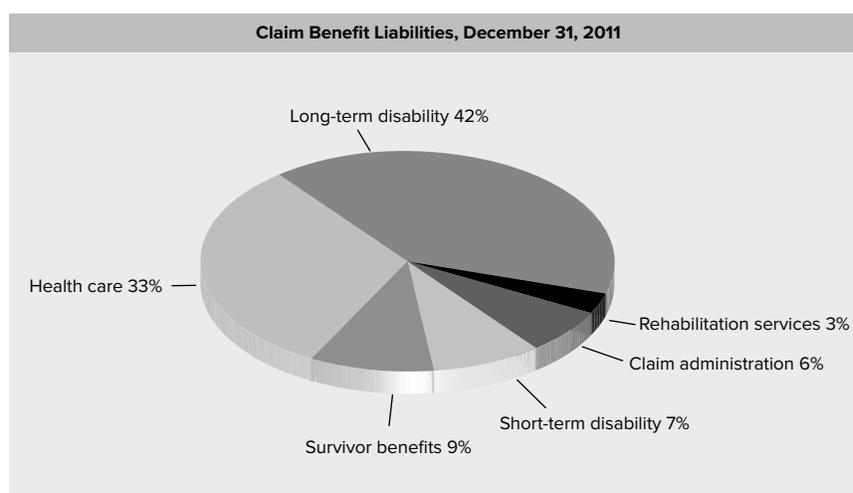
- The real rate of return assumption was revised to reflect a continuation of lower than expected bond yields. This resulted in an extension to the short term 2-stage assumption of 2% for the period from 2012 to 2015, and 3% thereafter (\$35.6 million increase).
- Updates were made to other assumptions (\$8.7 million decrease).

### Impact of claims experience

Differences between actual experience and what was expected in the prior valuation result in experience losses (which increase the liability) or gains (which decrease the liability). The impact of actual claims experience resulted in an overall loss of \$1.4 million that arose from the following areas:

(\$ millions)	2011 impact
Actual cost-of-living and inflation different than expected	\$ 21.0
Actual claim costs higher than expected	12.2
Experience gains from other sources	(31.8)
	<u>\$ 1.4</u>

The following chart shows the breakdown of the claim benefit liabilities as at December 31, 2011, by benefit type:



## FUNDING POLICY

The Funding Policy is the primary instrument through which WCB-Alberta manages its capital or fund structure and provides direction for setting premium rates and optimum funding level. The Funding Policy can evolve—through rigorous management review, stakeholder consultation and Board of Directors approval—to address changing economic and financial circumstances. Details of the Funding Policy may be found under WCB Information in the Policy and Legislation section of WCB-Alberta’s website at [www.wcb.ab.ca](http://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 claims.

The funding mechanisms that evolve from these objectives address those risks that may affect the financial stability of WCB-Alberta—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% 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.

## Funding allocations

The Accident Fund represents all WCB-Alberta assets available to discharge its legislative mandate. The allocation of assets to each of WCB-Alberta's fiduciary obligations is expressed as a percentage of total liabilities as at the reporting date:

- Fully funded status is achieved when assets are sufficient for payment of all current and future compensation and related administration costs (target level: 100%).
- Assets are retained in the Fund Balance to lessen the risk of becoming unfunded and in the Occupational Disease Reserve (ODR) to provide for significant unforeseen costs related to latent occupational disease.

The Accident Fund is considered fully funded when it is within the Funded Ratio target range of 114% to 128%. Surplus assets exceeding the 128% funding level are available for distribution to employers as a surplus distribution, whereas replenishment levies would be required if assets fall below 114%.

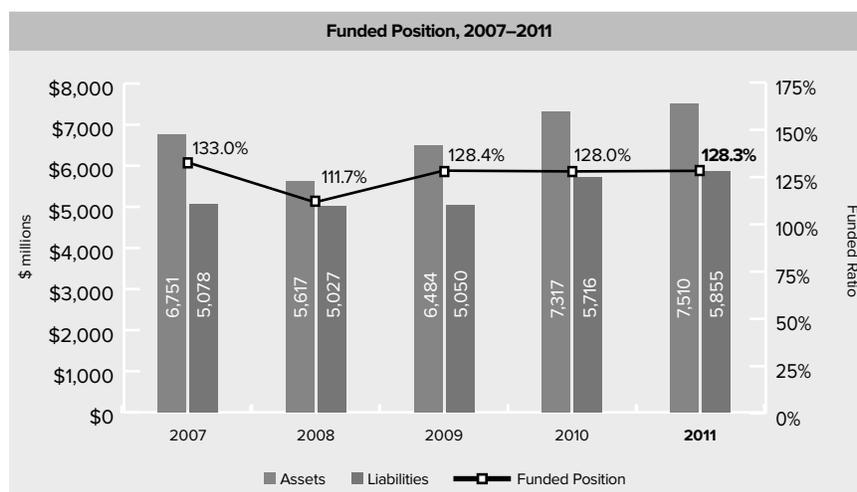
## Funded Position

The major changes in Funded Position and the ending balance as at December 31, 2011 were:

(\$ millions)	Opening	2011 Change	Ending
Accumulated surplus for the year	\$ 1,305.7	\$ 73.4	\$ 1,379.1
Occupational Disease Reserve maintenance funding	-	(21.0)	(21.0)
Accumulated surplus for the year	1,305.7	52.4	1,358.1
Accumulated other comprehensive loss	(21.4)	(19.3)	(40.7)
Fund Balance	1,284.3	33.1	1,317.4
Occupational Disease Reserve	316.7	21.0	337.7
<b>Funded Position</b>	<b>\$ 1,601.0</b>	<b>\$ 54.1</b>	<b>\$ 1,655.1</b>

As at December 31, 2011, the Funded Ratio (total assets to total liabilities) was 128.3%, compared to 128.0% at the end of 2010. Viewed from another perspective, WCB-Alberta has total assets of \$7.5 billion to cover its total estimated liabilities of \$5.9 billion. The Funded Position remains positive and at the top of the target range recommended in the Funding Policy.

The chart below presents the Funded Position from 2007 through 2011\*.



\*2007-2009 are calculated based on Canadian GAAP; 2010 and 2011 are calculated based on IFRS, consistent with the accompanying financial statements and notes.

# Risk Management

## OVERSIGHT

Under WCB-Alberta'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-Alberta 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-Alberta 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-Alberta and selects a number for comprehensive risk assessment and mitigation.

## SIGNIFICANT RISKS

WCB-Alberta has identified the following risk exposures that could have significant impact on the organization and its operations.

### **Benefit cost risk**

Many of WCB-Alberta'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; however, other factors may arise through administrative precedents established through the appeals process, legislative changes or from new medical findings for occupational disease, among others. All these factors add significant uncertainty to WCB-Alberta's cost structure and may impose, over time, significant pressures on the funding model.

### **Fraud-related risk**

Every year, WCB-Alberta 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 146,000 employers, 200,000 claimants and thousands of service providers—creates inherent risk for fraud. WCB-Alberta employs an extensive audit program to monitor the organization's ability to protect against fraud and implements additional controls, as required, to strengthen WCB-Alberta's management of fraud risk.

### **Funding risk**

Managing the components of WCB-Alberta's overall Funded Position (Fund Balance and ODR) 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-Alberta.

**Investment risk**

In its investment portfolio, WCB-Alberta is exposed to financial risk, which includes market and credit 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. Credit risk is the potential of a debt issuer or counterparty in a financial contract to default on its obligation to WCB-Alberta. 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-Alberta 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-Alberta 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-Alberta 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-Alberta maintains a business continuity plan, system controls and backup systems to prevent processing failures and provides extensive training to develop internal system expertise.

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## Implications of Accounting Policies and Estimates

The adoption of accounting policies in accordance with International Financial Reporting Standards (IFRS) requires that management make judgments, assumptions and estimates that could significantly affect the results of operations and WCB-Alberta's financial condition. The following discusses those significant accounting policies that entail significant use of judgment and estimates that may have a material effect on current and future financial statements.

**Premiums**

In advance of the fiscal year, and based on Funding Policy and projections in the Three-Year Plan, WCB-Alberta 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-Alberta'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, and 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 are 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, including volatility in the funded ratio, and possibly premium rates. Details of the investment assets and inherent risk 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-Alberta has significant obligations extending well into the future for compensation benefits to injured workers. WCB-Alberta 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**

Under IFRS, WCB-Alberta 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 those 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-Alberta'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-Alberta is a provincial board-governed organization that operates independently while reporting to the Minister of Alberta Human Services (the Minister).

## 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-Alberta has developed a framework and plan for the overall ICOFR program. The framework is based on best practices under the COSO<sup>ii</sup> and COBIT<sup>iii</sup> frameworks. The ICOFR program is assisted by WCB-Alberta'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.

## Accountability Framework reporting

Through consultation with the Minister and stakeholders, the Accountability Framework was approved in 2002 to provide Albertans with a set of supplementary measures that compare actual WCB-Alberta results to established standards and/or industry benchmarks. These measures cover such areas of WCB-Alberta operations as communications with stakeholders; client satisfaction; consistency, clarity and fairness of claim decisions; timeliness and effectiveness of WCB-Alberta services; and financial capability and effectiveness of injury prevention programs. The Office of the Auditor General reviews the reported measures for reliability, understandability, comparability and completeness. The *2011 Accountability Framework: Supplementary Measures Report* can be viewed at [www.wcb.ab.ca](http://www.wcb.ab.ca).

## Business planning

An important aspect of financial planning and budgeting is linkage to WCB-Alberta'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 *2012 Budget and 2012–2014 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](http://www.wcb.ab.ca).

<sup>ii</sup> Committee of Sponsoring Organizations of the Treadway Commission, which developed a governance framework for internal control.

<sup>iii</sup> Control Objectives for Information and Related Technology, a collection of best practices for IT governance, control and assurance.

# Emerging Issues

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective January 1, 2011, publicly accountable enterprises in Canada were required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS). As such, WCB-Alberta's financial statements have been prepared for the first time under IFRS for the year ended December 31, 2011.

For complete details of WCB-Alberta's First-time Adoption of IFRS, including reconciliation from Canadian GAAP financial statements, see Note 20, Transition to IFRS, in the accompanying financial statements and notes.

### Future IFRS Developments

WCB-Alberta continues to monitor the landscape for future IFRS developments. Key accounting standards that are currently under review by the standard setters are noted below. These may have significant implications for WCB-Alberta results, depending on the outcome. WCB-Alberta will continue to monitor future IFRS changes to ensure impacts are understood and implemented as required in order to ensure high-quality financial reporting under IFRS.

- **Exposure Draft – IFRS 4 Insurance Contracts – Phase II**

This draft proposes a number of changes, primarily focused on the measurement of claim liabilities. Most significant to WCB-Alberta would be the requirement to apply a market-based discount rate for the valuation of claim benefit liabilities. Potential implications, particularly during periods of interest rate instability, are volatile liabilities and volatility in the funded ratio, and possibly premium rates, with further implications for funding decisions. Release of the new standard is unknown at this time as the International Accounting Standards Board re-deliberates feedback on the first exposure draft.

- **Leases**

Under existing IAS 17 Leases, operating leases are treated as rental expense as incurred. Changes propose to recognize all lease contracts as assets and liabilities in the financial statements. A re-exposure draft is expected to be released for comment in Q2, 2012; no date has been announced for final draft or a targeted effective date. The financial impact to WCB-Alberta is not expected to be significant.

## NEW ACTUARIAL STANDARDS OF PRACTICE

Effective for valuation dates on and after December 31, 2014, a new standard of the Canadian Institute of Actuaries (issued February 2011) will require that actuarial valuations include an allowance for all long latency occupational disease claims expected to arise in the future as a result of past exposures. WCB-Alberta is currently assessing the implications of implementing this requirement, and is still evaluating if this new standard will require a change to its accounting policies for recognition of this liability. Adoption of this standard for its claim benefit liabilities would have a material impact on the WCB-Alberta's reported financial position as the amount could exceed \$500 million.

# Looking Ahead

Looking forward to 2012, WCB-Alberta will be challenged to manage its business in light of global economic uncertainty. WCB-Alberta'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

Alberta's economy is poised to lead the nation in economic growth in 2012, based on a stable economic outlook. Despite a global economic slowdown led by Europe, Alberta achieved estimated economic growth in 2011 of 3.5%.<sup>iv</sup> In Alberta, economists are viewing 2012 with optimism based on continued growth in the energy sector. WTI<sup>v</sup> oil prices averaged US\$97 a barrel in 2011 and have continued to fluctuate around US\$100 a barrel in early 2012. Both manufacturing and transportation will benefit from increased oil production; however, overall growth in the energy industry will be tapered by weaker natural gas prices. Alberta's economic growth has contributed to it having the highest provincial population growth, increasing 11% from 2006 to 2011.<sup>vi</sup> The influx of migration from central and eastern Canada is anticipated to continue in the near term given these regions' economic struggles. Economists are predicting employment growth of 2.7% in the province, which translates to 57,000 jobs in 2012.<sup>vii</sup> Due to these factors, WCB-Alberta is forecasting continued growth in insurable earnings for 2012.

After posting a 4.5% increase in 2010, average weekly earnings increased by 4.6% through 2011.<sup>viii</sup> The increase in average weekly earnings was due partially to the rise in the number of hours worked and partially to increases in hourly wages. This was supported by Statistics Canada's Labour Force Survey which reports that the average hourly wage rate in Alberta rose by just 1.7% in 2011, while the remaining growth in earnings came from a 5.8% increase in hours worked.<sup>ix</sup> Moving ahead, falling unemployment and rising economic activity levels in Alberta will provide a likely setting for both wages and hours worked to increase. It is anticipated that wage growth in Alberta, as measured by growth in average weekly earnings, will be 3.5% in 2012.

In 2012, the largest source of downside risk to Alberta's economy is from the potential of a worldwide economic slowdown. Canada is a relatively small economy and is not immune to global economic forces. The U.S. economy has positive momentum heading into 2012, but concerns remain about the effects of long-term unemployment and underemployment.<sup>x</sup> Despite the mixed signals emerging from the U.S., the largest concern continues to be the Euro Zone and its potential for recessionary contagion into the rest of the world. Ultimately, the general consensus is for moderately positive but volatile global growth in 2012, stemming from growth in the U.S., a slowing but still strong growth in China, and contraction in the Euro Zone.<sup>xi</sup>

## Capital market outlook

The capital market outlook continues to be very uncertain heading into 2012. An economic recovery appears to be unfolding in the United States while Europe seems to be heading into a minor recession. Asia and emerging markets continue to grow strongly and more than offset the impact of Europe. Overall, this is an environment of overall positive global growth, which is positive for equities and commodities. The biggest risk to an optimistic outlook is high energy prices, which are benefiting regions that produce energy but are increasingly becoming a negative influence on consumer confidence and spending. Potential conflict in the Middle East, specifically with Iran, could put further upward pressure on energy prices, which would have a significant impact on global economic growth.

<sup>iv</sup> *Government of Alberta (2012) Budget 2012. Economic Outlook.*

<sup>v</sup> *West Texas Intermediate Crude*

<sup>vi</sup> *Statistics Canada (2012). The Canadian Population in 2011: Population Counts and Growth (2012).*

<sup>vii</sup> *Government of Alberta (2012) Budget 2012. Economic Outlook.*

<sup>viii</sup> *Statistics Canada, Table 2810028 (March 2012). Survey of Employment, Payrolls and Hours (SEPH).*

<sup>ix</sup> *Statistics Canada, Table 2820071 (February 2012). Labour Force Survey (LFS).*

<sup>x</sup> *Bernanke, Ben (February 3, 2012). Senate Budget Committee*

<sup>xi</sup> *Bloomberg (2012). Contributor Composite Forecasts*

Equity markets took a pause in 2011, and could rebound in 2012, however, corporate profit margins are at all time highs and overall positive but slow economic growth should keep equity returns to modest positive gains. Bond yields are 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-Alberta, which have inflation-sensitive liabilities to pay, is the probability of periods of high inflation. The stimulus amount, 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-Alberta 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 2012 has been set at 5.2% for planning purposes; however, continued market volatility suggests the actual returns for 2012 may be significantly different from the planning assumptions.

## **Business outlook**

### ***Customer operations***

On the customer operations front, our strategic plan continues to keep us anchored to the fundamentals of our business: return to work.

Modified work opportunities continued to grow in 2011 as more employers than ever were able to arrange modified work for their employees. WCB-Alberta'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 2012, we expect the momentum on modified work to continue and grow by approximately 5%. Our focus will continue on return-to-work outcomes through improved shoulder injury rehabilitation methods, suitable modified work and return to work with alternate employers wherever pre-injury employers no longer have jobs available.

The frequency with which individuals are needing help finding a new job (vocational rehabilitation services and benefits) stabilized in 2011, however, remains relatively high compared with the last five years. This number should start to decline in 2012 as the economy continues to improve.

Looking ahead, WCB-Alberta will continue to work closely with injured workers, physicians, employers, unions and others to create return-to-work opportunities customized to meet workers' unique needs. The main goal will be to ensure workers return to work as 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 stock, bond and real estate 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.

### **2012 premium rate**

In 2012, the average premium rate will remain at \$1.22 per \$100.00 of insurable earnings. Insurable Earnings (IE) is forecast to grow by 6.7% to \$86.1B, and is based on the overall assumption of a slow and steady recovery, assuming both higher wages and employment.

With all Workers' Compensation Boards in Canada having announced their premium rates for 2012, WCB-Alberta continues to have the lowest average rate. Alberta's premium rates have been among the lowest in Canada throughout the past decade.

### **Outlook for financial condition**

At the end of 2011, WCB-Alberta's funded ratio was 128.3% (assets over liabilities). Given economic uncertainty, the volatility of investment returns, and the potential adoption of new actuarial standards related to occupational diseases, it is difficult to determine, with any certainty, the WCB-Alberta's funding position into the future. Despite these uncertainties, WCB-Alberta'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 considerable improvement in 2011, with Alberta employment and WCB-Alberta covered worker figures up over 2010. In response to favourable momentum within the macro environment, WCB-Alberta witnessed encouraging improvements in the area of return to work, particularly as modified work opportunities began to open up. Part of the success realized in 2011 stems from the sustained and proactive dialogue between WCB-Alberta 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, and will remain a central strategic focus throughout 2012. Moving forward, we expect to:

- Identify timely, suitable and safe return-to-work solutions within the context of sector specific economic revitalization;
- Maintain our 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.

Overall, 2012 looks positive as we work with our partners to leverage an improving economy for the benefit of the workers' compensation system.

WCB-Alberta  
**2011 Financial Statements**  
For the year ended December 31, 2011

**Responsibility for Financial Reporting**  
**Independent Auditor's Report**  
**Actuarial Statement of Opinion**

**Financial Statements**

**Statements of Financial Position**  
**Statements of Comprehensive Income**  
**Statements of Changes In Funded Position**  
**Statements of Cash Flows**

**Notes to the Financial Statements**

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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.

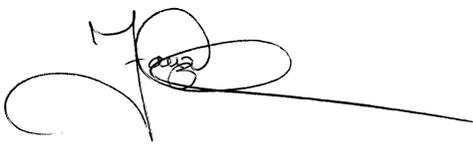
In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The effectiveness of controls over financial reporting was assessed and found to provide reasonable assurance that internal controls at December 31, 2011 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.

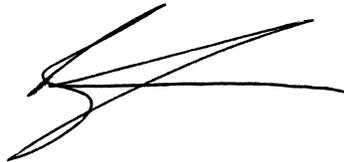
The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements and meets periodically with management, internal and external auditors, and actuaries concerning internal controls and all other matters relating 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.



**Fauzia Lalani**  
Acting Chair, Board of Directors  
Workers' Compensation Board – Alberta



**Guy R. Kerr**  
President & Chief Executive Officer  
Workers' Compensation Board – Alberta



**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 statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of comprehensive income, statements of changes in funded position and statements of cash flows for the years ended December 31, 2011 and December 31, 2010, 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 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 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 Board as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

## **Emphasis of Matter**

Without modifying my opinion, I draw attention to note 11 of the financial statements describing the change in actuarial standards relating to long latency occupational disease claims.

[Original signed by Merwan N. Saher, FCA]

**Auditor General**

April 24, 2012

Edmonton, Alberta

## Actuarial Statement of Opinion

on the Valuation of the Benefits Liabilities  
of the Workers' Compensation Board – Alberta  
as at December 31, 2011

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, 2011. In my opinion, the actuarial liabilities of \$5,628.5 million make reasonable provision for future payments for short term disability, vocational rehabilitation, long term disability, survivor and health care benefits, as well as claims administration costs, on account of claims that occurred on or before December 31, 2011; it does not include a provision for future claims arising from latent occupational disease or for benefits and payments that are on a self-insured basis.

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 Regulation for Firefighters' Primary Site Cancer and in policy for funeral and related benefits 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 2012 to 2015 and 3% thereafter was used to discount expected payments subject to inflation, a change from the 2.00% for 2011 to 2014 and 3.00% thereafter in the previous valuation. Other economic assumptions underlying the calculations are 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 6.00% 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 increase by \$26.9 million. The revision of the real rate of return assumption represented an increase of \$35.6 million, while updates made to other assumptions reduced liabilities by \$8.7 million. Details of the data, actuarial assumptions, valuation methods and analysis of results are set out in my actuarial report as at December 31, 2011, 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.



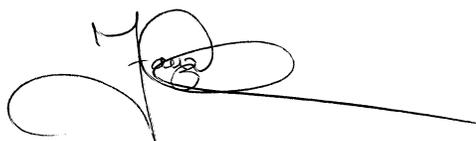
**Richard Larouche**, FSA, FCIA  
Actuary  
Eckler Ltd.  
April 17, 2012

## Statements of Financial Position

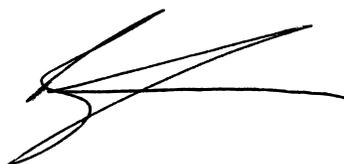
As at December 31

(\$ thousands)	Notes	2011	2010	January 1 2010
<b>ASSETS</b>				
Cash and cash equivalents	19(a)	\$ 368,548	\$ 362,105	\$ 100,722
Trade and other receivables	19(b)	51,790	34,589	6,349
Investments	5	7,017,791	6,854,656	6,318,593
Property, plant and equipment	7	47,070	42,525	36,272
Intangible assets	8	24,481	23,225	26,561
		<u>\$ 7,509,680</u>	<u>\$ 7,317,100</u>	<u>\$ 6,488,497</u>
<b>LIABILITIES</b>				
Trade and other liabilities	19(c)	\$ 46,858	\$ 43,349	\$ 57,807
Surplus distributions	19(d)	850	230,128	500
Safety rebates	19(e)	73,327	81,204	71,445
Employee benefits	10	105,058	82,591	59,611
Claim benefits	11	5,628,500	5,278,900	4,907,000
		<u>5,854,593</u>	<u>5,716,172</u>	<u>5,096,363</u>
<b>FUNDED POSITION</b>				
Fund Balance	4	1,317,387	1,284,228	1,097,734
Occupational Disease Reserve	4	337,700	316,700	294,400
		<u>1,655,087</u>	<u>1,600,928</u>	<u>1,392,134</u>
		<u>\$ 7,509,680</u>	<u>\$ 7,317,100</u>	<u>\$ 6,488,497</u>
<b>LEASE AND OTHER COMMITMENTS</b>	9			
<b>CONTINGENCIES AND INDEMNIFICATION</b>	18			

Approved by the Board of Directors on April 24, 2012:



**Fauzia Lalani**  
Acting Chair, Board of Directors  
Workers' Compensation Board – Alberta



**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	2011		2010
		Budget	Actual	Actual
<b>REVENUES</b>				
Premium revenue	13	\$ 982,310	\$ 1,033,858	\$ 1,031,541
Investment income	16	376,882	310,800	662,419
		<u>1,359,192</u>	<u>1,344,658</u>	<u>1,693,960</u>
<b>EXPENSES</b>				
Claims expense	14	734,091	766,042	689,008
Claims management	14, 15	95,543	98,023	91,586
Interest expense on claim benefit liabilities	11	272,100	228,800	259,000
Remeasurement of claim benefit liabilities	11	(87,000)	28,314	51,172
Corporate administration	15	81,455	78,381	76,491
Injury reduction	19(f)	48,343	45,628	44,460
Investment management expense	16	24,280	23,020	18,077
Interest on employee benefit liabilities	10	2,796	4,486	3,750
		<u>1,171,608</u>	<u>1,272,694</u>	<u>1,233,544</u>
<b>OPERATING SURPLUS</b>				
Funding policy surplus distributions	4, 19(d)	187,584	71,964	460,416
		<u>-</u>	<u>1,431</u>	<u>(230,191)</u>
<b>NET FUNDING SURPLUS</b>				
		187,584	73,395	230,225
<b>OTHER COMPREHENSIVE LOSS</b>				
Remeasurement of employee benefit liabilities	10	-	(19,236)	(21,431)
		<u>-</u>	<u>(19,236)</u>	<u>(21,431)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>				
		<u>\$ 187,584</u>	<u>\$ 54,159</u>	<u>\$ 208,794</u>

The accompanying notes are an integral part of these financial statements.

## Statements of Changes in Funded Position

As at December 31

(\$ thousands)	Notes	2011	2010*
<b>FUND BALANCE</b>			
<b>Accumulated surplus</b>			
Balance, beginning of year		\$ 1,305,659	\$ 1,097,734
Net funding surplus		73,395	230,225
Transfer to Occupational Disease Reserve		(21,000)	(22,300)
		<u>1,358,054</u>	<u>1,305,659</u>
<b>Accumulated other comprehensive loss</b>			
Balance, beginning of year		(21,431)	-
Other comprehensive loss		(19,236)	(21,431)
		<u>(40,667)</u>	<u>(21,431)</u>
<b>Fund Balance, end of year</b>		1,317,387	1,284,228
<b>OCCUPATIONAL DISEASE RESERVE</b>	4		
Balance, beginning of year		316,700	294,400
Transfer from Fund Balance		21,000	22,300
		<u>337,700</u>	<u>316,700</u>
<b>Occupational Disease Reserve, end of year</b>		337,700	316,700
		<u>\$ 1,655,087</u>	<u>\$ 1,600,928</u>

The accompanying notes are an integral part of these financial statements.

\* Note 20 explains the transition to IFRS and related effect on the WCB's financial statements.

Workers' Compensation Board – Alberta  
**Statements of Cash Flows**

Year Ended December 31

(\$ thousands)

	<b>2011</b>	2010
<b>OPERATING ACTIVITIES</b>		
<b>Cash inflows (outflows) from business operations</b>		
Employer premiums	\$ 1,005,468	\$ 989,237
Benefits to claimants and/or third parties on their behalf	(644,982)	(600,876)
Administrative and other goods and services	(189,586)	(174,423)
Injury reduction program	(45,628)	(44,460)
<b>Net cash from operating activities</b>	<u>125,272</u>	<u>169,478</u>
<b>INVESTING ACTIVITIES</b>		
<b>Cash inflows (outflows) related to investment assets</b>		
Interest income	82,098	78,536
Dividend income	62,493	38,027
Other investment income	4,715	7,031
Gains on sale of investments	94,129	66,222
Proceeds (payments) on settlement of derivatives	(61,091)	33,185
Investment management expense	(18,374)	(17,620)
Sale of investments at cost	137,957	124,239
Purchase of investments from investment income	(175,944)	(221,073)
<b>Cash outflows related to operating assets</b>		
Property, plant and equipment	(9,078)	(11,301)
Computer software	(7,887)	(4,778)
<b>Net cash from investing activities</b>	<u>109,018</u>	<u>92,468</u>
<b>FUNDING ACTIVITIES</b>		
<b>Cash outflows from funding activities</b>		
Surplus distributions to employers	(227,847)	(563)
<b>Net cash used for funding activities</b>	<u>(227,847)</u>	<u>(563)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,443	261,383
Cash and cash equivalents, beginning of year	<u>362,105</u>	<u>100,722</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 368,548</u>	<u>\$ 362,105</u>

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended December 31, 2011 with comparatives for the year ended December 31, 2010  
(thousands of dollars unless otherwise stated)

## 1. REPORTING ENTITY

The Workers' Compensation Board – Alberta (WCB, WCB-Alberta) 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 and adoption of IFRS**

These financial statements have been prepared for the first time under International Financial Reporting Standards (IFRS) for the year ended December 31, 2011. Previously, WCB followed Canadian generally accepted accounting principles (GAAP) in preparing its financial statements. The comparative numbers for the transition year ended December 31, 2010 have been restated on an IFRS basis.

WCB's financial statements have been prepared on a historic cost basis except for investments that have been measured at fair value. The principal accounting policies applied in the preparation of the financial statements on an IFRS basis are set out below.

The financial statements of WCB-Alberta comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2011.

#### **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 conformity 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, and 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, lease obligations, and employee benefit plans.

**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	296
7	Property, plant and equipment	303
8	Intangible assets	304
9	Lease and other commitments	305
10	Employee benefits	306
11	Claim benefit liabilities	309
13	Premium revenue	314
16	Investment income and expense	317

### 3. ACCOUNTING POLICY CHANGES

#### TRANSITION TO IFRS

Note 20 Transition to IFRS explains WCB's transition to IFRS.

##### **IFRS 9 Financial instruments: Classification and Measurement**

IFRS 9 replaces the classification provisions of IAS 39 with the following permitted categories:

- Amortized cost
- Fair value through income (FVTI)
- Fair value through other comprehensive income (FV-OCI)

WCB has concluded that its fixed income and equity portfolios did not satisfy the business model criteria for amortized cost or FV-OCI respectively. IFRS 9, issued in November 2009, is effective for reporting periods beginning on or after January 1, 2015. WCB elected early adoption as at the changeover date in order to avoid another major accounting change after transition. Application of IFRS 9 will require in-scope financial assets and financial liabilities to be measured at FVTI, except for cash equivalents and receivables that will continue to be measured at amortized cost. There were no material impacts from early adoption of IFRS 9.

#### POST-TRANSITION ACCOUNTING CHANGES

##### **IAS 19 Employee Benefits**

Effective June 2011, WCB early adopted amended IAS 19 *Employee Benefits*. The major changes eliminate options to defer and amortize remeasurement gains and losses (corridor method) on employee benefit plans and to recognize such changes in income, instead requiring that they be recognized in other comprehensive loss (OCL). Other important changes prohibit recognition of expected returns on plan assets in income, and require service cost and interest on plan obligations to be presented in income with remeasurement changes in OCL. Amended IAS 19, which is effective for reporting periods beginning on or after January 1, 2013, is not expected to have a material effect on WCB's reported results.

#### STANDARDS ISSUED BUT NOT YET EFFECTIVE

##### **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. In addition to classification of assets and liabilities measured at fair value using a 'fair value hierarchy', IFRS 13 requires a reconciliation of changes within Level 3 portfolio holdings, as well as discussion of the sensitivity of the fair value measurement to changes in unobservable inputs for financial assets and financial liabilities. These requirements are effective for reporting periods beginning on or after January 1, 2013, with earlier application permitted. Adoption of 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, which do not affect cash flows, have not yet been evaluated for reporting purposes but 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 6% 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% to 128% 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

	<b>2011</b>	2010
Total assets	\$ 7,509,680	\$ 7,317,100
<i>Less:</i>		
Total liabilities	5,854,593	5,716,172
Funded Position	\$ 1,655,087	\$ 1,600,928
Funded Ratio	128.3%	128.0%

*Less:*

Total liabilities

Funded Position

Funded Ratio

## 5. INVESTMENTS

### ACCOUNTING POLICY

WCB's portfolio investments are designated at fair value through income and managed in accordance with portfolio management objectives and Investment Policy. Investments are composed of marketable fixed income and equity securities and non-traded mortgage, infrastructure, and real estate funds.

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). Classification of financial assets at fair value through income requires related transaction costs to be expensed when incurred (see Note 16 *Investment Income and Expense*). 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.

### **Valuation of financial instruments**

The fair value of financial assets 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 (FVTI). 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 Statements 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:

December 31, 2011						
(\$ thousands)	Fair value through income			Fair Value	Amortized Cost <sup>5</sup>	Total
	Level 1	Level 2	Level 3			
<b>Fixed income</b>						
Nominal bonds:	\$ -	\$ 1,784,134	\$ 30,542	\$ 1,814,676	\$ 28,478	\$ 1,843,154
Mortgages <sup>1</sup>	-	-	424,294	424,294	-	424,294
	-	1,784,134	454,836	2,238,970	28,478	2,267,448
<b>Equities</b>						
Domestic	450,072	203,107	-	653,179	5,604	658,783
Foreign <sup>2</sup>	1,310,909	620,135	-	1,931,044	26,428	1,957,472
	1,760,981	823,242	-	2,584,223	32,032	2,616,255
<b>Inflation-sensitive</b>						
Real estate <sup>3</sup>	200,971	8,611	813,367	1,022,949	759	1,023,708
Infrastructure <sup>4</sup>	308,723	-	219,927	528,650	4,649	533,299
Real-return bonds	-	545,912	-	545,912	1,406	547,318
	509,694	554,523	1,033,294	2,097,511	6,814	2,104,325
	2,270,675	3,161,899	1,488,130	6,920,704	67,324	6,988,028
<b>Derivatives</b>	-	29,763	-	29,763	-	29,763
	\$ 2,270,675	\$ 3,191,662	\$ 1,488,130	\$ 6,950,467	\$ 67,324	\$ 7,017,791

<sup>1</sup> Mortgages include commercial mortgages and multi-unit mortgages, but do not include single-dwelling residential mortgages.

<sup>2</sup> Foreign equities comprise U.S., EAFE (Europe, Australasia, and Far East), and Emerging Market mandates.

<sup>3</sup> Real estate investments include pooled funds invested in commercial properties.

<sup>4</sup> Infrastructure consists of a pooled fund invested in infrastructure projects.

<sup>5</sup> Net cash, receivables, and payables held within the investment portfolio are carried at amortized cost and therefore not subject to fair value classification. As their carrying amount approximates fair value, they are added to the fair value totals to arrive at the total fair value of investments reported in the statement of financial position.

## December 31, 2010

(\$ thousands)	Fair value through income			Fair Value	Amortized Cost	Total
	Level 1	Level 2	Level 3			
<b>Fixed income</b>	\$ -	\$ 2,218,623	\$ 260,862	\$ 2,479,485	\$ 22,161	\$ 2,501,646
<b>Equities</b>	1,503,737	1,315,404	-	2,819,141	30,892	2,850,033
<b>Inflation-sensitive</b>						
Real estate	162,536	6,996	581,991	751,523	685	752,208
Infrastructure	146,915	-	71,139	218,054	5,891	223,945
Real-return bonds	-	502,050	-	502,050	1,101	503,151
	1,813,188	4,043,073	913,992	6,770,253	60,730	6,830,983
<b>Derivatives</b>	-	23,673	-	23,673	-	23,673
	<u>\$ 1,813,188</u>	<u>\$ 4,066,746</u>	<u>\$ 913,992</u>	<u>\$ 6,793,926</u>	<u>\$ 60,730</u>	<u>\$ 6,854,656</u>

## January 1, 2010

(\$ thousands)	Fair value through income			Fair Value	Amortized Cost	Total
	Level 1	Level 2	Level 3			
<b>Fixed income</b>	\$ -	\$ 2,146,336	\$ 300,578	\$ 2,446,914	\$ 16,581	\$ 2,463,495
<b>Equities</b>	1,672,035	1,171,406	-	2,843,441	32,265	2,875,706
<b>Inflation-sensitive</b>						
Real estate	-	-	433,617	433,617	11,422	445,039
Infrastructure	-	-	27,608	27,608	36	27,644
Real-return bonds	-	485,626	-	485,626	1,223	486,849
	1,672,035	3,803,368	761,803	6,237,206	61,527	6,298,733
<b>Derivatives</b>	-	19,860	-	19,860	-	19,860
	<u>\$ 1,672,035</u>	<u>\$ 3,823,228</u>	<u>\$ 761,803</u>	<u>\$ 6,257,066</u>	<u>\$ 61,527</u>	<u>\$ 6,318,593</u>

**Transfers between Levels 1 and 2**

There were no material transfers between Level 1 and Level 2 during 2010 and 2011.

**Reconciliation of Level 3 activity**

(\$ thousands)	Fixed Income	Real Estate/ Infrastructure	2011	Fixed Income	Real Estate/ Infrastructure	2010
<b>Balance, beginning of year</b>	\$ 260,862	\$ 653,130	\$ 913,992	\$ 300,578	\$ 461,225	\$ 761,803
Fair value gains recognized in income	27,482	112,750	140,232	6,530	26,369	32,899
Purchases of Level 3 investments	167,485	299,211	466,696	46,736	217,313	264,049
Sale/settlement of Level 3 investments	(993)	(31,797)	(32,790)	(522)	(51,777)	(52,299)
Transfers in and/or out of Level 3	-	-	-	(92,460)	-	(92,460)
<b>Balance, end of year</b>	<u>\$ 454,836</u>	<u>\$ 1,033,294</u>	<u>\$ 1,488,130</u>	<u>\$ 260,862</u>	<u>\$ 653,130</u>	<u>\$ 913,992</u>

## 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 effectively 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 change<sup>1</sup> in the key risk variable — the portfolio weighted average (asset class) benchmark:

(\$ thousands)	2011		2010	
	1 std dev	2 std dev	1 std dev	2 std dev
<b>Equities</b>				
% change in Canadian market benchmark	(16.1%)	(32.1%)	(16.0%)	(32.1%)
Canadian mandate	\$ (105,801)	\$ (211,601)	\$ (123,521)	\$ (247,043)
% change in Global market benchmark	(12.7%)	(25.5%)	(13.4%)	(26.7%)
Global mandate	\$ (210,922)	\$ (421,843)	\$ (227,404)	\$ (454,807)
% change in Emerging market benchmark	(22.1%)	(44.2%)	(22.4%)	(44.8%)
Emerging markets mandate	\$ (71,023)	\$ (142,046)	\$ (87,948)	\$ (175,896)

### 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 bps<sup>2</sup> on the mortgage portfolio and non-government portion of the bond portfolio:

(\$ thousands)	2011		2010	
	+50 bp	+100 bp	+50 bp	+100 bp
Change in nominal interest rate				
Non-government bonds	\$ (23,350)	\$ (46,700)	\$ (21,922)	\$ (43,844)
Mortgages	\$ (7,637)	\$ (15,275)	\$ (4,095)	\$ (8,190)

<sup>1</sup> 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% of all probable outcomes; two standard deviations include 95% of outcomes. The benchmark deviations are based on 2011 data.

<sup>2</sup> One basis point (bp) equals 1/100 of 1%; 50 bps = 50/100 of 1% or 0.5%.

### **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)	2011		2010	
	+50 bp	+100 bp	+50 bp	+100 bp
Change in nominal interest rate				
Nominal bonds	\$ (55,894)	\$ (111,789)	\$ (67,443)	\$ (134,886)
Real return bonds	\$ (44,360)	\$ (88,720)	\$ (40,780)	\$ (81,561)
Mortgages	\$ (7,637)	\$ (15,275)	\$ (4,095)	\$ (8,190)

### **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 (% of the exposure hedged to Canadian dollars) varies by asset class and currency. The target for fixed income and infrastructure is 100%. For foreign equities, the target is 25% for the U.S. dollar and 50% for other major currencies.

WCB's largest foreign currency exposure is to the U.S. dollar, with unhedged holdings of \$680,652 (2010 – \$628,405); euro exposure is next, with unhedged holdings of \$123,341 (2010 – \$90,371). For the current reporting period, the net loss from the currency overlay was \$26,876 (2010 – \$36,075 gain).

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)	2011		2010	
	CAD/USD	CAD/EURO	CAD/USD	CAD/EURO
December 31 spot rate	0.9821	0.7565	1.0064	0.7502
10% appreciation in the Canadian dollar	1.0803	0.8322	1.1070	0.8252
Global mandate	\$ (61,877)	\$ (11,213)	\$ (57,128)	\$ (8,216)

## **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 the WCB's derivative portfolio of open contract positions in segregated funds, with their remaining terms to maturity, as at December 31:

(\$ thousands)			2011			2010		
			Notional Principal	Fair Value Asset	Fair Value Liability	Notional Principal	Fair Value Asset	Fair Value Liability
<b>Asset replication contracts</b>	Global fixed income	Within 1 year	\$ 233,224	\$ -	\$ (275)	\$ 103,590	\$ 1,166	\$ (50)
<b>Foreign-exchange contracts</b>								
Currency overlay forward contracts	Global equities	Within 1 year	1,532,363	26,688	-	1,008,857	16,838	-
Forward foreign-exchange contracts	Global equities/fixed income	Within 1 year	380,017	3,499	(149)	797,041	7,484	(1,765)
			1,912,380	30,187	(149)	1,805,898	24,322	(1,765)
			<u>\$2,145,604</u>	<u>\$ 30,187</u>	<u>\$ (424)</u>	<u>\$1,909,488</u>	<u>\$ 25,488</u>	<u>\$ (1,815)</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, 2011.

#### **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% 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, 2011, the aggregate amount of fixed income securities in segregated funds with counterparty ratings below BBB- was \$89,208 (2010 – \$91,384). WCB also has indirect exposure to counterparty default risk through its pooled investments. Twenty percent of the fixed income portfolio is held in pooled funds.

#### **Securities lending risk**

WCB participates in a securities-lending program sponsored by its custodian, where such loans are secured against loss with marketable securities having a minimum fair value of 102% of the loan. The custodian is contractually obligated to indemnify WCB for any losses resulting from inadequate collateral.

At December 31, 2011, securities on loan through the custodian totalled \$750 million (2010 – \$897 million), secured by \$799 million (2010 – \$947 million) of posted collateral. During 2011, securities-lending generated income of \$1,659 (2010 – \$895).

## 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 as intended.

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:

*Buildings* ..... 2.5% straight-line

*Leasehold improvements* ..... Straight-line over the expected lease term

*Equipment:*

• *Computer (owned)* ..... 35% declining balance

• *Computer (leased)* ..... Straight-line over the lease term

*Furniture and other* ..... 15% declining balance

*Vehicles* ..... 20% straight-line

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)						2011	2010
	Land/ Buildings	Leasehold Improvements	Computer Equipment	Office Furniture/ Equipment	Vehicles/ Other	Total	Total
<b>Cost</b>							
Balance, beginning of period	\$ 45,276	\$ 1,590	\$ 10,579	\$ 15,560	\$ 480	\$ 73,485	\$ 62,746
Current period activity:							
Capitalized expenditure	6,015	46	2,531	1,759	353	10,704	5,282
Transfer from PPE under construction	(5,654)	-	(613)	(2,514)	(101)	(8,882)	-
Disposals	-	-	(2,441)	(47)	(32)	(2,520)	(101)
PPE under construction	2,295	-	2,825	2,330	25	7,475	5,559
<b>Balance, end of period</b>	<b>\$ 47,932</b>	<b>\$ 1,636</b>	<b>\$ 12,881</b>	<b>\$ 17,088</b>	<b>\$ 725</b>	<b>\$ 80,262</b>	<b>\$ 73,486</b>
<b>Accumulated depreciation and impairment</b>							
Balance, beginning of period	\$ 16,924	\$ 886	\$ 5,677	\$ 7,366	\$ 107	\$ 30,960	\$ 26,474
Current period activity:							
Depreciation	1,060	58	2,404	1,105	125	4,752	4,588
Disposals	-	-	(2,441)	(47)	(32)	(2,520)	(101)
<b>Balance, end of period</b>	<b>\$ 17,984</b>	<b>\$ 944</b>	<b>\$ 5,640</b>	<b>\$ 8,424</b>	<b>\$ 200</b>	<b>\$ 33,192</b>	<b>\$ 30,961</b>
Carrying value, beginning of period	\$ 28,352	\$ 704	\$ 4,902	\$ 8,194	\$ 373	\$ 42,525	\$ 36,272
<b>Carrying value, end of period</b>	<b>\$ 29,948</b>	<b>\$ 692</b>	<b>\$ 7,241</b>	<b>\$ 8,664</b>	<b>\$ 525</b>	<b>\$ 47,070</b>	<b>\$ 42,525</b>

**Property, plant and equipment under finance leases**

Included in property, plant and equipment is computer equipment acquired through finance leases at cost of \$6,711 (2010 – \$4,844), accumulated depreciation of \$1,977 (2010 – \$3,186), and carrying value of \$4,734 (2010 – \$1,658).

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 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)			2011	2010
	In Production	Under Development	Total	Total
<b>Cost</b>				
Balance, beginning of year	\$ 111,488	\$ 5,952	\$ 117,440	\$ 115,971
Capitalized expenditure	-	8,270	8,270	4,945
Transfers from software under development	6,791	(6,791)	-	-
Disposals	-	-	-	(3,476)
<b>Balance, end of year</b>	<b>\$ 118,279</b>	<b>\$ 7,431</b>	<b>\$ 125,710</b>	<b>\$ 117,440</b>
<b>Accumulated amortization and impairment</b>				
Balance, beginning of year	\$ 94,215	\$ -	\$ 94,215	\$ 89,410
Amortization	7,014	-	7,014	8,281
Disposals	-	-	-	(3,476)
<b>Balance, end of year</b>	<b>\$ 101,229</b>	<b>\$ -</b>	<b>\$ 101,229</b>	<b>\$ 94,215</b>
Carrying value, beginning of period	\$ 17,273	\$ 5,952	\$ 23,225	\$ 26,561
<b>Carrying value, end of period</b>	<b>\$ 17,050</b>	<b>\$ 7,431</b>	<b>\$ 24,481</b>	<b>\$ 23,225</b>

## 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 the Calgary office building, are held under operating leases. WCB's leases have remaining terms of between 4 and 21 years. See Note 7 *Property, Plant and Equipment* for carrying values of computer equipment held under finance leases.

### Commitments

WCB enters into contractual commitments for purchases of goods and services as part of its regular business activities. A schedule of future expenditure commitments is listed in the table below.

(\$ thousands)	Leases			2011	2010
	Finance	Operating	Other Commitments	Total	Total
Cost					
2011	\$ -	\$ -	\$ -	\$ -	\$ 14,109
2012	2,031	1,843	16,933	20,807	6,544
2013	1,670	1,730	7,833	11,233	3,982
2014	1,201	1,692	6,757	9,650	2,597
2015	43	1,706	199	1,948	1,531
Beyond	-	7,540	365	7,905	7,039
Future minimum payments - undiscounted	\$ 4,945	\$ 14,511	\$ 32,087	\$ 51,543	\$ 35,802
Interest portion of finance leases	(154)				(104)
<b>Finance lease obligations - discounted<sup>1</sup></b>	\$ 4,791				1,708
<b>Other commitments - undiscounted</b>		\$ 14,511	\$ 32,087	\$ 46,598	\$ 33,990

<sup>1</sup>See Note 19(c) *Trade and other liabilities* for presentation of the current finance lease obligation.

## 10. EMPLOYEE BENEFITS

### ACCOUNTING POLICY

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, 2011, 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.

The table below presents key assumptions applicable to WCB's employee future benefit plans.

(\$ thousands)	2011					2010				
	PSPP	MEPP	SERP	Post Retirement	LTD	PSPP	MEPP	SERP	Post Retirement	LTD
Date of most recent actuarial valuation <sup>1</sup>	12/31/2011	12/31/2011	12/31/2011	12/31/2011	12/31/2011	12/31/2011	12/31/2011	12/31/2010	12/31/2010	12/31/2010
<b>Economic assumptions</b>										
Discount rate (nominal)	5.30%	5.20%	5.40%	5.00%	4.20%	5.70%	5.60%	5.90%	5.40%	4.60%
Alberta inflation rate (long-term)	2.25%	2.25%	2.25%	n/a	n/a	2.25%	2.25%	2.40%	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%
<b>Multi-employer plan funding assumptions</b>										
WCB share of plan payroll	4.51%	1.31%				4.51%	1.31%			
Effective rate on contributory payroll	14.17%	19.70%				14.17%	19.70%			
WCB's actual contributions for the current period (\$ thousands)	\$ 10,021	\$ 1,291				\$ 9,630	\$ 1,115			
WCB's expected contributions for the following period (\$ thousands)	\$ 10,671	\$ 1,315				\$ 9,816	\$ 1,299			

<sup>1</sup>Actuarial valuations prepared annually by WCB's benefit plan actuaries. PSPP and MEPP valuations for 2010 were prepared retrospectively.

## DEFINED BENEFIT PLAN LIABILITIES

(\$ thousands)	2011				2010			
	Pension Liabilities <sup>1</sup>	Other Retirement Liabilities <sup>2</sup>	LTD	Total	Pension Liabilities	Other Retirement Liabilities	LTD	Total
<b>Change in defined benefit obligation</b>								
Defined benefit obligation, beginning of year	\$ 223,759	\$ 6,319	\$ 12,741	\$ 242,819	\$ 187,821	\$ 4,361	\$ 10,230	\$ 202,412
Current service cost <sup>3</sup>	9,312	676	1,604	11,592	7,344	510	2,462	10,316
Interest expense <sup>4</sup>	12,765	372	550	13,687	12,705	295	523	13,523
Remeasurement (gains) losses <sup>5</sup>	13,519	935	(2,135)	12,319	23,884	1,249	1,203	26,336
Benefit payments	(7,995)	(60)	(1,475)	(9,530)	(7,995)	(96)	(1,677)	(9,768)
Defined benefit obligation, end of year	\$ 251,360	\$ 8,242	\$ 11,285	\$ 270,887	\$ 223,759	\$ 6,319	\$ 12,741	\$ 242,819
<b>Change in fair value of plan assets</b>								
Fair value of plan assets, beginning of year	\$ 160,228	\$ -	\$ -	\$ 160,228	\$ 142,800	\$ -	\$ -	\$ 142,800
Employer contributions	11,312	55	1,475	12,842	10,745	246	1,677	12,668
Interest income <sup>4</sup>	9,201	-	-	9,201	9,773	-	-	9,773
Remeasurement (gains) losses <sup>5</sup>	(6,917)	-	-	(6,917)	4,905	-	-	4,905
Benefit payments	(7,995)	(55)	(1,475)	(9,525)	(7,995)	(246)	(1,677)	(9,918)
Fair value of plan assets, end of year	\$ 165,829	\$ -	\$ -	\$ 165,829	\$ 160,228	\$ -	\$ -	\$ 160,228
<b>Net plan liability</b>								
Defined benefit obligation	251,360	8,242	11,285	270,887	223,759	6,319	12,741	242,819
Fair value of plan assets	165,829	-	-	165,829	160,228	-	-	160,228
	\$ 85,531	\$ 8,242	\$ 11,285	\$ 105,058	\$ 63,531	\$ 6,319	\$ 12,741	\$ 82,591

<sup>1</sup> Pension liabilities include WCB's proportionate share of the PSPP and MEPP net unfunded liabilities.

<sup>2</sup> Other retirement liabilities include SERP and post retirement benefit plan.

<sup>3</sup> Current service costs are presented within Corporate Administration in the statement of comprehensive income.

<sup>4</sup> Interest expense is presented net of interest income in the statement of comprehensive income.

<sup>5</sup> 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;
- Performance of plan assets affected by investment policies set by the government.

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 change on WCB's other employee benefit plans, individually and in aggregate, are immaterial.

(\$ thousands)	2011		2010	
	+0.25%	-0.25%	+0.25%	-0.25%
+/- % change on assumed rates				
Discount rate based on market yields on high-quality corporate bonds	<u>\$ (8,937)</u>	<u>\$ 8,937</u>	<u>\$ (7,954)</u>	<u>\$ 7,954</u>
General inflation rate	<u>\$ 4,037</u>	<u>\$ (4,037)</u>	<u>\$ 3,594</u>	<u>\$ (3,594)</u>
Wage inflation rate	<u>\$ 1,801</u>	<u>\$ (1,801)</u>	<u>\$ 1,601</u>	<u>\$ (1,601)</u>

## 11. CLAIM BENEFIT LIABILITIES

### ACCOUNTING POLICY

The claim benefit liability represents the actuarial present value of all expected future benefit payments and claim administration costs for claims in respect of current and prior years' injuries. The liability includes a provision for costs of managing claims, but does not include a provision for future claims arising from latent occupational disease or for benefits and payments that are on a self-insured basis. Claim benefit liabilities have been estimated in accordance with accepted actuarial practice established by 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 remeasurement gains and losses are recognized in income in the period that they occur.

### CHANGE IN ACTUARIAL STANDARDS – LIABILITY FOR LONG LATENCY OCCUPATIONAL DISEASE CLAIMS

Effective for valuation dates on and after December 31, 2014, a new standard of the Canadian Institute of Actuaries (issued February 2011) will require that actuarial valuations include an allowance for all long latency occupational disease claims expected to arise in the future as a result of past exposures. WCB is currently assessing the implications of implementing this requirement, and is still evaluating if this new standard will require a change to its accounting policies for recognition of this liability. Adoption of this standard for its claim benefit liabilities would have a material impact on the WCB's reported financial position.

### ACTUARIAL METHODOLOGY AND BASIS OF VALUATION

Claim benefit liabilities have been independently valued at December 31, 2011 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. No provision has been made for claims related to known latent occupational diseases where the claim has not yet been reported and the year of disablement would be in a subsequent period.

The valuation is based on the legislation, WCB 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.

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).

## VALUATION 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 future benefit costs in the future. All of the actuarial assumptions are determined on a best estimate basis except for the real rate of return on investments. The expected long-term investment earnings assumption is targeted at a 70% probability level, which provides a margin for adverse deviation.

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% 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 3.5%, 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:

	2011	2010
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	6.00%	6.00%

## CHANGES IN CURRENT ASSUMPTIONS

During the reporting period, there were no changes to the key long-term economic assumptions, other than a change to the assumption for the real rate of return.

For the 2010 valuation, the real rate of return was reduced from the long-term rate of 3% for all future years to 2% for 2011 to 2014 and 3% thereafter, reflecting low bond market yields. For the 2011 valuation, the short-term period has been extended to include 2015 as market yields have not rebounded but have once again decreased. The impact of this change is an increase of \$35.6 million in the claim benefit liabilities.

## 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. Note 14 *Claims and Claims Management Expenses* provides details of those amounts recognized in income for the reporting period.

(\$ thousands)	2011						Total
	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Rehabilitation	Claims Management	
<b>Claim benefit liabilities, beginning of year</b>	\$ 377,000	\$ 2,247,000	\$ 505,800	\$ 1,666,900	\$ 135,500	\$ 346,700	\$ 5,278,900
<b>Claim costs recognized during the year</b>							
Provision for future costs of current year injuries	94,700	174,700	26,800	218,000	33,900	58,000	606,100
Claim benefits processed in the year	74,932	4,170	1,910	129,217	3,622	36,714	250,565
	169,632	178,870	28,710	347,217	37,522	94,714	856,665
<b>Claim costs arising from changes to policy, legislation and administrative practices</b>							
Changes related to governance	2,200	1,200	1,500	1,700	-	800	7,400
<b>Total claim costs recognized during the year</b>	171,832	180,070	30,210	348,917	37,522	95,514	864,065
<b>Claim payments processed during the year</b>							
Payments for current year injuries	(73,095)	(2,427)	(1,245)	(126,284)	(3,440)	(35,285)	(241,776)
Payments for prior years' injuries	(88,644)	(147,646)	(43,789)	(149,915)	(37,071)	(62,738)	(529,803)
	(161,739)	(150,073)	(45,034)	(276,199)	(40,511)	(98,023)	(771,579)
<b>Interest expense on the liability</b>	15,100	99,100	22,100	72,500	5,500	14,500	228,800
<b>Impact of actuarial remeasurement</b>							
<b>Changes in valuation methods and assumptions</b>							
Change to Exposure Index	2,600	11,700	800	19,900	800	2,300	38,100
Assumptions for Economic Loss Payments	-	(47,200)	-	-	-	-	(47,200)
Lower discount rate related to real rate of return	1,600	15,900	3,500	12,900	600	1,100	35,600
Other changes in methods and assumptions	-	400	-	-	-	-	400
<b>Changes in claims experience</b>							
Inflation and wage growth different than expected	1,900	13,600	2,200	(900)	1,300	2,900	21,000
Actual costs different than expected	(2,500)	10,200	500	(8,000)	6,000	6,000	12,200
Other experience (gains) losses	207	(17,497)	(9,376)	2,382	389	(7,891)	(31,786)
Total Remeasurement of claim benefit liabilities	3,807	(12,897)	(2,376)	26,282	9,089	4,409	28,314
<b>Claim benefit liabilities, end of year</b>	\$ 406,000	\$ 2,363,200	\$ 510,700	\$ 1,838,400	\$ 147,100	\$ 363,100	\$ 5,628,500

(\$ thousands)	2010						
	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Rehabilitation	Claims Management	Total
<b>Claim benefit liabilities, beginning of year</b>	\$ 333,700	\$ 2,131,500	\$ 494,800	\$ 1,500,000	\$ 126,300	\$ 320,700	\$ 4,907,000
<b>Claim costs recognized during the year</b>							
Provision for future costs of current year injuries	88,600	160,800	23,800	197,900	30,500	55,200	556,800
Claim benefits processed in the year	65,004	4,032	1,635	109,916	2,880	28,227	211,694
	153,604	164,832	25,435	307,816	33,380	83,427	768,494
<b>Claim costs arising from changes to policy, legislation and administrative practices</b>							
Changes related to governance	1,200	3,000	3,100	4,100	100	600	12,100
<b>Total claim costs recognized during the year</b>	154,804	167,832	28,535	311,916	33,480	84,027	780,594
<b>Claim payments processed during the year</b>							
Payments for current year injuries	(63,014)	(2,442)	(1,058)	(107,150)	(2,660)	(26,398)	(202,722)
Payments for prior years' injuries	(88,005)	(142,796)	(43,934)	(142,229)	(33,992)	(65,188)	(516,144)
	(151,019)	(145,238)	(44,992)	(249,379)	(36,652)	(91,586)	(718,866)
<b>Interest expense on the liability</b>	16,200	114,100	26,400	79,700	6,200	16,400	259,000
<b>Impact of actuarial remeasurement</b>							
<b>Changes in valuation methods and assumptions</b>							
Lower discount rate related to real rate of return	8,100	67,800	15,500	50,100	2,800	8,900	153,200
Other changes in methods and assumptions	14,500	(5,500)	-	-	-	2,000	11,000
<b>Changes in claims experience</b>							
Inflation and wage growth different than expected	(800)	(15,900)	(5,100)	(20,600)	700	1,600	(40,100)
Actual costs different than expected	-	(24,600)	600	(5,800)	4,600	(1,400)	(26,600)
Other experience (gains) losses	1,515	(42,994)	(9,943)	963	(1,928)	6,059	(46,328)
Total Remeasurement of claim benefit liabilities	23,315	(21,194)	1,057	24,663	6,172	17,159	51,172
<b>Claim benefit liabilities, end of year</b>	\$ 377,000	\$ 2,247,000	\$ 505,800	\$ 1,666,900	\$ 135,500	\$ 346,700	\$ 5,278,900

## CLAIMS DEVELOPMENT

The table that follows presents the development of the estimated ultimate benefits of claims and claim payments for accident years 2005 to 2011. In the year of adoption of IFRS, only five comparative years are required to be disclosed. This will be increased in each succeeding year until ten years of information have been accumulated.

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 are expected to be paid in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefit amounts to the discounted amount reported in the statement of financial position.

(\$ thousands)	Accident Year								Total
	Prior Years	2005	2006	2007	2008	2009	2010	2011	
<b>Estimate of cumulative claims benefits</b>									
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	
One year later		1,044,701	1,189,008	1,295,318	1,308,486	1,250,394	1,299,370	-	
Two years later		1,054,176	1,178,679	1,197,062	1,276,380	1,239,500	-	-	
Three years later		1,042,662	1,096,841	1,176,070	1,271,144	-	-	-	
Four years later		980,429	1,072,273	1,154,051	-	-	-	-	
Five years later		957,173	1,079,888	-	-	-	-	-	
Six years later		944,210	-	-	-	-	-	-	
<b>Current estimate of cumulative claim benefits</b>		944,210	1,079,888	1,154,051	1,271,144	1,239,500	1,299,370	1,444,292	
<b>Cumulative payments</b>		(371,087)	(390,654)	(384,928)	(392,425)	(332,361)	(293,284)	(206,491)	
<b>Outstanding benefits (undiscounted)</b>	5,960,440	573,123	689,234	769,123	878,719	907,139	1,006,086	1,237,801	12,021,665
Effect of discounting	(3,141,400)	(347,596)	(419,322)	(467,701)	(535,188)	(553,009)	(602,389)	(689,661)	(6,756,265)
	2,819,040	225,527	269,912	301,422	343,531	354,130	403,697	548,140	5,265,400
Claims management									363,100
<b>Claim benefit liabilities</b>									5,628,500

## 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% 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.

The table below shows the sensitivity of the claim benefit liabilities to an immediate 0.25% increase or decrease in the assumed rates:

(\$ thousands)	2011		2010	
	+0.25%	-0.25%	+0.25%	-0.25%
+/- % change on assumed rates				
Real rate of return	\$ (161,000)	\$ 168,000	\$ (152,100)	\$ 158,700
Wage inflation rate	\$ 32,000	\$ (31,000)	\$ 27,000	\$ (26,000)
Health care escalation rate	\$ 64,000	\$ (61,000)	\$ 57,700	\$ (54,800)

## 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 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)	<b>2011</b>	2010
<b>Premiums</b>		
Assessed premium revenue for current year	\$ 1,082,820	\$ 1,092,150
Self-insured employer revenue	12,156	11,347
Other premium-related revenue	12,209	9,248
	<u>1,107,185</u>	<u>1,112,745</u>
Deduct: Partnerships in injury reduction rebates	73,327	81,204
	<u>\$ 1,033,858</u>	<u>\$ 1,031,541</u>

Assessed premium revenue includes an accrual of \$11,286 (2010 – negative \$5,529) 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.

Partnerships in Injury Reduction (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 on 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 claim and management expenses reported in the statement of comprehensive income.

(\$ thousands)	2011			2010		
	Current Year Injuries	Prior Years' Injuries	Total	Current Year Injuries	Prior Years' Injuries	Total
<b>Claims expense</b>						
Provision for future costs of current year injuries <sup>1</sup>	\$ 606,100	\$ -	\$ 606,100	\$ 556,800	\$ -	\$ 556,800
<b>Claim payments processed in the year</b>						
<i>Short-term disability</i>	73,095	88,644	161,739	63,014	88,005	151,019
<i>Long-term disability</i>	2,427	147,646	150,073	2,442	142,796	145,238
<i>Survivor benefits</i>	1,245	43,789	45,034	1,058	43,934	44,992
<i>Health care</i>	126,284	149,915	276,199	107,150	142,229	249,379
<i>Rehabilitation</i>	3,440	37,071	40,511	2,660	33,992	36,652
	206,491	467,065	673,556	176,324	450,956	627,280
<b>Deduct: claim payments related to prior years<sup>2</sup></b>	-	(521,014)	(521,014)	-	(507,172)	(507,172)
	206,491	(53,949)	152,542	176,324	(56,216)	120,108
<b>Impact of governance changes<sup>3</sup></b>	7,400	-	7,400	12,100	-	12,100
	\$ 819,991	\$ (53,949)	\$ 766,042	\$ 745,224	\$ (56,216)	\$ 689,008
<b>Claims management<sup>4</sup></b>						
Claims-related administration	35,231	51,975	87,206	26,398	56,776	83,174
Appeals Commission	53	10,479	10,532	-	8,143	8,143
Medical Panel Office	1	284	285	-	269	269
	\$ 35,285	\$ 62,738	\$ 98,023	\$ 26,398	\$ 65,188	\$ 91,586
<b>Total Claims and Claims Management Expense</b>	\$ 855,276	\$ 8,789	\$ 864,065	\$ 771,622	\$ 8,972	\$ 780,594

<sup>1</sup> The provision for future costs of current year injuries represents the present value of all future obligations for benefit payments arising from current year injuries

<sup>2</sup> Claim payments relating to prior years injuries are not current year expenses, but are charged to the liabilities established for those prior accident years

<sup>3</sup> Governance changes arise from legislation, administrative practices, or judicial decisions

<sup>4</sup> 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:

- **Corporate administration** – provides general management and specialized services such as investment management
- **Claims-related administration** – responsible for adjudicating claims, processing benefit payments, and the provision of return to work services to claimants

The table below presents administration broken down by nature of expense and by function:

(\$ thousands)

	Corporate	Claims-related	2011	2010
<b>Administration expenses</b>				
Salaries and employee benefits	\$ 53,084	\$ 97,288	\$ 150,372	\$ 141,030
Technology expenses	11,192	6,916	18,108	18,906
Office expenses	3,360	1,920	5,280	5,177
Occupancy expenses	3,343	5,350	8,693	7,996
Professional fees	1,709	2,626	4,335	4,213
Depreciation and amortization	6,275	5,479	11,754	12,854
Travel and related expenses	700	478	1,178	1,158
Other	1,246	298	1,544	1,532
	<u>80,909</u>	<u>120,355</u>	<u>201,264</u>	<u>192,866</u>
<b>Less:</b>				
Cost recoveries - legal action	65	3,048	3,113	3,032
Cost recoveries - other	79	1,015	1,094	1,129
Reclassifications to:				
Investment Management expense	2,384	-	2,384	2,205
Claims expense - Rehabilitation services	-	29,086	29,086	26,835
	<u>2,528</u>	<u>33,149</u>	<u>35,677</u>	<u>33,201</u>
	<u>\$ 78,381</u>	<u>\$ 87,206</u>	<u>\$ 165,587</u>	<u>\$ 159,665</u>

For 2010, Corporate administration was \$76,491 and Claims-related administration \$83,174.

## 16. INVESTMENT INCOME AND EXPENSE

### ACCOUNTING POLICY

The primary components of investment income include:

- (a) gains and losses from investments (including derivatives) classified at fair value through profit and loss recognized in income in the period in which they arise;
- (b) interest revenue accrued using the effective interest method, net of amortization of any premium or discount recognized at date of purchase; and
- (c) dividend income when a right to payment has been established based on the ex-dividend date for quoted securities.

Investment expense is composed of transaction costs and investment management expenses, both external and internal. Transaction costs related to the acquisition and sale or transfer of securities designated at fair value through income are recognized in income in the period in which they are incurred. Fund management expenses of pooled investments (including transaction costs, custodial and accounting fees, etc.) are netted against the revenues of those respective funds.

### INVESTMENT INCOME

(\$ thousands)

	<b>2011</b>	2010
<b>Interest income</b>		
Bonds	\$ 108,578	\$ 124,300
Mortgages	18,735	11,758
Short-term investments	4,179	1,782
	<u>131,492</u>	<u>137,840</u>
<b>Dividend income</b>		
Domestic equities	26,354	17,825
Foreign equities	40,517	33,278
	<u>66,871</u>	<u>51,103</u>
<b>Property income</b>		
Real estate	30,028	21,754
Infrastructure	16,945	5,512
	<u>46,973</u>	<u>27,266</u>
<b>Derivative income</b>		
Realized gains (losses)	(61,091)	33,185
Unrealized gains (losses)	29,763	23,673
	<u>(31,328)</u>	<u>56,858</u>
<b>Investment gains (losses)</b>		
Bonds	146,742	112,971
Mortgages	7,168	-
Domestic equities	(68,614)	93,617
Foreign equities	(90,352)	129,405
Real estate	110,669	49,624
Infrastructure	(8,821)	3,735
	<u>96,792</u>	<u>389,352</u>
	<u>\$ 310,800</u>	<u>\$ 662,419</u>

## INVESTMENT MANAGEMENT EXPENSE

(\$ thousands)	<u>2011</u>	<u>2010</u>
Fund management fees	\$ 20,217	\$ 14,514
Custody fees	419	1,358
Investment administration	2,384	2,205
	<u>\$ 23,020</u>	<u>\$ 18,077</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 arms 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, composed 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 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>2011</u>	<u>2010</u>
Receivables	\$ 5	\$ -
Payables and accruals	\$ 2,884	\$ 1,919
Expenses	<u>\$ 38,192</u>	<u>\$ 35,635</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.

	2011				Total
	Base Salary <sup>1</sup>	Other Cash Benefits <sup>2</sup>	Non-Cash Benefits <sup>3</sup>	SERP <sup>4</sup>	
Chair, Board of Directors <sup>5</sup>	\$ -	\$ 83,480	\$ 3,912	\$ -	\$ 87,392
Board Members <sup>5</sup>	-	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
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
Chief Financial Officer	275,000	102,250	35,076	34,200	446,526
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>
	2010				
Chair, Board of Directors <sup>5</sup>	\$ -	\$ 95,834	\$ 3,879	\$ -	\$ 99,713
Board Members <sup>5</sup>	-	163,189	12,748	-	175,937
President and Chief Executive Officer	354,000	189,000	35,940	49,200	628,140
Vice-president, Disability and Information Management	290,000	107,500	30,593	32,500	460,593
Vice-president, Customer Service and Risk Management	264,000	98,400	31,530	33,700	427,630
Vice-president, Employee and Corporate Services	227,000	74,100	31,494	20,800	353,394
Chief Financial Officer	264,000	98,400	32,510	25,500	420,410
Secretary and General Counsel	222,000	72,600	33,381	23,500	351,481
	<u>\$ 1,621,000</u>	<u>\$ 899,023</u>	<u>\$ 212,075</u>	<u>\$ 185,200</u>	<u>\$ 2,917,298</u>

<sup>1</sup> Base salary is pensionable base pay.

<sup>2</sup> Other cash benefits include performance awards, car allowances and honoraria.

<sup>3</sup> 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 and other memberships.

<sup>4</sup> 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.

<sup>5</sup> The Chair of the Board of Directors and the nine Board Members are part-time positions. There were two Board member vacancies for a period during 2011.

No termination benefits were paid to key management personnel in the reporting period.

## SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(\$)	2011				2010	
	Current Service Cost <sup>1</sup>	Other Costs <sup>2</sup>	Net Cost	Accrued Obligation	Net Cost	Accrued Obligation
President and Chief Executive Officer	\$ 63,400	\$ 111,500	\$ 174,900	\$ 714,200	\$ 170,100	\$ 539,300
Vice-president, Disability and Information Management	45,900	90,600	136,500	457,700	126,200	321,200
Vice-president, Customer Service and Risk Management	42,200	51,400	93,600	389,000	93,500	295,400
Vice-president, Employee and Corporate Services	26,500	33,000	59,500	244,900	60,400	185,400
Chief Financial Officer	34,200	61,600	95,800	264,900	68,600	169,100
Secretary and General Counsel	28,500	48,600	77,100	276,600	58,600	199,500
Other senior management and inactive members	128,700	115,300	244,000	741,800	208,900	497,800
	<b>\$ 369,400</b>	<b>\$ 512,000</b>	<b>\$ 881,400</b>	<b>\$ 3,089,100</b>	<b>\$ 786,300</b>	<b>\$ 2,207,700</b>

<sup>1</sup> Current service cost represents the actuarial present value of future benefit obligations arising from employee service in the current period.

<sup>2</sup> 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)	<b>2011</b>	2010
Cash in transit and in banks	\$ 23,164	\$ 20,017
Cash equivalents	345,384	342,088
Cash and cash equivalents	<u>\$ 368,548</u>	<u>\$ 362,105</u>

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 1.3% (2010 – 0.9%).

### (b) Trade and other receivables

(\$ thousands)	<b>2011</b>	2010
<b>Premium</b>		
Assessed	\$ 37,051	\$ 33,352
Accrued	11,286	(5,528)
	48,337	27,824
<b>Other</b>	3,453	6,765
	<u>\$ 51,790</u>	<u>\$ 34,589</u>

Accrued premiums receivable represent estimated 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	<b>2011</b>	2010
Trade payables	\$ 35,384	\$ -	\$ 35,384	\$ 35,148
Lease obligations	-	4,791	4,791	1,708
Other liabilities	-	6,683	6,683	6,493
	<u>\$ 35,384</u>	<u>\$ 11,474</u>	<u>\$ 46,858</u>	<u>\$ 43,349</u>
Current portion	\$ 35,384	\$ 2,002	\$ 37,386	\$ 36,071
Non-current portion	-	9,472	9,472	7,278
	<u>\$ 35,384</u>	<u>\$ 11,474</u>	<u>\$ 46,858</u>	<u>\$ 43,349</u>

See Note 9 *Lease and Other Commitments* for details of the lease obligations.

#### (d) Surplus distributions

(\$ thousands)	Change in Comprehensive Income		Surplus Distributions Payable	
	2011	2010	2011	2010
<b>Surplus distributions, beginning of year</b>			\$ 230,128	\$ 500
Payment of prior years' surplus distributions			(227,847)	(563)
			2,281	(63)
Adjustment of prior years' accruals	\$ (1,431)	\$ 63	(1,431)	63
Outstanding balance from prior years			850	-
Surplus distributions authorized for the year	-	230,128	-	230,128
<b>Surplus distributions, end of year</b>	<b>\$ (1,431)</b>	<b>\$ 230,191</b>	<b>\$ 850</b>	<b>\$ 230,128</b>

Substantially all surplus distributions are paid within one year.

#### (e) Safety rebates

(\$ thousands)	2011	2010
<b>Safety rebates payable, beginning of year</b>	\$ 81,204	\$ 71,445
Payment of prior years' rebates	(75,576)	(69,883)
	5,628	1,562
Adjustment of prior years' accruals	(4,549)	962
Outstanding balance from prior years	1,079	2,524
Rebates for the year	72,248	78,680
<b>Safety rebates payable, end of year</b>	<b>\$ 73,327</b>	<b>\$ 81,204</b>

Safety rebates represent amounts recognized under the Partnerships in Injury Reduction program. See Note 13 *Premium Revenue* for further discussion of the PIR program.

#### (f) Injury reduction

(\$ thousands)	2011	2010
Occupational Health and Safety	\$ 27,694	\$ 27,545
Industry safety associations	17,934	16,915
	<b>\$ 45,628</b>	<b>\$ 44,460</b>

Injury reduction is composed of statutory funding of Occupational Health and Safety and voluntary premium levies to fund industry-sponsored safety associations.

## 20. TRANSITION TO IFRS

### OVERVIEW

The objective of IFRS 1 is to ensure comparability of an entity's IFRS financial statements over time, and between the financial statements of entities adopting IFRS for the first time. Adoption of IFRS is predicated on retrospective application — financial statements are presented as though the entity had always reported under IFRS. The transitional provisions of IFRS 1 include a number of optional exemptions from, as well as some mandatory exceptions to, retrospective application of certain IFRSs.

#### ***Basis of Preparation***

WCB has prepared its first financial statements under IFRS for the year ending December 31, 2011. IFRS financial statements for that period also present two years of comparative financial information restated from Canadian GAAP to IFRS: 1) for the year ended December 31, 2010 and 2) the opening statement of financial position as at January 1, 2010.

### SIGNIFICANT ACCOUNTING POLICY CHANGES

#### ***IFRS 9 Financial instruments: Classification and Measurement***

IFRS 9, issued in November 2009, replaces the classification and measurement provisions of IAS 39. IFRS 9 is effective for reporting periods beginning on or after January 1, 2015, but WCB has elected early adoption in order to avoid another major accounting change after transition.

#### ***IFRS 1 election: Designation of previously recognized financial instruments***

Under IAS 39, an entity must designate a financial instrument at inception. A subsequent change of designation is permitted only under certain conditions specified by IAS 39; however, IFRS 1 allows an entity a choice to reclassify previously recognized financial instruments at the date of transition. As IFRS 9 eliminates the available-for-sale classification, WCB elected fair value through income at transition on the basis that its financial instruments do not meet the business model criteria for either amortized cost or fair value through other comprehensive income.

#### ***Impact of adoption***

At January 1, 2010, the balance in AOCI of \$328.2 million was eliminated to opening Fund Balance with no impact on funded position. For the year ended December 31, 2010, the impact was a \$317.6 million increase in investment income and a corresponding decrease in AOCI. The balance in AOCI was also eliminated to Fund Balance.

#### ***IAS 17 Leases***

At transition, WCB reclassified some of its computer equipment leases from operating to finance leases with immaterial effect. Analysis of other leases confirmed that they were operating.

#### ***Impact of adoption***

The impact on the financial statements as a result of IAS 17 at January 1, 2010, and at December 31, 2010 was immaterial.

#### ***IAS 1 Financial statement presentation***

For the statement of changes in equity (funded position), IAS 1 permits only those changes in equity arising from transactions with owners in their capacity as owners to be reflected therein. Non-owner changes in equity must be presented in the statement of comprehensive income.

### ***Impact of adoption***

The impact on the financial statements as a result of IAS 17 at January 1, 2010 was immaterial. For the year ended December 31, 2010, surplus distributions payable to employers in accordance with Funding Policy aggregating \$230,191 were reclassified from the statement of changes in funded position to the statement of comprehensive income, with no net effect on funded position.

## **IFRS POLICY ELECTIONS**

### ***IAS 16 Property, plant and equipment***

WCB has elected the cost method for all PPE and intangible assets, on the basis that it was more appropriate in representing its business than fair value.

### ***IFRS 1 election: Fair value as deemed cost***

After thorough analysis of all PPE and intangible assets, WCB concluded that previous GAAP was substantially aligned with IFRS and that their carrying values were consistent with IFRS requirements. Since the majority of WCB assets are of more recent vintage, asset recognition and cost measurement were considered to be reliable, hence the fair value exemption was not taken.

### ***IFRS 1 election: Decommissioning liabilities included in property, plant and equipment***

WCB has elected to evaluate decommissioning liabilities for owned and leased PPE, as at the date of transition. Based on a review of contractual and constructive obligations in accordance with IAS 37, WCB did not recognize such liabilities as they were not material.

### ***Impact of adoption***

There is no impact on the financial statements as current practice is consistent with IAS 16 requirements.

### ***IAS 19 Employee benefits***

Because WCB early adopted IAS 19 (Revised) issued in June 2011, the accounting policy elected at transition has been superseded. WCB had elected to recognize all actuarial gains and losses of post-employment benefit plans immediately through income. The IAS 19 amendment requires such gains and losses to be recognized instead through OCL. For comparability with IAS 19 (Revised), WCB changed its transitional election to recognize all gains and losses through OCL, including those from other benefit plans.

### ***Impact of adoption***

For the year ended December 31, 2010, the impact from recognition of actuarial gains and losses through OCL was immaterial, with no net impact on total comprehensive income.

See note 3 *Recently Issued Accounting Standards* for discussion of this accounting change.

WCB also elected to change the accounting policy for its multi-employer pension plans from defined contribution to defined benefit plan accounting. IFRS places the onus on an entity to justify why defined benefit accounting cannot be applied for such plans. After extensive review of the IAS 19 guidance and consultation with its benefit plan actuaries, WCB concluded that implementation of defined benefit accounting was practical.

See note 10 *Employee Benefits* for discussion of this accounting change.

### ***Impact of adoption***

At January 1, 2010, the multi-employer pension impact was recognition of a net pension liability for two pension plans resulting in an increase of \$45.0 million in employee benefit liabilities and a decrease in opening Fund Balance. At December 31, 2010, plan changes resulted in employee benefits liabilities of \$61.1 million, an increase of \$20.1 million from the net transitional liability of \$41.0 million.

### ***IFRS 1 election: Recognition of cumulative gains and losses***

Retrospective application of the corridor method requires an entity to split the cumulative actuarial gains and losses, from the inception of all benefit plans until the date of transition to IFRS, into a recognized and an unrecognized portion. IFRS 1 permits recognition of all cumulative unrecognized actuarial gains and losses at the date of transition. WCB elected to recognize cumulative gains and losses only for its long-term disability plan, as its other benefit plans already recognize all gains and losses immediately.

### ***Impact of adoption***

At January 1, 2010, and at December 31, 2010, the impact from recognition of actuarial gains and losses was immaterial.

## **MANDATORY EXCEPTIONS FROM RETROSPECTIVE APPLICATION**

Where retrospective application cannot be performed with sufficient reliability, full retrospective application is not permitted. In addition, IFRS 1 prescribes exceptions to application rules for specific areas to prevent entities using the benefit of hindsight to change accounting outcomes retrospectively, i.e., based on circumstances and information that were not available when the amounts were originally estimated under previous GAAP.

The following exceptions apply to retrospective application to WCB transactions.

### **Estimates**

Accounting estimates in accordance with IFRSs that were also made under previous GAAP may not be adjusted on transition except to reflect differences in accounting policies or unless there is objective evidence that the estimates were in error. For the transitional financial statements, no estimates required adjustment to comply with IFRSs.

### **Classification and measurement of financial assets**

An entity must assess whether a financial asset meets the conditions for classification at amortized cost in accordance with IFRS 9 based on the facts and circumstances that exist at the date of transition to IFRS. This exception is also intended to prevent the use of hindsight in retrospectively applying IFRS 9 before the date of transition.

As at January 1, 2010, cash equivalents as well as trade and other receivables met the requirements for amortized cost classification.

## RECONCILIATION OF GAAP TO IFRS FINANCIAL STATEMENTS

In addition to explaining the impacts of adopting IFRS, IFRS 1 requires a quantitative reconciliation of the results under previous GAAP and IFRS specifically for funded position and total comprehensive income for all comparative periods. The following transitional financial statements provide this reconciliation.

A. Statement of Financial Position		December 31, 2010				January 1, 2010			
		Notes	Canadian GAAP	Presentation Differences	Recognition and Measurement Differences	IFRS	Canadian GAAP	Presentation Differences	Recognition and Measurement Differences
(\$ thousands)									
<b>ASSETS</b>									
Cash and cash equivalents		\$ 362,105	\$ -	\$ -	\$ 362,105	\$ 100,722	\$ -	\$ -	\$ 100,722
Trade and other receivables		34,589	-	-	34,589	6,349	-	-	6,349
Investments	A1	6,851,029	3,627	-	6,854,656	6,315,424	3,169	-	6,318,593
Property, plant and equipment	A2	40,867	-	1,658	42,525	34,591	-	1,681	36,272
Intangible assets		23,225	-	-	23,225	26,561	-	-	26,561
		<u>7,311,815</u>	<u>3,627</u>	<u>1,658</u>	<u>7,317,100</u>	<u>6,483,647</u>	<u>3,169</u>	<u>1,681</u>	<u>6,488,497</u>
<b>LIABILITIES</b>									
Trade and other liabilities	A3	140,758	(99,117)	1,708	43,349	142,954	(86,889)	1,742	57,807
Surplus distributions		230,128	-	-	230,128	500	-	-	500
Safety rebates	A4	-	81,204	-	81,204	-	71,445	-	71,445
Employee benefits	A5	-	21,540	61,051	82,591	-	18,613	40,998	59,611
Claim benefit liabilities		5,278,900	-	-	5,278,900	4,907,000	-	-	4,907,000
		<u>5,649,786</u>	<u>3,627</u>	<u>62,759</u>	<u>5,716,172</u>	<u>5,050,454</u>	<u>3,169</u>	<u>42,740</u>	<u>5,096,363</u>
<b>FUNDED POSITION</b>									
Fund Balance	A6	1,345,329	-	(61,101)	1,284,228	1,138,793	-	(41,059)	1,097,734
Occupational Disease Reserve		316,700	-	-	316,700	294,400	-	-	294,400
		<u>1,662,029</u>	<u>-</u>	<u>(61,101)</u>	<u>1,600,928</u>	<u>1,433,193</u>	<u>-</u>	<u>(41,059)</u>	<u>1,392,134</u>
		<u>\$ 7,311,815</u>	<u>\$ 3,627</u>	<u>\$ 1,658</u>	<u>\$ 7,317,100</u>	<u>\$ 6,483,647</u>	<u>\$ 3,169</u>	<u>\$ 1,681</u>	<u>\$ 6,488,497</u>
Funded ratio		129.4%			<b>128.0%</b>	128.4%			<b>127.3%</b>

## Notes to the Statement of Financial Position

Note Ref	Description of Adjustment	IFRS	Reason	Dec 31, 2010	Note Ref	Jan 1, 2010
<b>A1</b>	<b>Investments</b>					
	Reclassify investment fees payable to trade and other liabilities	IAS 1	Material dissimilar items require separate presentation in the financial statements	3,627	A3	3,169
<b>A2</b>	<b>Property, plant and equipment</b>					
	Recognize computer equipment assets and liabilities under finance leases	IAS 17	Net impact of transitional recognition of assets and liabilities under IAS 17			
	Lease assets			1,658		1,681
	Lease liabilities			1,708		1,742
	Adjust net difference of lease assets and liabilities to opening accumulated opening surplus	IAS 17	Net impact of transitional recognition of leased assets and liabilities under IAS 17		C2	(61)
<b>A3</b>	<b>Trade and other liabilities</b>					
	Reclassify material unrelated amounts to separate line items:	IAS 1	Material dissimilar items require separate presentation in the financial statements			
	Investment fees / other liabilities			3,627	A1	3,169
	Employee benefits			(21,540)	A5	(18,613)
	Safety rebates			(81,204)	A4	(71,445)
				(99,117)		(86,889)
<b>A4</b>	<b>Safety rebates</b>					
	Reclassify safety rebates payable from trade and other liabilities to a separate line	IAS 1	Material dissimilar items require separate presentation in the financial statements	81,204	A3	71,445
<b>A5</b>	<b>Employee benefits</b>					
	Reclassify retirement and other benefit obligations from trade and other liabilities to a separate line for employee benefits	IAS 1	Material dissimilar items require separate presentation in the financial statements	21,540	A3	18,613
	Recognize cumulative actuarial gains and losses on employee benefit plans (long-term disability)	IFRS 1	Transitional relief from full retrospective application of the corridor method in accordance with IAS 19	(2,480)	C3	(4,023)
	Recognize multi-employer pension liabilities due to accounting policy change from defined contribution to defined benefit plan accounting	IAS 19	Actuarial review confirmed that sufficient information was available to apply defined benefit accounting under IAS 19			
	PSPP			57,722	C4	41,529
	MEPP			5,809	C4	3,492
				61,051		40,998
<b>A6</b>	<b>Fund Balance (Statement of Changes in Funded Position)</b>					
	Presentation differences - total			-	C	-
	Recognition and measurement differences - total			(61,101)	C	(41,059)

B. Statement of Comprehensive Income		December 31, 2010			
(\$ thousands)	Notes	Canadian GAAP	Presentation Differences	Recognition and Measurement Differences	IFRS
<b>REVENUE</b>					
Premium		\$ 1,031,541	\$ -	\$ -	\$ 1,031,541
Investment income	B1	326,726	18,077	317,616	662,419
Other operating income	B2	870	(870)	-	-
		<u>1,359,137</u>	<u>17,207</u>	<u>317,616</u>	<u>1,693,960</u>
<b>EXPENSES</b>					
Claims expense	B3	1,093,879	(404,871)	-	689,008
Claims management	B4	-	92,394	(808)	91,586
Interest expense on claim benefit liabilities	B3	-	259,000	-	259,000
Remeasurement of claim benefit liabilities	B3	-	51,172	-	51,172
Corporate administration	B5	79,387	(1,835)	(1,061)	76,491
Injury reduction		44,460	-	-	44,460
Investment management expense	B1	-	18,077	-	18,077
Interest on employee benefit obligations	B6	-	818	2,932	3,750
		<u>1,217,726</u>	<u>14,755</u>	<u>1,063</u>	<u>1,233,544</u>
<b>OPERATING SURPLUS</b>					
Funding Policy surplus distributions	B7	141,411	2,452	316,553	460,416
		<u>-</u>	<u>(230,191)</u>	<u>-</u>	<u>(230,191)</u>
<b>NET FUNDING SURPLUS</b>					
		141,411	(227,739)	316,553	230,225
<b>OTHER COMPREHENSIVE INCOME</b>					
Investment gains recognized in OCI	B8	389,353	-	(389,353)	-
Investment losses reclassified to surplus from ALM	B8	(78,824)	-	78,824	-
Impairment loss in OCI recognized in surplus from ALM	B8	7,087	-	(7,087)	-
Remeasurement of employee benefit obligations	B9	-	(2,452)	(18,979)	(21,431)
		<u>317,616</u>	<u>(2,452)</u>	<u>(336,595)</u>	<u>(21,431)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>\$ 459,027</u>	<u>\$ (230,191)</u>	<u>\$ (20,042)</u>	<u>\$ 208,794</u>

## Notes to the Statement of Comprehensive Income

Note Ref	Description of Adjustment	IFRS	Reason	Note Ref	Dec 31, 2010
<b>B1</b>	<b>Investment income</b>				
	Reclassify investment expense from income to expense	IAS 1	Material dissimilar items require separate presentation in the financial statements		18,077
	Recognize net investment gains and losses and impairment write downs through income previously recognized through OCI	IFRS 9	Net impact on current period of applying IFRS 9		
	Investment gains (losses) through OCI			B8	389,353
	Investment gains (losses) through operating surplus			B8	(78,824)
	Impairment loss through operating surplus			B8	7,087
					317,616
<b>B2</b>	<b>Other operating income</b>				
	Reclassify other income to claims management	IAS 18	Cost recoveries do not meet revenue recognition criteria	B4, B5	(870)
<b>B3</b>	<b>Claims expense</b>				
	Reclassify material dissimilar items from claims expense to separate lines to conform with revised presentation:	IAS 1	Material dissimilar items require separate presentation in the financial statements		
	Interest expense on claim benefit liabilities				(259,000)
	Remeasurement of claim benefit liabilities				(51,172)
	Claims management			B4	(94,699)
					(404,871)
<b>B4</b>	<b>Claims management</b>				
	Reclassify other operating income to claims management	IAS 18	Cost recoveries do not meet revenue recognition criteria	B2	(866)
	Reclassify employee benefit plan costs under defined benefit accounting:	IAS 1	Material dissimilar items require separate presentation in the financial statements		
	Interest on employee benefit obligations			B6	(360)
	Remeasurement losses to other comprehensive income			B9	(1,079)
	Reclassify claims management from claims expense to separate line item	IAS 1	Material dissimilar items require separate presentation in the financial statements	B3	94,699
	Recognize full actuarial gains and losses on employee benefit plans on claims management	IFRS 1	IFRS 1 transitional election for cumulative unrecognized gain on long-term disability plan		679
	Recognize multiemployer pension cost on claims management	IAS 19	Net impact of applying defined benefit accounting		(1,482)
	Recognize computer equipment assets and liabilities under finance leases	IAS 17	Net impact of transitional recognition of assets and liabilities under IAS 17		(5)
					(808)
<b>B5</b>	<b>Corporate administration</b>				
	Reclassify other income to corporate administration	IAS 18	Cost recoveries do not meet revenue recognition criteria	B2	(4)
	Reclassify employee benefit plan costs under defined benefit accounting:	IAS 1	Material dissimilar items require separate presentation in the financial statements		
	Interest on employee benefit obligations			B6	(458)
	Remeasurement losses to other comprehensive income			B9	(1,373)
	Recognize full actuarial gains and losses on employee benefit plans on corporate administration	IFRS 1	IFRS 1 transitional election for cumulative unrecognized gain on long-term disability plan		864
	Recognize multiemployer pension cost on corporate administration	IAS 19	Net impact of applying defined benefit accounting		(1,919)
	Recognize computer equipment assets and liabilities under finance leases	IAS 17	Net impact of transitional recognition of assets and liabilities under IAS 17		(6)
					(1,061)
<b>B6</b>	<b>Interest on employee benefit obligations</b>				
	Recognize net interest expense through finance expense	IAS 19(R)	Net impact on current period of applying IAS 19 (R)		818
	WCB benefit plans (reclassified from administration expense)				2,932
	Multiemployer pension plans (recognized directly)				3,750
<b>B7</b>	<b>Funding Policy surplus distributions</b>				
	Reclassify surplus distributions from statement of funded position to statement of comprehensive income	IAS 1	IAS 1 prescribes that all changes in equity that do not arise from transactions with owners in their capacity as owners be recognized through the statement of comprehensive income		(230,191)
<b>B8</b>	<b>Investment gains and losses through OCI</b>				
	Reverse accounting treatment for available-for-sale investments under IAS 39		Net impact on current period of applying IFRS 9	B1	(389,353)
				B1	78,824
				B1	(7,087)
<b>B9</b>	<b>Remeasurement of employee benefit obligations</b>				
	Recognize remeasurement losses in OCL:	IAS 19(R)	Net impact on current period of applying IAS 19 (R)		
	Reclassify other defined benefit plan losses from administration				(2,452)
	Recognize multi-employer pension plan losses				(18,979)

C. Statement of Changes in Funded Position		December 31, 2010			
(\$ thousands)	Notes	Canadian GAAP	Presentation Differences	Recognition and Measurement Differences	IFRS
<b>FUND BALANCE</b>					
<b><i>Accumulated operating surplus</i></b>					
Balance, beginning of year		\$ 810,597	\$ -	\$ -	\$ 810,597
Effects of adoption of IFRS at January 1, 2010:					
Elimination of AOCI to opening accumulated operating surplus	C1	-	328,196	-	328,196
Recognition (derecognition) of assets and liabilities:					
Leases - finance leases	C2	-	-	(61)	(61)
Employee benefits - cumulative gains and losses on DB plans	C3	-	-	4,023	4,023
Employee benefits - multi-employer DB plan liabilities	C4	-	-	(45,021)	(45,021)
Balance, beginning of year - restated on IFRS basis		810,597	328,196	(41,059)	1,097,734
Net funding surplus	B	141,411	(227,739)	316,553	230,225
Surplus distributions	B7	(230,191)	230,191	-	-
Transfer to reserve		(22,300)	-	-	(22,300)
		<u>699,517</u>	<u>330,648</u>	<u>275,494</u>	<u>1,305,659</u>
<b><i>Accumulated other comprehensive income (loss)</i></b>					
Balance, beginning of year		328,196	-	-	328,196
Effects of adoption of IFRS at January 1, 2010:					
Unrealized gains on available-for-sale investments	C1	-	(328,196)	-	(328,196)
Balance, beginning of year - restated on IFRS basis		328,196	(328,196)	-	-
Other comprehensive income (loss)	B	317,616	(2,452)	(336,595)	(21,431)
		<u>645,812</u>	<u>(330,648)</u>	<u>(336,595)</u>	<u>(21,431)</u>
<b>Fund Balance</b>		1,345,329	-	(61,101)	1,284,228
<b>OCCUPATIONAL DISEASE RESERVE</b>					
Balance, beginning of year		294,400	-	-	294,400
Transfer from accumulated operating surplus		22,300	-	-	22,300
		<u>316,700</u>	<u>-</u>	<u>-</u>	<u>316,700</u>
		<u>\$1,662,029</u>	<u>\$ -</u>	<u>\$ (61,101)</u>	<u>\$1,600,928</u>

## Notes to the Statement of Changes in Funded Position

Note Ref	Description of Adjustment	IFRS	Reason	Note Ref	Dec 31, 2010
<b>C1</b>	<b>Accumulated operating surplus</b>				
	Elimination of AOCI balance as at January 1, 2010 to opening Fund Balance: AOCI balance as at December 31, 2009	IFRS 9	Impact of retrospective application of IFRS 9 on Fund Balance at date of transition to IFRS		328,196
<b>C2</b>	<b>Leases</b>				
	Recognize computer equipment assets and liabilities under finance leases	IAS 17	Net impact of transitional recognition of assets and liabilities on opening Fund Balance under IAS 17	A2	(61)
<b>C3</b>	<b>Employee benefits – other defined benefit plans</b>				
	Recognize cumulative unrecognized actuarial gains and losses on employee benefit plans (long-term disability)	IFRS 1	Net impact of transitional recognition of other long-term employee benefit plans on opening Fund Balance under IAS 19	A5	4,023
<b>C4</b>	<b>Employee benefits – multi-employer pension plans</b>				
	Recognize multi-employer pension liabilities due to accounting policy change from defined contribution to defined benefit plan accounting	IAS 19	Net impact of transitional recognition of pension assets and liabilities on opening Fund Balance under IAS 19		
	PSP			A5	(41,529)
	MEPP			A5	(3,492)
					<u>(45,021)</u>

D. Statement of Cash Flows		December 31, 2010			
(\$ thousands)	Notes	Canadian GAAP	Presentation Differences	Recognition and Measurement Differences	IFRS
<b>OPERATING ACTIVITIES</b>					
<i>Cash inflows (outflows) from business operations</i>					
Employer premiums		\$ 989,237	\$ -	\$ -	\$ 989,237
Dividend, interest, and derivative income	D1	216,507	(216,507)	-	-
Realized net investment gains	D2	78,824	(78,824)	-	-
Other	D3	468	(468)	-	-
Benefits to claimants and/or third parties on their behalf		(600,876)	-	-	(600,876)
Employee and supplier payments for administrative and other goods and services	D4	(176,243)	1,820	-	(174,423)
Injury reduction program funding		(44,460)	-	-	(44,460)
<b>Net cash from operating activities</b>		<u>463,457</u>	<u>(293,979)</u>	<u>-</u>	<u>169,478</u>
<b>INVESTING ACTIVITIES</b>					
<i>Cash inflows (outflows) related to investment assets</i>					
Interest income	D5	-	78,536	-	78,536
Dividend income	D5	-	38,027	-	38,027
Other investment income	D5	-	7,031	-	7,031
Gains on sale of investments	D5	-	66,222	-	66,222
Proceeds on settlement of derivatives	D5	-	33,185	-	33,185
Investment management expense	D5	-	(17,620)	-	(17,620)
Purchase of investments	D5	(186,594)	89,760	-	(96,834)
<i>Cash outflows related to operating assets</i>					
Property, plant, and equipment - purchased		(10,139)	-	-	(10,139)
Property, plant, and equipment - leased	D6	-	(1,162)	-	(1,162)
Intangible assets		(4,778)	-	-	(4,778)
<b>Net cash from (used for) investing activities</b>		<u>(201,511)</u>	<u>293,979</u>	<u>-</u>	<u>92,468</u>
<b>FUNDING ACTIVITIES</b>					
<i>Cash outflows from funding activities</i>					
Surplus distributions to employers		(563)	-	-	(563)
<b>Net cash used for funding activities</b>		<u>(563)</u>	<u>-</u>	<u>-</u>	<u>(563)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalents, beginning of year		100,722	-	-	100,722
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		<u>\$ 362,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,105</u>

## Notes to the Statement of Cash Flows

Note Ref	Description of Adjustment	IFRS	Reason	Note Ref	Dec 31, 2010
<b>Dividend, interest, and derivative income</b>					
	Reclassify components of investment income from operating to investing activities	IAS 7	IAS 7 requires disaggregation of interest, dividends, and other significant sources and uses of cash. New financial statement presentation conforms with this requirement		
D1	Dividend, interest, and derivative income			(216,507)	
D2	Realized net investment gains (losses)			(78,824)	(295,331)
<b>D3 Other</b>					
	Reclassify separate presentation of immaterial cost recoveries to employee and supplier payments	IAS 7	Separate presentation of immaterial items not required		(468)
<b>Employee and supplier payments in administration</b>					
	Reclassify other payments and computer leases from operating to finance leases:	IAS 17	Net impact of accounting policy change from operating to finance lease. Net effect of lease finance expense is immaterial.		
D3	Other		Reclassify other items to administrative payments	468	
D4	Investment management fee accruals		Net change in payments due to reclassification of investment-related payable from net investments	190	
D4	Employee and supplier payments		Adjust rental expense	1,162	1,820
D6	Property, plant and equipment - leased		Payments under finance leases		(1,162)
<b>D5 Cash inflows (outflows) from investing activities</b>					
	Disaggregation of investment income into material items		Material dissimilar items require separate presentation in the financial statements		
	Dividend, interest, and derivative income			D1 216,507	
	Realized net investment gains (losses)			D2 78,824	
	Net change in investment-related payables			D4 (190)	295,141

## 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% 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*

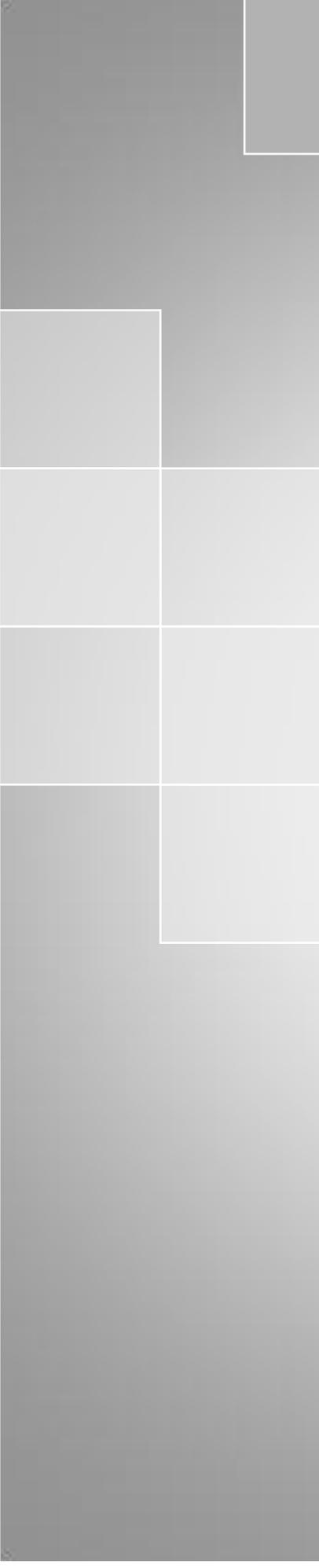
The annual percentage return realized on an investment, adjusted for changes in prices due to inflation or deflation.

### *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**.



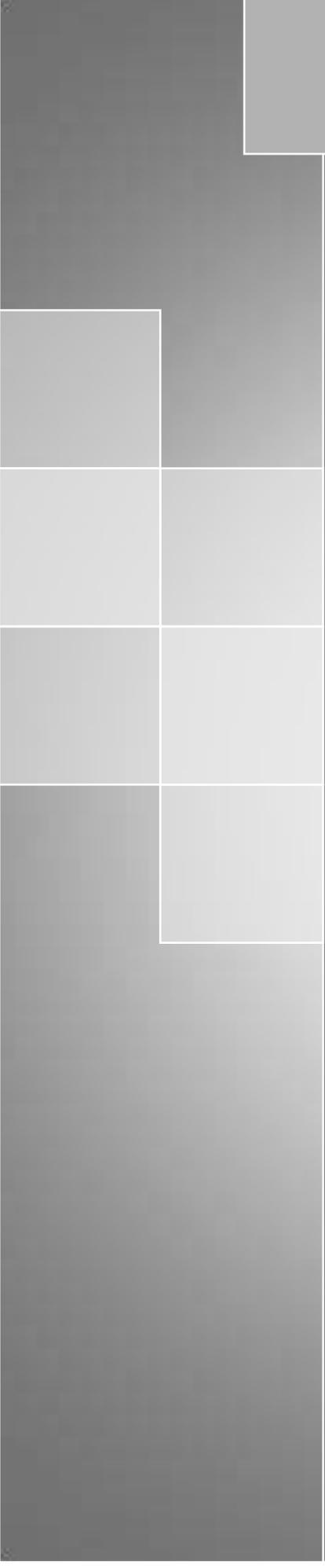
# Other Information

The following reports are unaudited.

**Ministry of Human Services**  
**Statement of Remissions, Compromises and Write-Offs**  
**For the Year Ending March 31, 2012**  
**(in thousands)**

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.

<b>Remissions</b> under section 21 of the <i>Financial Administration Act</i> :	<b>\$ -</b>
<b>Compromises</b> under section 22 of the <i>Financial Administration Act</i> :	
IS/AISH/AAHB	21
<b>Subtotal</b>	<b>21</b>
<b>Bankruptcies:</b>	
Learners	12
IS/AISH/AAHB	135
Misc Debt	-
<b>Subtotal</b>	<b>147</b>
<b>Write-Offs:</b>	
Learners	20
IS/AISH/AAHB	2,199
Interest	1
Widow's Pension	5
Day Care Program - prior years	901
Other	37
<b>Subtotal</b>	<b>3,163</b>
<b>TOTAL</b>	<b>\$ 3,331</b>



# Appendix

# Appendix: Performance Measure Sources and Methodologies

The following information is a summary of Human Services' (HS) performance measures sources and methodologies for the results reported in the Performance Measures Summary Table (pages 29-31). It highlights important elements such as how the performance measure results were calculated.

## GOAL 1

### **Percentage of children who suffer injury that results in hospitalization or death while receiving protective services**

This measure is derived from Child Youth Information Module / Intervention Services Information System (CYIM/ISIS) data and is calculated by dividing the number of children and youth receiving protective services who experienced an injury that resulted in the child's hospitalization or death, by the total number of children and youth receiving protective services during a specified time period.

The caseworker is required to report information on this measure at three points in the case management process: safety phase assessment, completion of an ongoing case assessment record and file closure. At each point, the worker is prompted to enter information about this measure, if applicable. The question posed to the worker at the time of the prompt is, "Did the child sustain an injury that resulted in hospitalization or death?" An affirmative response on CYIM/ISIS to this question is made when death has occurred or hospital admission has taken place as a result of an injury. All CYIM/ISIS results for this measure are manually checked against the relevant case records to ensure accuracy of the result reported in CYIM/ISIS.

The information gathered from CYIM/ISIS is also checked against the reported critical incidents, reports of deaths, as well as information gathered through the Standards monitoring process. If any of these additional processes identify an incident that meets the criteria for this measure, the circumstances are verified and the information is added to the results.

### **Percentage of expenditures in the children/youth/families project and service category of Family and Community Support Services**

Each year, participating municipalities and Métis Settlements must submit reports with financial information and a list of projects and services receiving funding. Projects are identified within numerous service categories including children/youth, families, adults, seniors and community development. Data are collected annually from each participating municipality and Métis Settlement. The Family and Community Support Services (FCSS) Regulation requires financial reporting be received by the Minister of Children and Youth Services within 120 days of the end of the municipality's fiscal year (reference section 11(b)(i) of the FCSS Regulation). A total of seven projects and services categories are used to report FCSS activities including: Children/Youth (Category A), Families (Category B), Adults (Category C), Seniors (Category D), Community Development (E), Grant Transfers (F) and FCSS Management (Category G). The measure is calculated by adding expenditures for service categories Children/Youth (Category A) and Families (Category B), and dividing by total FCSS expenditures.

## **Percentage of Albertans who have information to better help in situations of family violence or bullying**

Performance measure data were collected for this biennial survey measure in 2012. This measure involves a telephone survey (Albertans' Perceptions of Family Violence and Bullying Survey) of Albertans 16 years and older to examine public awareness and understanding of family violence and bullying. The results for this measure are based on survey questions related to exposure to information on family violence and bullying and to what extent this information enabled respondents to feel better able to help in a family violence or bullying situation. From January 4 - 16, 2012, Ipsos Reid conducted a total of 900 telephone interviews with Albertans aged 16 years and older, including a formal pilot test survey with 21 Albertans across the province on January 4, 2012. The average interview length was 15.3 minutes. The "birthday method" of selecting respondents was used in order to ensure randomness within households (i.e., asking to speak to the person in the household over the age of 16 years who most recently celebrated a birthday). Interviews were stratified by nine Child and Family Service Authority regions. Quotas were established to ensure a reliable sample size within each region for regional analysis. The data were weighted to ensure the sample's regional and age/gender composition reflects that of the actual Alberta population over the age of 16 years according to 2011 Population Estimates (based on Alberta Health Card data). With a sample of 900, results are considered accurate to within +/-3.2 percentage points, 19 times out of 20, of what they would have been had the entire population of Albertans over the age of 16 years been polled.

## **Percentage of adults staying at government-funded women's emergency shelters who report that they are better able to keep themselves and the children under their care safer from abuse**

An exit survey was conducted with clients of contracted women's shelters. All clients who stayed at the 29 Children and Youth Services' funded shelters throughout the province between April 1, 2011 and March 31, 2012 were given the opportunity to participate in this survey. A questionnaire is used, including a screening question to determine if the client's stay at the shelter was because of abuse (with or without children), as only these clients' responses to the remaining questions are included in the performance measure statistics. A sample of six months (April 1, 2011 to September 30, 2011) was drawn from the total surveys. The total number of surveys in the specified sample was 1,954. Of these, 1,352 answered "yes" to the screening question. Of those 1,352 surveys, 1,329 were completed surveys. The overall margin of error for the survey results was equal to  $\pm 2.5$  per cent, 19 times out of 20.

Respondents are not necessarily 'unique individuals'; if a client visited a shelter more than once in the survey period, they may have completed the survey more than once. Respondents can fill out the survey before leaving the shelter or return their surveys by fax or mail.

## **The number of children in the permanent care of the Director for whom Adoption or Private Guardianship Orders are granted**

The measure is calculated by counting the number of children in permanent care of the Director whose case file is closed during the fiscal year, where reason for closure is an adoption or private guardianship order.

### **Percentage of children and youth who received child intervention (family enhancement or protective services) and did not require protective services within 12 months of file closure**

This measure describes the proportion of children who did not require child protection services within 12 months after their child intervention file closure. A child intervention file closure refers to the conclusion of either family enhancement or child protection supports.

### **Percentage of Aboriginal children in foster care/kinship care who are placed with Aboriginal families**

This measure looks at the placement of Aboriginal children in foster or kinship care homes where the foster or kinship family has an Aboriginal background. A foster or kinship care family is determined to be Aboriginal if the home is denoted as Aboriginal or the caregiver's racial origin is identified as Aboriginal in Child Youth Information Module (CYIM) or Intervention Services Information System (ISIS).

The result is derived by dividing the number of Aboriginal children in foster/kinship care who are placed with Aboriginal families by the total number of Aboriginal children in foster/kinship care placed during the period.

### **Percentage of participants employed after leaving Income Support**

Results for this measure are obtained through the Work Outcomes Reporting Project (WORP) Survey. An independent consultant is retained through WORP to contact former Income Support program participants three months after they left the program. The participants' employment level is obtained from the question, "Have you been employed at any time since you stopped receiving social assistance (welfare)?" "Yes" and "No" responses are used to calculate the measure result.

The sample size for this result is 506; margin of error is 4.36 per cent at the 95 per cent confidence interval. With a result of 64.1 per cent, we are confident that the population mean lies between 59.74 per cent and 68.46 per cent.

### **Percentage of participants who agreed that through their participation with Alberta's Promise they are better able to understand and respond to the needs of Alberta's children, youth and families**

Due to a low response rate to the survey and high margin of error, the measure result for 2011-12 is not considered statistically reliable. This measure has been discontinued and is not included in Human Services Business Plan 2012-15.

## **GOAL 2**

### **Percentage of clients reporting they are either employed or in further education or training after leaving a skills training program**

This performance measure indicates success levels for participants in skills programs in finding employment or going on to further education or training. The skills programs included are Work Foundations (WF) and Training for Work (TFW). In previous years, a similar measure was used that did

not include participants who went on to further education or training, so this measure was considered to be a new measure for 2010-11 year-end reporting, and four years of historical results were provided in the Summary Table.

Results for the WF and TFW programs are obtained through the Work Outcomes Reporting Project (WORP) Survey. An independent consultant is retained through WORP to contact former program participants three months after they leave WF and TFW programs between May 1, 2011 and September 30, 2011. The percentage of WF and TFW participants employed post-intervention is obtained from the question, "What is your current main activity? Are you Employed, Self Employed, In School/Training, Unemployed, Retired." The responses that indicate that the participant is employed or in school or training are used to calculate the measure result. The sample size for the 2011-12 result is 1,512; margin of error is 2.52 percentage points at the 95 per cent confidence interval. With a result of 77 (77.38) per cent, we are confident that the population mean lies between 74.86 per cent and 79.90 per cent 19 times out of 20.

### **Inter-provincial rank of Alberta's labour force participation rate (#1 is the highest)**

The labour force participation rate is a measure of the proportion of an economy's working-age population (ages 15 and over) that is employed or unemployed (actively seeking employment). It is calculated as a 12-month average of Statistics Canada's monthly Labour Force Survey results. All data is retrieved from the Labour Force Survey (LFS), which is conducted and distributed by Statistics Canada. The labour force participation rate for Alberta is compared to that of each of the 10 provinces to determine inter-provincial ranking.

For more information about Labour Force Survey methodology, please see Guide to the Labour Force Survey 2011, Statistics Canada (<http://www.statcan.gc.ca/pub/71-543-g/71-543-g2011001-eng.pdf> ).

### **Inter-provincial rank of Alberta's First Nations, Métis and Inuit off-reserve labour force participation rate (#1 is the highest)**

The First Nations, Métis and Inuit labour force represents the number of the working age population living off-reserve that is either employed or actively seeking employment (unemployed). It is calculated as a 12-month average of Statistics Canada's monthly Labour Force Survey results. All data is retrieved from the Labour Force Survey (LFS), which is conducted and distributed by Statistics Canada. The First Nations, Métis and Inuit off-reserve labour force participation rate for Alberta is compared to that of each of the 10 provinces to determine inter-provincial ranking.

For more information about Labour Force Survey methodology, please see Guide to the Labour Force Survey 2011, Statistics Canada (<http://www.statcan.gc.ca/pub/71-543-g/71-543-g2011001-eng.pdf> ).

### **Lost-Time Claim Rate: number of lost-time claims per 100 person-years worked**

The lost-time claim rate represents the probability, or risk, of injury or disease to a worker during a period of one year's work. The measure indicates the number of lost-time claims per 100 person-years worked to indicate increases or decreases in this risk. One person-year is equivalent to one full-time worker working for one year, or 2,000 hours worked.

The Workers' Compensation Board – Alberta (WCB) records a lost-time claim when a worker, his/her physician, or his/her employer submits an injury report form. The WCB collects this information, calculates estimated person-years worked, and provides the data files to HS for analysis. Prior to 2010-11, HS calculated estimated person-years worked. Since 2010-11, estimated person-years worked has been calculated by WCB and used in HS calculations for current and historical results.

The lost-time claim rate is reported by calendar year and is calculated by HS using the following formula:

$$\text{Lost-Time Claim Rate} = \frac{\text{\# of lost-time claims}}{\text{estimated person-years worked}} \times 100$$

### **Number of new immigrants to Canada who choose Alberta as their destination**

This information is obtained from the Citizenship and Immigration Canada (CIC) publication, Facts and Figures 2011: Immigration Overview.

With the Permanent Resident Data System (PRDS), CIC tracks immigrant counts by three basic categories: Family Class, Economic Immigrants and Refugees. In addition, there is a fourth category comprised of Other Immigrants. The number of new immigrants to Canada who choose Alberta as their destination is defined as the sum of new immigrants destined to land in Alberta in a calendar year.

### **Percentage of employers whose employment practices resulted in no complaints being registered with Employment Standards**

The data for the total number of employers with a complaint filed against them is captured by HS staff. The data for the total number of employers in Alberta is obtained from Statistics Canada: Canadian Business Patterns. This data set is a repository of information reflecting the Canadian business population and serves as a data source for the compilation of business demographic information. Data is collected daily and cleansed monthly. This data is filtered to count only employers who fall under the *Alberta Employment Standards Code and Regulations*, and who have one or more employee.

The result for this measure is calculated using the following formula:

$$\frac{(\text{total \# of employers in Alberta}) - (\text{total \# of employers with a complaint filed against them})}{\text{total \# of employers in Alberta}} \times 100\%$$

### **Percentage of collective bargaining agreements settled without a work stoppage (strike or lockout)**

This measure examines the percentage of Collective Bargaining Agreements (CBAs) that have been successfully negotiated and ratified by the parties involved without a work stoppage. HS collects data on the number of CBAs settled without a work stoppage and the number of legal strikes and lockouts. This

measure examines the total number of CBAs settled but does not include data on illegal strikes and lockouts. This measure is reported by fiscal year and is calculated using the following formula:

$$\begin{aligned} & \text{\% of CBAs settled without a work stoppage* =} \\ & \frac{(\text{\# of settled CBAs}) - (\text{\# of settlements with a work stoppage})}{\text{\# of settled CBAs}} \times 100 \end{aligned}$$

\* This measure includes data from all contracts under the *Alberta Labour Relations Code* and the *Police Officers' Collective Bargaining Act*. Contracts covered under other legislation are excluded (i.e., contracts under the *Public Service Employees Relations Act*, federal jurisdiction, and the *Post-Secondary Learning Act*).

### **Percentage of applications, with Board involvement, settled before reaching a formal hearing**

The Alberta Labour Relations Board (ALRB) Case Management System (CMS) tracks all data relating to the disposition of applications. For this performance measure, a report is created from the CMS that identifies each matter before the ALRB and the type of resolution for that matter (withdrawal/informal settlement). Using the report, the number of matters resolved before hearings is calculated as a percentage of all matters.

### **Percentage of decisions rendered within 90 calendar days from the completion of the hearing(s)**

The ALRB CMS tracks all data relating to hearings and decision timelines. For this performance measure, a report is created from the CMS that identifies those decisions that meet the reporting period requirements and the duration of time from the date that a commitment date was input (or the final date of hearing if a commitment is not required) to the date that the decision was released. Using the report, the number of decisions completed in 90 days or less is calculated as a percentage of all matters.

### **Average number of days from when an appeal is received to when it is finalized:**

- **Standard Appeals**
- **Complex Appeals**

The Appeals Commission Appeals Management System (AMS) tracks all data in a fiscal year relating to each appeal. The AMS generates a report that calculates the average number of days from the date an appeal is first entered into the system until the panel issues the final decision.

The average number of days figure is calculated by subtracting the average number of days that are not in the Appeals Commission's control from the average total days from 'appeal' to 'finalize' statuses. The statuses that are not in the Appeals Commission's control are intake pending, pending, administrative adjournment, adjourned sine-die, adjourned party and client deferred. The Appeals Commission business rules outline the process for changing the appeal stream from Standard to Complex after the intake stage.

### **Percentage of decisions not challenged or overturned**

The Appeals Commission AMS tracks all data relating to each appeal. The AMS generates reports that calculate the number of decisions sent back by the Courts or the Ombudsman and the number of decisions the Appeals Commission reconsiders as a result of reconsideration applications or on its own motion. In 2002, the *Workers' Compensation Act* was amended to include a statutory right of appeal (s. 13.4) on questions of law or jurisdiction.

## **GOAL 3**

### **Percentage of families accessing the Family Support for Children with Disabilities program that indicate the services provided had a positive impact on their child**

The result for this measure is obtained through a biennial survey of families receiving services from the Family Support for Children with Disabilities program (FSCD). Full survey administration takes approximately one month. Respondents have the opportunity to participate by telephone, online or by faxing or mailing in the completed survey. Any respondent who requests to be contacted at a more convenient time is accommodated. The next biennial survey will be conducted in 2012, with results included in the 2012-13 Ministry Annual Report.

### **Percentage of youth receiving Advancing Futures Bursaries who successfully completed their planned studies during the fiscal year**

Advancing Futures takes a strength-based approach to supporting youth and recognizes the potential of students to reach their educational goals and overcome challenges. To this end, Advancing Futures provides opportunities for students to achieve success. The result for this measure is generated in the Bursary Information Module (BIM) through the Regional Report mail merge. The report is generated based on the fiscal year start and end dates (April 1 to March 31). The report identifies the number of students who withdrew and the awards that were terminated during a school year. The numbers of withdrawals plus the terminations are then divided by the total number of students who were approved for a bursary during that school term.

### **Percentage of licensed day care centres and contracted family day home agencies that are accredited and participating in accreditation**

The Alberta Association for Accreditation of Early Learning and Care Services accredits eligible day care programs and family day home agencies in Alberta. Accreditation is a voluntary process. The result for this measure is based on the number of licensed day care programs and contracted family day home agencies accredited and participating in the accreditation process as of March 31, 2012. The measure is considered new because it includes those participating in gaining accreditation – the prior measure included only those who were accredited. The measure is calculated by dividing the sum of all accredited/participating licensed day care centres and all accredited/participating contracted family day home agencies by the sum of all licensed day care centres and all contracted family day home agencies as counted on March 31, 2012. The data source is the Child Care Information System. Child care specialists use this system to maintain current information about the licensing and monitoring of all licensed and approved child care programs, including day care centres and family day home agencies and providers. Licensed, on-base (military) day care programs are eligible for accreditation and are included in this measure. Approved day care programs located on-reserve are not included in this

measure, as these programs are not required to meet provincial legislation and are not eligible for accreditation. Direct Care Providers are contracted by Child and Family Services Authorities to provide family child care services but are not eligible to be accredited as a “contracted family day home agency” and are therefore excluded in the calculations as well. The measure also excludes those programs and agencies that have been accredited during the year but no longer have active licenses or contracts on March 31, 2012.

	2007-08	2008-09	2009-10	2010-11	Target	2011-12
Accredited	N/A	N/A	N/A	81.4%		82.2%
Participating but not yet accredited	N/A	N/A	N/A	14.9%		14.3%
Total Accredited and participating	N/A	N/A	N/A	96.3%	94.0%	96.5%