



NOR-MAN REGIONAL HEALTH AUTHORITY

2011-2012 ANNUAL REPORT





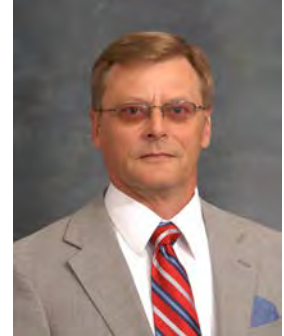
NOR-MAN REGIONAL HEALTH AUTHORITY 2011 - 2012 ANNUAL REPORT

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**A Message from Doug Lauvstad
Board Chair**



September 30, 2012

The Honourable Theresa Oswald
Minister of Health
Room 302, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Ms. Oswald:

On behalf of the Northern Regional Health Authority Board of Directors, I have the honour to present the Annual Report for the NOR-MAN Regional Health Authority, for the fiscal year ended March 31, 2012.

This Annual Report was prepared under the Board's direction, in accordance with The Regional Health Authorities Act and directions provided by the Minister of Health. All material, economic and fiscal implications known as of March 31, 2012 have been considered in preparing the Annual Report.

Respectfully submitted on Behalf of
NOR-MAN Regional Health Authority,

Doug Lauvstad

Doug Lauvstad
NRHA Board Chair

OUR REGION



Covering a large geographical area (72,000 sq. km) and servicing a population of approximately 25,000, the NOR-MAN region consists of a combination of pristine wilderness and rural settings. In addition to the abundance of natural habitats and array of diverse ecosystems, the NOR-MAN region is rich in culture, which truly exemplifies all that is Canadian. The NOR-MAN region is indeed multicultural, welcoming all in the warm fashion that has made our country great!



Climb the Canadian Shield rock formations near Flin Flon, swim in Clearwater Lake (the world’s second clearest lake) or paddle the Grass River Corridor like the voyageurs of the fur trade era. The NOR-MAN region is a clean environment that is enjoyed by tourists from around the world with seasonal festivals and diverse recreational opportunities.



The major industries in the NOR-MAN region are mining, forestry, tourism, hydro electricity and government services. With modern healthcare facilities, post-secondary education institutes, libraries, schools (Cree and French immersion education available), and a variety of recreation facilities you will discover a blend of bustling urban districts coupled with peaceful country living. With safer communities, the NOR-MAN region is a smart alternative for both single individuals and families who wish to relocate from all parts of Canada and the world!

Serving the communities of:

- Flin Flon**
- The Pas/Opaskwayak Cree Nation**
- Snow Lake**
- Cranberry Portage**
- Wanless**
- R.M. of Kelsey**
- Moose Lake/Mosakahiken Cree Nation**
- Sherridon/Cold Lake**
- Cormorant**
- Grand Rapids/Misipawistik Cree Nation**
- Easterville/Chemawawin Cree Nation**
- Pukatawagan/Mathias Colomb Cree Nation**

Our Vision & Mission

Healthy People in Healthy Communities
“Working Together To Improve Our Health”

The Public Interest Disclosure (Whistleblower Protection) Act

The Public Interest Disclosure (Whistleblower Protection) Act came into effect in April 2007. This law gives employees a clear process for disclosing concerns about significant and serious matters (wrongdoing) in the Manitoba public service, and strengthens protection from reprisal. The Act builds on protections already in place under other statutes, as well as collective bargaining rights, policies, practices and processes in the Manitoba public service.

Wrongdoing under the Act may be: contravention of federal or provincial legislation; an act or omission that endangers public safety, public health or the environment; gross mismanagement; or, knowingly directing or counseling a person to commit a wrongdoing. The Act is not intended to deal with routine operational or administrative matters.

A disclosure made by an employee in good faith, in accordance with the Act, and with a reasonable belief that wrongdoing has been or is about to be committed is considered to be a disclosure under the Act, whether or not the subject matter constitutes wrongdoing. All disclosures receive careful and thorough review to determine if action is required under the Act, and must be reported in a department’s annual report in accordance with Section 18 of the Act.

**The following is a summary of disclosures received by
NOR-MAN Regional Health Authority for fiscal year 2011 – 2012:**

Information Required Annually (per Section 18 of The Act)	Fiscal Year 2011 – 2012
The number of disclosures received, and the number acted on and not acted on. <i>Subsection 18(2)(a)</i>	0 Received
The number of investigations commenced as a result of a disclosure. <i>Subsection 18(2)(b)</i>	NIL
In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations or corrective actions taken in relation to the wrongdoing, or the reasons why no corrective action was taken. <i>Subsection 18(2)(c)</i>	NIL



NOR-MAN Regional Health Authority

KEY FINANCIAL INDICATORS

**ADMINISTRATIVE COSTS
2011/2012**

Corporate = \$4,880,827 = 4.44%

Patient Care Related = \$260,871 = 0.24%

HR & Recruitment = \$1,448,735 = 1.32%

Total Administration = \$6,590,435 = 5.99%

Data Source: Manitoba Health Management Information System



FINANCIAL INFORMATION

The following financial information was extracted from the Audited Financial Statements reported on by Kendall Pandya in the Auditor's Report dated June 20, 2012. In accordance with the Public Sector Compensation Disclosure Act, the NOR-MAN Regional Health Authority has disclosed the information required by this Act in our Auditor's Supplementary Financial Information which has been certified by our Auditor to be correct. Also in accordance with said Act, a complete set of Financial Statements, Auditors Report and the Statement of Public Sector Compensation Disclosure are available by contacting the NOR-MAN RHA Corporate Office at (204) 687-1300 or Toll Free at 1-888-340-6742. Our Annual Report is also published on our web-site: www.norman-rha.mb.ca.

INDEPENDENT AUDITORS' REPORT

To the Chairperson and Board of Directors

Report on the Financial Statements

We have audited the statements of financial position of Nor-Man Regional Health Authority Inc., as at March 31, 2012 and 2011, and the statements of operations, changes in deferred contributions, and net assets, and cash flows for the years 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 Accounting Principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian Auditing Standards. Those standards require that we 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nor-Man Regional Health Authority Inc. as at March 31, 2012, and 2011 and its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Flin Flon, MB

June 20, 2012

Chartered Accountants



NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

ASSETS

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
CURRENT ASSETS			
Cash		\$ 8,059,768	\$ -
Accounts receivable	2a	2,916,633	1,481,354
Due from Manitoba Health	2b	5,312,176	9,491,062
Inventories		572,270	485,505
Prepaid expenses		<u>126,144</u>	<u>25,731</u>
		16,986,991	11,483,652
DUE FROM MANITOBA HEALTH	2c	2,654,372	2,654,372
CAPITAL ASSETS	5	<u>26,830,059</u>	<u>30,191,879</u>
		<u>\$46,471,422</u>	<u>\$44,329,903</u>

LIABILITIES

CURRENT LIABILITIES			
Bank indebtedness		\$ -	\$ 7,112,534
Accounts payable		5,538,456	4,380,488
Accrued vacation benefit entitlements		4,399,260	4,149,792
Current portion of capital lease		66,893	53,764
Current portion of long-term debt		<u>219,500</u>	<u>219,500</u>
		10,224,109	15,916,078
LONG-TERM DEBT	10	1,854,090	2,073,590
CAPITAL LEASE	12	6,558	47,126
DUE TO MANITOBA HEALTH		-	6,120,000
DUE TO DSM – PRE-RETIREMENT OBLIGATION		453,254	423,540
ACCRUED PRE-RETIREMENT OBLIGATIONS	6	4,535,100	4,375,482
DEFERRED CONTRIBUTIONS	3		
Expenses of future periods		2,616,916	2,176,881
Capital assets		22,424,316	25,928,700
NET ASSETS			
Invested in capital assets	4	3,746,911	3,546,209
Restricted		9,697	9,185
Unrestricted		<u>600,471</u>	<u>(16,286,888)</u>
		<u>\$46,471,422</u>	<u>\$44,329,903</u>

COMMITMENTS (Note 11)
CONTINGENCIES (Note 13)

Approved by the Board:

See accompanying notes.



NOR-MAN REGIONAL HEALTH AUTHORITY - 2011/12 ANNUAL REPORT

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2012

	<u>2012</u>	<u>2011</u>
REVENUE		
Manitoba Health - Note 7	\$ 93,706,330	\$87,317,828
Non-insured income	4,270,526	3,866,132
Other income	1,664,427	1,496,052
Amortization of deferred contributions	3,949,323	3,373,573
Ancillary revenue	<u>1,321,598</u>	<u>1,256,220</u>
	<u>104,912,204</u>	<u>97,309,805</u>
EXPENSES		
Acute care	37,166,278	34,812,538
Long-term care	11,352,684	10,504,177
Medical remuneration	15,903,110	15,928,392
Community services co-ordination	579,419	601,469
Community based mental health	1,598,112	1,561,020
Community based health	3,985,628	3,852,085
Community based home care	4,639,913	5,555,627
Long-term care - Aging in Place	1,357,164	41,457
Land ambulance	2,968,996	2,645,882
Unallocated Regional health authority costs	7,809,327	6,167,825
Amortization of capital assets	3,957,508	3,366,130
Interest on capital lease	12,260	7,383
Northern Patient Transportation	9,698,342	8,835,813
Pre - retirement	796,894	778,868
Rosaire House Addictions Centre	763,574	740,986
Ancillary expenses	<u>1,521,310</u>	<u>1,421,639</u>
	<u>104,110,519</u>	<u>96,821,291</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 801,685</u>	<u>\$ 488,514</u>

See accompanying notes.



NOR-MAN REGIONAL HEALTH AUTHORITY - 2011/12 ANNUAL REPORT

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2012

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 801,685	\$ 488,514
Manitoba Health – Deficit Elimination	16,286,888	-
Items not affecting cash		
Amortization of capital assets	3,957,508	3,366,130
Amortization of deferred contributions	(3,949,323)	(3,373,573)
Change in non-cash working capital	(3,976,994)	(107,135)
Change in pre-retirement liability	<u>159,618</u>	<u>(258,007)</u>
	<u>13,279,382</u>	<u>115,929</u>
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(595,688)	(1,166,870)
Construction in progress (expenditures)	1,823,674	(1,381,744)
Increase (decrease) in long-term debt	(219,500)	(219,496)
Receipt of contributions relating to capital assets	444,939	2,384,537
Receipt of contributions relating to expenses of future periods	<u>439,495</u>	<u>(39,533)</u>
	<u>1,892,920</u>	<u>(423,106)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,172,302	(307,177)
CASH (BANK INDEBTEDNESS), beginning of year	<u>(7,112,534)</u>	<u>(6,805,357)</u>
CASH (BANK INDEBTEDNESS), end of year	<u>\$ 8,059,768</u>	<u>\$(7,112,534)</u>

See accompanying notes



NOR-MAN REGIONAL HEALTH AUTHORITY - 2011/12 ANNUAL REPORT

NOR-MAN REGIONAL HEALTH AUTHORITY INC. NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2012

1. ECONOMIC DEPENDENCE

The Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health.

2. ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

	<u>2012</u>	<u>2011</u>
(a) Accounts Receivable		
Ambulance	\$ 1,155,383	\$ 507,021
Residents	500,402	747,536
Employees computer loans	131,392	93,795
Government of Canada	71,882	72,888
Sundry	<u>1,159,573</u>	<u>88,330</u>
	3,018,632	1,509,570
Less allowance for doubtful accounts	<u>(101,999)</u>	<u>(28,216)</u>
	<u>\$ 2,916,633</u>	<u>\$ 1,481,354</u>
(b) Due from Manitoba Health		
Out of Globe – 2008	\$ -	\$ 787,214
Out of Globe – 2009	-	1,526,672
Out of Globe – 2010	-	955,376
Out of Globe – 2011		1,389,206
Out of Globe – 2012	1,599,219	-
Ancillary Programs	-	24,950
2010 - 2011 Maternity Leave Top-Up	-	58,027
2011 - 2012 Maternity Leave Top-Up	79,866	-
Facility Support Settlement – 2009	123,570	123,570
Trades Settlement – 2009	-	12,671
Trades Settlement – 2010	-	63,018
Trades Market Adjustment – 2010	-	25,920
Trades Settlement – 2011	-	32,423
Trades Market Adjustment – 2011	-	5,758
Community Support Settlement – 2010	-	236,088
Community Support Adjustment – 2011	-	79,057
2009 – 2010 Extended Health Benefit	-	184,926
2010 – 2011 Extended Health Benefit	-	205,484
2011 – 2012 Extended Health Benefit	184,926	-
2011 – 2012 HEB Spending Account	45,005	9,084
2010 – 2011 HEPP Contribution Increase	314,252	65,853
PCH Staffing	113,249	106,051
Debt Servicing – 2010/2011	37,002	37,002
Debt Servicing – 2011/2012	(24,847)	-
Vacation benefit entitlements	2,839,934	2,839,934
Capital Projects – Cash Payments	-	238,612
2011 – 2012 NPTP payment	-	255,000
2009 – 2011 SK Health 13th Payment	<u>-</u>	<u>229,166</u>
	<u>\$ 5,312,176</u>	<u>\$ 9,491,062</u>
(c) Due from Manitoba Health		
Pre-retirement obligation entitlements	<u>\$ 2,654,372</u>	<u>\$ 2,654,372</u>

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to Norman Regional Health Authority Inc., an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related pre-retirement liabilities.



NOR-MAN REGIONAL HEALTH AUTHORITY - 2011/12 ANNUAL REPORT

**NOR-MAN REGIONAL HEALTH AUTHORITY INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012**

3. DEFERRED CONTRIBUTIONS

(a) Expenses of future periods

(i) Funds in reserve for major repairs and improvements

Deferred contributions related to funds in reserve for major repairs and improvements represent unspent externally restricted funds from the Province for major repairs and improvements to buildings.

(ii) Donations

Deferred contributions related to donations represent externally restricted unspent amounts of donations for various purposes.

(iii) Grants

Deferred contributions related to grants represent externally restricted unspent amounts of grants for various programs.

(b) Related to capital assets

Deferred capital contributions represent the unamortized amounts of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

4. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets are calculated as follows:

	<u>2012</u>	<u>2011</u>
Capital assets	\$ 26,830,059	\$ 30,191,879
Amounts financed by:		
Deferred contributions	(22,424,316)	(25,928,700)
Long-term debt	(658,832)	(716,970)
	<u>\$ 3,746,911</u>	<u>\$ 3,546,209</u>

5. CAPITAL ASSETS

	2012		
	<u>Cost</u>	<u>Accumulated Net Amortization</u>	<u>Book Value</u>
Land and land improvements	\$ 599,060	\$ 319,558	\$ 279,502
Buildings	52,883,579	30,920,936	21,962,643
Computer equipment	396,250	263,226	133,024
Equipment	5,332,992	2,667,784	2,665,208
Construction in Progress	1,204,839	-	1,204,839
Energy Retro Fit Guarantee	584,843	-	584,843
	<u>\$61,001,563</u>	<u>\$ 34,171,504</u>	<u>\$ 26,830,059</u>

	2011		
	<u>Cost</u>	<u>Accumulated Net Amortization</u>	<u>Net Book Value</u>
Land and land improvements	\$ 599,060	\$ 311,520	\$ 287,540
Buildings	50,415,926	27,516,354	22,899,572
Computer equipment	1,304,764	1,218,417	86,347
Equipment	5,827,541	3,129,535	2,698,006
Construction in Progress	3,526,802	-	3,526,802
Energy Retro Fit Guarantee	693,612	-	693,612
	<u>\$62,367,705</u>	<u>\$ 32,175,826</u>	<u>\$ 30,191,879</u>



NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

6. ACCRUED PRE-RETIREMENT OBLIGATIONS

	<u>2012</u>	<u>2011</u>
Members of the Health Employees Pension Plan and Civil Service Superannuation Plan	<u>\$4,535,100</u>	<u>\$4,375,482</u>

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan and the Civil Service Superannuation Plan is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

- (i) have ten years service and have reached the age of 55 or
- (ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- (iii) retire at or after age 65
- (iv) terminate employment at any time due to permanent disability

The Authority undertook an actuarial valuation November 23, 2011 of the accrued retirement entitlements as at September 30, 2011. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.15% (2011 – 4.9%) and a rate of salary increase of 3.5% (2011 – 3.5%) plus age related merit/promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in an amount equal to the amount receivable at March 31, 2004 of \$2,654,372.



NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

7. REVENUE FROM MANITOBA HEALTH

Revenue as per Manitoba Health's (March 31 2012 Funding Document)		\$ 108,737,749
Deduct:		
Payments on prior year receivables	(1,623,736)	
Capital Equipment funding	518,630	
Ancillary Program	57,772	
Recovery of LTD	(6,120,000)	
Ambulance	55,375	
Other	<u>384,125</u>	(6,727,834)
Add: Accruals approved by Manitoba Health:		
2011/2012 Medical Remuneration	1,599,219	
2011-2012 Maternity Leave Top-Up MNU	60,156	
2011-2012 Maternity Leave Top-Up CUPE	19,710	
2011-2012 HEB Health Spending Account	45,005	
HEPP Contribution Increase for 2011 - 2012	314,252	
MB Health for Debt Servicing	(24,865)	
2011 – 2012 PCH Staffing	113,249	<u>2,126,726</u>
Total Funding Approved by Manitoba Health		117,592,309
Deduct:		
Prior Years Deficit Elimination	16,286,888	
Medical remuneration allowance	7,542,238	
Amounts recorded as deferred contributions:		
Debt Servicing – Principal & Interest	48,693	
PCH Reserve	8,160	<u>23,885,979</u>
Revenue from Manitoba Health		<u>\$ 93,706,330</u>



NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

8. PENSION PLAN

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountant's Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimate, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2010, indicates a deficiency actuarial value of net assets over actuarial present value of accrued pension benefits of \$264,841,000 as well as a solvency deficiency of \$927,089,000. Effective January 1, 2011, the contribution rates increased by 1.0% for each of the employer and employee. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to \$2,579,217 (2011 - \$2,167,282) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

9. RELATED ENTITIES

The Pas Health Complex Foundation, Inc. (the Foundation) is a non-profit voluntary association whose purpose is the betterment of health care at The Pas Health Complex facilities. While there is no formal relationship between the Authority and this registered Charitable Foundation, the aims and objectives coincide. The Authority regularly provides the Foundation with a listing of project/equipment requirements for the Foundation to consider in their annual funding process. During the year the Authority received donated equipment valued at \$38,676 (2011 - \$34,292).



NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

10. ENERGY RETROFIT/MANUFACTURER’S LIFE INSURANCE COMPANY LOAN

In the 2007-2008 fiscal year, the Health Authority entered into an agreement with the Government of Canada, Department of Natural Resource to receive Energy Retro-Fit Assistance. Under the terms of the agreement, MCW Custom Energy Solutions Ltd (MCW) manages and contracts the work to be performed with the amounts, net of the grants, funded by Manufacturers Life Insurance Company (Manufacturers). The Health Authority pays a monthly amount equivalent to the energy savings to Manufacturers with MCW providing an annual payment to the Health Authority for any deficiency of estimated energy savings to actual energy savings.

Although this project is expenditure neutral, the asset and loan have been reflected in these financial statements to ensure payments to third parties are adequately reflected. An expected payout of September, 2021 is implicit in this project with interest at the rate of 6.3%.

11. COMMITMENTS

- (a) The Authority has entered into a 5 year operating lease at \$60,000 per annum and two 15 year operating leases totalling \$211,200 per annum for buildings housing some of its operations. Annual lease payments over the next five years are as follows:

2013	\$271,200
2014	\$271,200
2015	\$271,200
2016	\$271,200
2017	\$211,200

Aggregate future minimum operating lease payments total \$2,172,000.

- (b) The Authority, on behalf of the Province of Manitoba, is making payments of principal and interest related to Province of Manitoba long-term debt. The \$2,978,080 principal balance is reflected as deferred contributions related to capital assets. Funding is received from the Province for the principal and interest payments. Principal payments are estimated over the next five years as follows:

2013	\$387,445
2014	\$358,450
2015	\$312,000
2016	\$304,226
2017	\$255,007



NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

12. CAPITAL LEASE

The Authority has entered into a 6 year capital lease with the Royal Bank of Canada to purchase beds costing \$294,532. Lease payments of \$4,846 per month include interest at 5.74%. Lease principal payments over the next five years are as follows:

2013	\$ 47,126
2014	\$ -
2015	\$ -
2016	\$ -
2017	\$ -

Aggregate future capital lease payments total \$48,460 including \$1,334 of imputed expenses.

13. CONTINGENCIES

- (a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2012, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.
- (b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permits persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan, and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums of any experience by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2012.

14. ECONOMIC DEPENDENCE

The Health Authority is economically dependent on Manitoba Health as substantially all the revenue of the organization is funding by Manitoba Health.

15. SUBSEQUENT EVENT

As a result of the Province of Manitoba announcement, the Board unanimously endorsed the amalgamation proposal which will amalgamate Norman Regional Health Authority Inc. and Burntwood Regional Health Authority Inc. to form a new RHA with an effective date of the amalgamation of May 18, 2012.

The amalgamation subsequently took effect pursuant to Regulations on May 30, 2012.

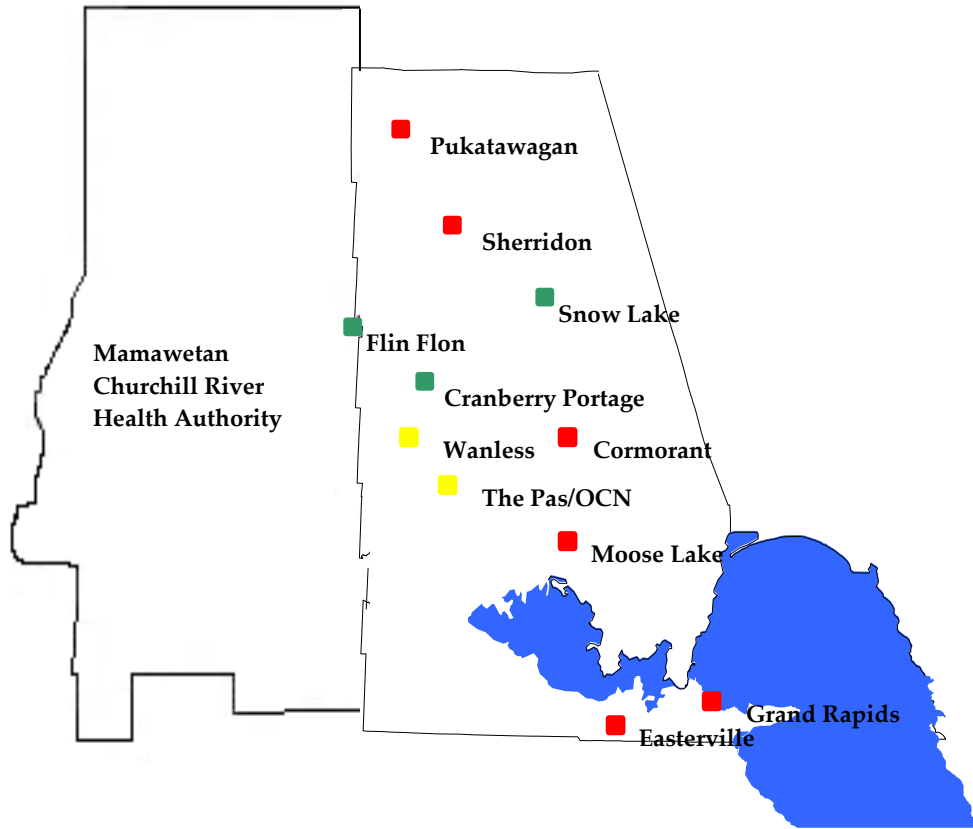
**NOR-MAN Regional Health Authority
2011 – 2012 Annual Report**

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