

Calgary Health Region

Consolidated Financial Statements

March 31, 2003

CALGARY HEALTH REGION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003

Auditor's Report

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

CALGARY HEALTH REGION
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003

AUDITOR'S REPORT

To the Members of the Calgary Health Region
and the Minister of Health and Wellness

I have audited the consolidated statement of financial position of the Calgary Health Region ("the Region") as at March 31, 2003 and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Region's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Region as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed by Fred J. Dunn, FCA] FCA
Auditor General

Edmonton, Alberta
June 9, 2003

The accompanying consolidated financial statements are the responsibility of management and have been approved by the Region. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and the financial directives issued by Alberta Health and Wellness, and of necessity include some amounts that are based on estimates and judgements.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Region members carry out their responsibility for the consolidated financial statements through the Finance and Audit Committee. This Committee meets with management and the Auditor General of Alberta to discuss and review financial matters, and recommends the consolidated financial statements to the Calgary Health Region Board for approval. The Auditor General of Alberta has full and free access to the Finance and Audit Committee.

The Auditor General of Alberta provides an independent audit of the consolidated financial statements. His examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow him to report on the fairness of the consolidated financial statements prepared by management.

[Original Signed]

Jack Davis
President and Chief Executive Officer

[Original Signed]

Kay Best
Vice President, Risk Management and
Chief Financial Officer

CALGARY HEALTH REGION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31, 2003
(thousands of dollars)

	<u>2003</u>	<u>2002</u>
	Actual	Actual (Restated) (Note 6)
ASSETS		
Current:		
Cash and temporary investments (Note 3)	\$ 134,633	\$ 131,770
Accounts receivable	29,305	29,508
Contributions receivable	19,285	20,816
Inventories	18,930	14,429
Donations receivable (Note 21)	12,454	-
Prepaid expenses	3,734	3,260
	<u>218,341</u>	<u>199,783</u>
Non-current cash and investments (Note 3)	141,365	198,368
Capital contributions receivable (Note 4)	-	18,198
Capital assets (Note 5)	679,401	606,942
Other assets (Note 6)	3,842	3,987
	<u>\$ 1,042,949</u>	<u>\$ 1,027,278</u>
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Current:		
Accounts payable	\$ 121,188	\$ 98,079
Accrued vacation pay	58,885	54,151
Current portion of deferred contributions (Note 7)	22,400	16,119
Current portion of obligations under capital leases (Note 25)	293	250
	<u>202,766</u>	<u>168,599</u>
Deferred contributions (Note 7)	33,466	37,628
Deferred capital contributions (Note 8)	86,905	165,733
Obligations under capital leases (Note 25)	16,956	2
Long-term employee benefit liabilities	15,868	15,040
Unamortized external capital contributions (Note 9)	572,731	517,916
	<u>928,692</u>	<u>904,918</u>
Net Assets:		
Unrestricted	-	16,396
Internally restricted (Note 10)	24,836	17,190
Investment in capital assets	89,421	88,774
	<u>114,257</u>	<u>122,360</u>
Commitments (Note 25)		
	<u>\$ 1,042,949</u>	<u>\$ 1,027,278</u>
TOTAL LIABILITIES AND NET ASSETS		

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

CALGARY HEALTH REGION

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	<u>2003</u>	<u>2002</u>	
	Budget (Note 11)	Actual	Actual
Revenue			
Alberta Health and Wellness contributions (Note 12)	\$ 1,332,566	\$ 1,347,674	\$ 1,249,597
Other government contributions (Note 13)	18,345	23,064	17,156
Fees and charges (Note 14)	101,969	105,231	94,714
Ancillary operations, net (Note 15)	10,717	6,750	9,264
Donations	12,949	14,048	5,688
Investment and other income (Note 16)	44,973	55,447	46,183
Amortization of external capital contributions (Note 9)	42,650	40,765	36,911
	<u>1,564,169</u>	<u>1,592,979</u>	<u>1,459,513</u>
TOTAL REVENUE			
Expenses (Schedule 1)			
Facility-based inpatient acute services	454,747	467,147	414,937
Facility-based emergency and outpatient services	193,021	197,514	173,776
Facility-based continuing care services (Note 17)	179,884	180,242	168,880
Community and home-based services	102,393	104,311	93,772
Diagnostic and therapeutic services	312,556	316,012	289,224
Promotion, prevention and protection services	36,503	37,306	36,321
Research and education	18,050	18,833	18,427
Administration (Note 18)	59,881	54,285	50,733
Information technology (Note 19)	36,685	35,644	39,088
Support services (Note 20)	172,801	168,654	156,867
Amortization of facilities and improvements	22,084	20,650	17,715
	<u>1,588,605</u>	<u>1,600,598</u>	<u>1,459,740</u>
TOTAL EXPENSES			
Deficiency of revenue over expense	\$ (24,436)	\$ (7,619)	\$ (227)

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

CALGARY HEALTH REGION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2003

(thousands of dollars)

	2003		2002
	Budget	Actual	Actual (Restated) (Note 6)
Cash (used by) generated from:			
Operating activities:			
Deficiency of revenue over expense	\$ (24,436)	\$ (7,619)	\$ (227)
Non-cash transactions:			
Amortization of capital equipment - internally funded	13,846	13,310	13,353
- externally funded	22,925	22,146	18,854
Amortization of facilities and improvements including ancillary	22,084	21,401	19,893
Net gain on disposal of assets	-	-	(1,888)
Amortization of external capital contributions (Note 9)	(41,673)	(40,765)	(36,911)
Decrease in non-current deferred contributions	(5,323)	(4,162)	(445)
Increase in long-term employee benefit liabilities	60	828	1,333
Decrease in other assets (Note 6)	-	145	145
	<u>(12,517)</u>	<u>5,284</u>	<u>14,107</u>
Change in non-cash working capital accounts	<u>(6,076)</u>	<u>18,429</u>	<u>6,138</u>
Cash (used by) generated from operations	<u>(18,593)</u>	<u>23,713</u>	<u>20,245</u>
Investing activities:			
Purchase of capital assets:			
Internally funded			
Equipment	(12,225)	(7,651)	(10,244)
Facilities and improvements	(3,587)	(8,838)	(8,101)
Externally funded (Note 8)			
Equipment	(24,278)	(26,370)	(26,738)
Facilities and improvements	(178,689)	(69,210)	(43,281)
Funded under capital leases - building	-	(17,247)	-
Net change in non-current cash and investments	140,947	57,003	(115,812)
Proceeds on disposal of facilities	-	-	6,270
Cash used for investing activities	<u>(77,832)</u>	<u>(72,313)</u>	<u>(197,906)</u>
Financing activities:			
Capital contributions, net of refunds (Note 8)	68,198	16,752	126,995
Change in capital contributions receivable	-	18,198	45,646
Increase in obligations under capital leases, net	-	16,997	(236)
Other	8,188	(484)	(1,236)
Cash generated from financing activities	<u>76,386</u>	<u>51,463</u>	<u>171,169</u>
(Decrease) increase in current cash and temporary investments	(20,039)	2,863	(6,492)
Current cash and temporary investments, beginning of year	<u>130,281</u>	<u>131,770</u>	<u>138,262</u>
Current cash and temporary investments, end of year	<u>\$ 110,242</u>	<u>\$ 134,633</u>	<u>\$ 131,770</u>

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

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CALGARY HEALTH REGION
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	2003			2002
	Unrestricted	Internally Restricted (Note 10)	Investment in Capital Assets	Total
Deficiency of revenue over expense	\$ (7,619)	\$ -	\$ -	\$ (7,619)
Capital assets purchased with internal funds	(6,001)	(10,488)	16,489	-
Amortization of internally funded capital assets	16,092	-	(16,092)	-
Other	-	(484)	-	(484)
Repayment of obligations under capital lease	-	(250)	250	-
Net change	<u>2,472</u>	<u>(11,222)</u>	<u>647</u>	<u>(8,103)</u>
Transfer to internally restricted	(18,868)	18,868	-	-
Balance, beginning of year	<u>16,396</u>	<u>17,190</u>	<u>88,774</u>	<u>122,360</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 24,836</u>	<u>\$ 89,421</u>	<u>\$ 114,257</u>

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

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CALGARY HEALTH REGION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2003

Note 1 Authority, Purpose and Operations

The Calgary Regional Health Authority was established June 24, 1994 under the authority of the Regional Health Authorities Act, Chapter R-10, Revised Statutes of Alberta, 2000. The Region adopted the name Calgary Health Region (the "Region") in May 2001. The Region is exempt from payment of income tax and is also a registered charity under the Income Tax Act.

The Region is responsible for delivering appropriate, accessible and affordable health services in Alberta. This responsibility includes operating programs designed to promote, protect, maintain, restore and enhance physical and mental well-being.

Operations of the Region include the following facilities and sites:

- Alberta Children's Hospital
- Carewest facilities
 - Colonel Belcher
 - Cross Bow
 - Dr. Vernon Fanning Centre
 - George Boyack
 - Glenmore Park
 - Nickle House
 - Royal Park
 - Signal Pointe
 - Sarcee
- Foothills Hospital
- Peter Lougheed Centre
- Rockyview General Hospital
- 8th and 8th Community Centre, Airdrie Regional Health Centre and fourteen other community health centres in the Region
- Home care services
- Provincial Laboratory for Southern Alberta

These financial statements do not include the assets, liabilities and operations of any voluntary or private facilities providing health care services in the region. Certain information on these facilities is disclosed in Note 21(c).

Note 2 Significant Accounting Policies and Reporting Practices

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the reporting requirements of Financial Directive 20 issued by Alberta Health and Wellness. The following are the significant accounting policies:

(a) Basis of Presentation

- (1) These consolidated financial statements have been prepared on a consolidated basis, except that Foundations are not consolidated. Information on Foundations is disclosed in Note 21(b). The Region consolidates the Calgary Health Region and its wholly owned subsidiary, Carewest, and proportionately consolidates its 49.99% interest in Calgary Laboratory Services.
- (2) These consolidated financial statements were prepared using the deferral method, the key elements of which are:
 - (i) Unrestricted operating grants and other contributions are recognized as revenue in the year receivable.
 - (ii) Externally restricted capital contributions are recorded as deferred capital contributions until invested in capital assets. Amounts invested, representing externally funded capital assets, are then transferred to unamortized external capital contributions. Unamortized external capital contributions are recognized as revenue in the period in which the related amortization expense of the funded capital asset is recorded.
 - (iii) Externally restricted non-capital contributions are recognized as revenue in the year when related expenses are incurred.
 - (iv) Restricted contributions to purchase capital assets which will not be amortized are recorded as direct increases to net assets.
 - (v) Unrestricted investment income is recognized in the year earned.
 - (vi) Investment income subject to external restrictions is, depending on the nature of the restriction, recorded as a direct increase to net assets, or deferred and recognized as revenue in the year the related expenses are incurred.
 - (vii) Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) Full Cost

The Region accounts for all costs and revenues related to services carried out for which it is responsible. The fair value of costs of service is recorded. Fair value transactions consist of the following:

- (i) Revenue earned by contracted health service operators from Ministry of Health and Wellness designated fees and charges is recorded as fees and charges of the Region. An equivalent amount is recorded as contracted health service operator expense of the Region.
- (ii) Payments from Alberta Health and Wellness directly to contracted health service operators for health programs are recorded as revenue and an equivalent amount recorded as program expenses as these payments represent part of the cost of the Region's health programs.
- (iii) The fair value for use of non-acute care facilities not owned by the Region and provided to the Region at zero or nominal rent is recorded as other government contributions and as program expenses.
- (iv) Other assets, supplies and service contributions that would otherwise have been purchased are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined. Volunteers contribute a significant amount of time each year to assist the Region in carrying out its programs and services. However, contributed services of volunteers are not recognized as revenue and expenses in these financial statements because fair value cannot be reasonably determined.

(c) Employee Future Benefits

The Region participates in the Local Authorities Pension Plan. This is a multi-employer defined benefit pension plan that provides pensions for the Region's participating employees, based on years of service and earnings.

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Region has insufficient information to apply defined benefit plan accounting.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the pension plan. The Region does not record its portion of the pension plan's deficit or surplus.

The Region fully accrues its obligations for employee non-pension future benefits.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Employee Future Benefits (continued)

The Region also provides a non-contributory defined benefit Supplemental Executive Retirement Plan (SERP) to senior executives of the Region. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains or losses of the benefit obligation is amortized over the average remaining service life of the group.

(d) Investments

Temporary investments are recorded at lower of cost and market.

Non-current investments are recorded at cost. The cost of disposal is determined on the average cost basis. Gains or losses realized on disposal are recognized in the period of disposal. Where there has been a loss in the value of an investment other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(e) Financial Instruments

The carrying value of cash and temporary investments, accounts receivable, contributions receivable, accounts payable and accrued liabilities approximates their fair value because of the short-term maturity of these items.

(f) Inventories

Inventories are valued at the lower of cost (defined as moving average) and net replacement value.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Capital Assets

Capital assets and construction in progress are recorded at cost. Capital assets with unit costs less than five thousand dollars are expensed.

Capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

	<u>Useful Life</u>
Buildings and improvements	10 - 40 years
Equipment	3 - 20 years
Leased buildings	term of lease
Land improvements	5 - 40 years
Building service equipment	10 - 40 years

Construction projects in progress are not amortized until the project is complete.

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

(h) Trust Funds Received by the Region for Non-Owned Facilities

The Region receives trust funds from Alberta Infrastructure to be paid to operators of non-owned facilities for capital purposes or facility repairs. These amounts are not reflected in these financial statements but are disclosed in Note 26.

(i) Measurement Uncertainty

The consolidated financial statements by their nature, contain estimates and are subject to measurement uncertainty. The amounts recorded for amortization of capital assets and amortization of external capital contributions are based on estimated useful life of the related assets. Actual results could differ from these estimates.

The Region is currently included in the Goods and Services Tax (GST) free list of Alberta Government entities and therefore does not record or pay GST on purchased supplies and services. This situation could change in the future if the Region ceases to be part of the GST free list of the Alberta Government.

The Region has unsettled labor contracts at March 31, 2003. The Region has accrued for these contracts using management's best estimate.

Note 3 Cash and Investments

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Cash	\$ 77,756	\$ 117,595
T-Bills, commercial paper and discount notes	40,424	107,827
Bonds (fair market value 2003 - \$111,095)	107,975	73,966
Equities (fair market value 2003 - \$48,847)	<u>49,843</u>	<u>30,750</u>
Total	<u>\$ 275,998</u>	<u>\$ 330,138</u>
Analysis:		
Current	\$ 134,633	\$ 131,770
Non-current	<u>141,365</u>	<u>198,368</u>
	<u>\$ 275,998</u>	<u>\$ 330,138</u>
Market value of current and non-current cash and investments	<u>\$ 278,215</u>	<u>\$ 335,840</u>

- (i) Income and financial returns on cash and investments are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is comprised of interest rate risk and market risk. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

In order to earn optimal financial returns at an acceptable level of risk, management has established a policy asset mix of 0% to 80% for fixed income instruments and 0% to 50% for equities. Non-Canadian equities are further limited to a range between 0% to 10% of the total portfolio. Risk is reduced through asset class diversification and quality constraints on fixed-income and equity instruments.

- (ii) T-bills, commercial paper and discount notes mature between one day and four months and bear interest at an average effective yield of 3.02%. Such financial instruments are limited to a rating of R-1, commercial paper A-1 and R-1 middle or equivalent rated for the balance.

Note 3 Cash and Investments (continued)

- (iii) Publicly traded fixed-income instruments are managed with the objective of providing optimal returns while maintaining maximum security of capital. Return is optimized within risk constraints on the portfolio by management of portfolio duration and issuer mix. Fixed-income securities are invested in bonds with a rating of A or higher.

Fixed income securities, such as bonds, have an effective yield of 5.72% per annum based on the market for securities maturing between one and thirty years. As at March 31, 2003, the securities have the following term structure based on par:

Under 1 year	0.71%
1 – 5 years	21.69%
5 – 10 years	47.48%
Over 10 years	30.12%

- (iv) Equities are comprised of publicly traded securities in major stock markets. Risk is reduced by prudent security selection and sector rotation. During the year, the Region determined that a permanent impairment in value of some equities had occurred. These equities were written down by \$1,075,000 (2002 - \$0) to reflect this permanent impairment.

Non-current cash and investments represent the following:

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Deferred capital contributions (Note 8)	\$ 86,905	\$ 165,733
Less capital contributions receivable (Note 4)	<u>-</u>	<u>(18,198)</u>
Deferred capital contributions received	86,905	147,535
Internally restricted for capital acquisitions and lease payments	24,836	15,812
Internally restricted for other initiatives	-	1,380
Externally restricted for long-term care partnerships (Note 17)	<u>29,624</u>	<u>33,641</u>
	<u>\$ 141,365</u>	<u>\$ 198,368</u>

Note 4 Capital Contributions Receivable

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Alberta Infrastructure capital projects	\$ -	\$ 17,150
Alberta Health and Wellness capital equipment and systems	<u>-</u>	<u>1,048</u>
	<u>\$ -</u>	<u>\$ 18,198</u>

Note 5 Capital Assets

	<u>2003</u>			<u>2002</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
	(thousands of dollars)			
Buildings and improvements	\$ 580,038	\$ 233,259	\$ 346,779	\$ 333,284
Equipment	318,573	190,676	127,897	138,337
Leased buildings	113,010	30,898	82,112	62,883
Construction in progress	68,826	-	68,826	28,251
Land	26,251	-	26,251	23,126
Land improvements	5,333	2,624	2,709	2,799
Building service equipment	<u>36,617</u>	<u>11,790</u>	<u>24,827</u>	<u>18,262</u>
	<u>\$ 1,148,648</u>	<u>\$ 469,247</u>	<u>\$ 679,401</u>	<u>\$ 606,942</u>

(a) Land

Land at the following sites has been provided to the Region at nominal values:

<u>Site</u>	<u>Leased from</u>	<u>Lease Period</u>
Alberta Children's Hospital	Province of Alberta	Expires on April 1, 2012 with an option for renewal for a further ten years.
Peter Lougheed Centre	Province of Alberta	Expires on July 28, 2008 with an option for renewal for a further ten years.

(b) Leased Assets

Included in equipment are items acquired through capital leases at a cost of \$1,185,776 (2002- \$1,185,776) with accumulated amortization of \$487,634 (2002 - \$368,213). One capital lease remains which expires in March 2004.

Included in leased buildings is a capital lease with the University of Calgary, a related party, for space to accommodate a core lab facility (Note 25).

Note 5 Capital Assets (continued)

(c) Funding

Capital assets have been funded from the following sources:

	2003	2002
	(thousands of dollars)	
Externally funded (unamortized external capital contributions) (Note 9)	\$ 572,731	\$ 517,916
Internally funded (investment in capital assets)	89,421	88,774
Financed by capital leases	17,249	252
	<u>\$ 679,401</u>	<u>\$ 606,942</u>

Note 6 Other Assets

Prior year's financial statements have been restated to reflect, in the accounts of the Region, a non-interest bearing collateral mortgage against the property of a voluntary health service operator which is being forgiven by the Region at 3 1/3% of the principal amount per annum. The original mortgage agreement was valued at \$4,350,000 and was effective in October 2000 when the facility was substantially complete. This was recorded to recognize the benefit to the Region of shared capital costs to develop an Alzheimers facility. Previous to this fiscal year the mortgage agreement was disclosed in the Notes to the Financial Statements. The balance remaining on the mortgage at March 31, 2003 was \$3,842,500 (2002 - \$3,987,500).

Note 7 Deferred Contributions

Deferred contributions represent amounts accounted for in accordance with the accounting policy described in Note 2 (a)(2).

	2003	2002
	(thousands of dollars)	
		(Restated) (Note 6)
Amounts received:		
Alberta Health and Wellness contributions	\$ 60,204	\$ 50,398
Alberta Mental Health Board	7,961	8,352
Other government contributions	3,564	5,225
Other income	10,513	5,863
	<u>82,242</u>	<u>69,838</u>
Less amounts recognized as revenue:		
Alberta Health and Wellness contributions (Note 12)	56,827	48,626
Alberta Mental Health Board	8,479	6,931
Other government contributions (Note 13)	4,591	4,197
Other income (Note 16)	10,385	6,680
	<u>(80,282)</u>	<u>(66,434)</u>
Transfer of funds related to capital purchases (Note 8)	159	(4,977)
Change during the year	2,119	(1,573)
Balance, beginning of year	53,747	55,320
Balance, end of year	<u>\$ 55,866</u>	<u>\$ 53,747</u>

Unspent amounts at year end are as follows:

	2003	2002
	(thousands of dollars)	
Current:		
Alberta Health and Wellness	\$ 11,172	\$ 8,656
Child health programs	2,521	2,398
Long-term care partnership (Note 17)	1,818	1,489
Calgary Health Trust	4,256	-
Alberta Mental Health Board	613	1,374
Other	2,020	2,202
	<u>22,400</u>	<u>16,119</u>
Long-term:		
Mortgage receivable (Note 6)	3,842	3,987
Long-term care partnership (Note 17)	29,624	33,641
	<u>33,466</u>	<u>37,628</u>
	<u>\$ 55,866</u>	<u>\$ 53,747</u>

Note 8 Deferred Capital Contributions

Deferred capital contributions represent amounts accounted for in accordance with the accounting policy described in Note 2(a)(2).

	2003	2002
	(thousands of dollars)	
Amounts received:		
Restricted Alberta Health and Wellness contributions	\$ 3,396	\$ 17,654
Transferred from deferred contributions (Note 7)	(159)	4,977
Restricted other government contributions	3,966	76,922
Donations restricted for capital purposes	8,457	7,428
Other	1,092	2,942
	<u>16,752</u>	<u>109,923</u>
Capital contributions refunded	-	(1,126)
	<u>16,752</u>	<u>108,797</u>
Capital contributions receivable (Note 4)	-	18,198
	<u>16,752</u>	<u>126,995</u>
Transferred to unamortized external capital contributions (Note 9)	(95,580)	(70,019)
	<u>(95,580)</u>	<u>(70,019)</u>
Change during the year	(78,828)	56,976
Balance, beginning of year	<u>165,733</u>	<u>108,757</u>
Balance, end of year	<u>\$ 86,905</u>	<u>\$ 165,733</u>
Balance at the end of the year is restricted for the following purposes:		
Equipment replacement	\$ 6,091	\$ 19,480
Construction projects	<u>80,814</u>	<u>146,253</u>
	<u>\$ 86,905</u>	<u>\$ 165,733</u>

Note 9 Unamortized External Capital Contributions

Unamortized external capital contributions reflect transactions accounted for in accordance with the accounting policy described in Note 2 (a)(2). The balance at the end of the year represents the external capital contributions that will be recognized as revenue in future years.

	2003	2002
	(thousands of dollars)	
Balance, beginning of year	\$ 517,916	\$ 484,808
Add amounts transferred from deferred capital contributions (Note 8)	<u>95,580</u>	<u>70,019</u>
Less amounts recognized as revenue:		
Amortization of external capital contributions	(40,000)	(36,312)
Amortization – ancillary operations (Note 15)	<u>(765)</u>	<u>(599)</u>
	<u>(40,765)</u>	<u>(36,911)</u>
Balance, end of year	<u>\$ 572,731</u>	<u>\$ 517,916</u>

Note 10 Internally Restricted Net Assets

Amounts internally restricted by the Region represent funds restricted for the following purposes:

	2003	2002
	(thousands of dollars)	
Amounts restricted for capital commitments	\$ 7,863	\$ 7,768
Future capital replacement	16,971	7,794
Other	<u>2</u>	<u>1,628</u>
	<u>\$ 24,836</u>	<u>\$ 17,190</u>

Note 11 Budget

	Approved Budget ⁽¹⁾	Adjustments ⁽²⁾	Reported Budget
	(thousands of dollars)		
Revenue			
Alberta Health and Wellness contributions	\$ 1,331,721	\$ 845	\$ 1,332,566
Other government contributions	17,512	833	18,345
Fees and charges	91,029	10,940	101,969
Ancillary operations, net	12,704	(1,987)	10,717
Donations	13,664	(715)	12,949
Investment and other income	39,709	5,264	44,973
Amortization of external capital contributions	42,641	9	42,650
TOTAL REVENUE	<u>1,548,980</u>	<u>15,189</u>	<u>1,564,169</u>
Expenses			
Facility-based inpatient acute services	449,138	5,609	454,747
Facility-based emergency and outpatient services	188,549	4,472	193,021
Facility-based continuing care services	162,688	17,196	179,884
Community and home-based services	100,751	1,642	102,393
Diagnostic and therapeutic services	316,338	(3,782)	312,556
Promotion, prevention and protection services	39,397	(2,894)	36,503
Research and education	19,988	(1,938)	18,050
Administration	51,680	8,201	59,881
Information technology	40,341	(3,656)	36,685
Support services	183,661	(10,860)	172,801
Amortization of facilities and improvements	20,885	1,199	22,084
TOTAL EXPENSES	<u>1,573,416</u>	<u>15,189</u>	<u>1,588,605</u>
Deficiency of revenue over expense	<u>\$ (24,436)</u>	<u>\$ -</u>	<u>\$ (24,436)</u>

(1) The budget was approved by the Board of the Region on June 25, 2002 and approved by the Minister of Alberta Health and Wellness on June 27, 2002.

(2) Adjustments relate to classification changes to ensure budgeted revenue and expenditures conform with actual reporting classifications.

Note 12 Alberta Health and Wellness Contributions

	2003	2002
	(thousands of dollars)	
Unrestricted contributions	\$ 1,289,830	\$ 1,199,884
Transfers from deferred contributions (Note 7)	56,827	48,626
Restricted contributions made directly by Alberta Health and Wellness to contract operators (Note 21(c))	1,017	1,087
	<u>\$ 1,347,674</u>	<u>\$ 1,249,597</u>

Note 13 Other Government Contributions

	2003	2002
	(thousands of dollars)	
Alberta Mental Health Board	\$ 13,456	\$ 12,681
Restricted transfers from deferred contributions (Note 7)	4,591	4,197
Pediatric Alternate Funding Plan	2,508	-
G8 Summit	1,450	-
Other	1,059	278
	<u>\$ 23,064</u>	<u>\$ 17,156</u>

Note 14 Fees and Charges

	2003	2002
	(thousands of dollars)	
Acute care:		
Non-entitled revenue – inpatients	\$ 47,471	\$ 40,623
Non-entitled revenue – outpatients	3,846	4,103
Preferred accommodation	2,042	2,029
Other	10,051	12,795
	<u>63,410</u>	<u>59,550</u>
Continuing care:		
Accommodation charges	33,192	27,728
Federal government	961	117
Workers Compensation Board	7,668	7,319
	<u>\$ 105,231</u>	<u>\$ 94,714</u>

Note 15 Ancillary Operations

	2003				2002
	(thousands of dollars)				
	Non-Patient Food Services	Parking Operations	Other Ancillary	Total	Total
Revenue:					
Revenue	\$ 8,542	\$ 11,353	\$ 4,374	\$ 24,269	\$ 22,917
Amortization of deferred capital contributions	145	620	-	765	599
	<u>8,687</u>	<u>11,973</u>	<u>4,374</u>	<u>25,034</u>	<u>23,516</u>
Expenses:					
Other expenses	8,302	2,838	3,017	14,157	13,576
Amortization	163	685	1	849	676
	<u>8,465</u>	<u>3,523</u>	<u>3,018</u>	<u>15,006</u>	<u>14,252</u>
Excess of revenue over direct expense 2002/03	222	8,450	1,356	10,028	9,264
Less:					
Administrative support to Calgary Health Trust (Note 21)	-	-	-	(3,278)	-
Net ancillary revenue	<u>\$ 222</u>	<u>\$ 8,450</u>	<u>\$ 1,356</u>	<u>\$ 6,750</u>	<u>\$ 9,264</u>

Note 16 Investment and Other Income

	2003	2002
	(thousands of dollars)	
Recoveries:		
Alberta Cancer Board	\$ 8,775	\$ 8,114
University of Calgary Medical Centre	3,968	3,063
Alberta Health and Wellness	7,239	2,488
Compensation	6,251	5,092
Other	6,940	8,034
	<u>33,173</u>	<u>26,791</u>
Transferred from deferred contributions (Note 7)	10,385	6,680
Investment income	7,081	6,922
Grants	1,074	1,181
Other income	3,734	4,609
	<u>\$ 55,447</u>	<u>\$ 46,183</u>

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

Other income includes third party recoveries, grants, and other miscellaneous items.

Note 17 Long-term Care Partnership

Facility-based continuing care services include expenses associated with long-term care partnership projects of \$1,488,647 (2002 - \$530,000).

The Government has supported long-term care partnership projects by providing one-time, up-front capital to enable the Region to make annual supplementary payments to the partners over the term of the partnership contracts. Amounts invested under the terms of long-term care partnership agreements will be utilized to fund future payments to operators over the next 30 years. These payments have a net present value of \$31.1 million at March 31, 2003 (2002 - \$30.6). The Region is subject to risk in that the invested amounts may not earn a rate of return adequate to meet the payments as they become due.

	2003	2002
	(thousands of dollars)	
Current portion	\$ 1,818	\$ 1,489
Long-term portion	29,624	33,641
Total	<u>\$ 31,442</u>	<u>\$ 35,130</u>

The investments have a market value at March 31, 2003 of \$31.7 million (2002 - \$36.2).

Note 18 Administration

	2003	2002
	(thousands of dollars)	
General administration	\$ 26,015	\$ 24,099
Finance	10,869	9,849
Human resources	14,736	14,911
Amortization	<u>2,665</u>	<u>1,874</u>
	<u>\$ 54,285</u>	<u>\$ 50,733</u>

Note 19 Information Technology

	2003	2002
	(thousands of dollars)	
Information systems support	\$ 29,777	\$ 33,078
Amortization	<u>5,867</u>	<u>6,010</u>
	<u>\$ 35,644</u>	<u>\$ 39,088</u>

Note 20 Support Services

	2003	2002
	(thousands of dollars)	
Biomedical engineering	\$ 3,096	\$ 2,888
Building maintenance, operations and security	52,881	46,495
Communications	6,791	5,211
Learning and development	4,051	4,805
Housekeeping	22,489	20,343
Supply management	27,598	26,975
Patient food services	19,215	19,577
Patient health records	13,319	12,542
Patient registration	12,800	11,323
Other	<u>6,414</u>	<u>6,708</u>
	<u>\$ 168,654</u>	<u>\$ 156,867</u>

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Note 21 Related Parties

(a) Province of Alberta

The Region is established under the Regional Health Authorities Act. Effective October 16, 2001, two-thirds of the members of the Board are elected. The Minister of Health and Wellness appoints the remaining members. The Region is economically dependent upon the Ministry of Health and Wellness since the viability of its on-going operations depends on contributions from the Ministry. Transactions between the Region and the Province are disclosed in the Consolidated Statement of Operations and Notes 4, 7, 8, and 12 to the consolidated financial statements.

(b) Foundations

The following controlled foundation is not consolidated in these financial statements:

(i) Calgary Health Trust

Calgary Health Trust is considered a controlled foundation as the Region appoints the majority of the voting members of the Foundation's Board of Directors. The purpose of the Trust is to benefit the Region, each facility within the Region and individual health programs and services operated by the Region and to hold funds for its own account and without restriction to manage endowment funds received from any source.

	Calgary Health Trust	
	2003	2002
	(thousands of dollars)	
Total assets	\$ 49,007	\$ 48,991
Total liabilities	<u>20,900</u>	<u>9,909</u>
Net assets	<u>\$ 28,107</u>	<u>\$ 39,082</u>
Revenue (including administrative support from the Region)	\$ 12,994	\$ 17,256
Expenditures, including charitable disbursements of \$22,254 (2002- \$9,011) to the Region	<u>27,531</u>	<u>18,002</u>
Deficiency of revenue over expenditures	<u>\$ (14,537)</u>	<u>\$ (746)</u>
Accounts payable to the Region from Calgary Health Trust:		
Trade payables	\$ 178	\$ 273
Donations payable	<u>12,454</u>	<u>-</u>
	<u>\$ 12,632</u>	<u>\$ 273</u>
Fair value for use of office space	<u>\$ 70</u>	<u>\$ 65</u>
Administrative support from the Region	<u>\$ 3,278</u>	<u>\$ -</u>

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Note 21 Related Parties (continued)

(b) Foundations (continued)

(i) Calgary Health Trust (continued)

Contributions received by the Region		Resources held by Calgary Health Trust	
Year ended March 31 (thousands of dollars)		at March 31, 2003 (thousands of dollars)	
2003	2002	Externally Restricted	Unrestricted
\$ 22,254	\$ 9,011	\$ 27,828	\$ 279

(ii) Other foundation

The Region has an economic interest in the Alberta Children's Hospital Foundation which raises funds to benefit the Region and other health related entities. The resources held by this foundation are not necessarily limited for use by the Region.

Note 21 Related Parties (continued)

(b) Foundations (continued)

(ii) Alberta Children's Hospital Foundation (continued)

The Alberta Children's Hospital Foundation is a registered charity under the Income Tax Act.

Contributions to the Region during the year and resources held by this foundation at the year end to support health care are:

Contributions received by the Region		Resources held by Alberta Children's Hospital Foundation		
Year ended March 31 (thousands of dollars)		at March 31, 2003 (thousands of dollars)		
2003	2002	Externally Restricted ⁽¹⁾	Internally Restricted ⁽²⁾	Unrestricted
\$ 2,850	\$ 2,754	\$ 21,608	\$ 31,996	\$ -

⁽¹⁾ Externally restricted amounts are for equipment, programs, research and education.

⁽²⁾ In order to build an endowment to meet the future funding needs of the Alberta Children's Hospital, the Foundation's Board of Directors internally restricts funds donated through bequests as well as any excess revenue over expense in the operating fund, not otherwise internally restricted, for managing short term market fluctuations.

	Alberta Children's Hospital Foundation	
	2003	2002
	(thousands of dollars)	
Accounts receivable	\$ 730	\$ 259
Accounts payable	\$ -	\$ 393
Fair value for use of office space	\$ 12	\$ 9

Note 21 Related Parties (continued)

(c) Voluntary and Private Health Service Operators

The Region contracts with voluntary and private health service operators to provide health services in the Region. The Region has an economic interest in the following voluntary and private health providers as it transfers significant resources to these entities:

Facility Name:	Direct Region Funding	Direct Funding by Alberta Health & Wellness (Note 12)	Approved Patient Fees & Charges	2003	2002
				Total	Total
(thousands of dollars)					
Private laboratories	\$ 108,646	\$ -	\$ -	\$ 108,646	\$ 101,110
Beverly Centre	12,668	409	3,766	16,843	11,927
Bow-Crest Nursing Home	4,670	-	1,628	6,298	5,669
Central Park Lodges	9,276	-	2,256	11,532	5,188
Extendicare Cedars Villa	7,808	-	2,675	10,483	9,566
Extendicare Hillcrest	3,408	238	1,206	4,852	4,712
Extendicare Scottish	1,324	-	400	1,724	1,770
Forest Grove Care Centre	7,643	-	2,506	10,149	9,848
Intercare Brentwood	3,730	-	1,287	5,017	4,810
Intercare Chinook	4,827	-	1,640	6,467	6,184
Intercare Southwood	6,378	-	1,990	8,368	7,798
Travois Holdings Glamorgan	1,602	-	568	2,170	2,006
Travois Holdings Mayfair	4,382	-	1,547	5,929	5,923
Bethany Care Centre Airdrie	2,485	-	844	3,329	3,170
Bethany Care Centre Calgary	18,207	-	4,671	22,878	23,088
Bethany Care Centre Harvest Hills	2,975	-	687	3,662	3,555
Bethany Care Centre Cochrane	2,691	-	880	3,571	3,377
Bow View Nursing Home	7,122	370	2,109	9,601	9,045
Father Lacombe Nursing Home	4,333	-	1,224	5,557	5,263
Wentworth Court	3,178	-	837	4,015	4,051
Holy Cross Chronic Care	1,579	-	471	2,050	2,051
Agape Manor Hospice	1,533	-	-	1,533	1,351
Other community agencies	5,867	-	-	5,867	5,984
Physiotherapy providers	7,867	-	-	7,867	7,702
Homecare providers	41,299	-	-	41,299	40,367
Facility fees	953	-	-	953	1,331
	<u>\$ 276,451</u>	<u>\$ 1,017</u>	<u>\$ 33,192</u>	<u>\$ 310,660</u>	<u>\$ 286,546</u>

Reported in the following expense categories:

Facility-based emergency and outpatient services	\$ 1,496	\$ 1,821
Facility-based continuing care services	128,351	113,605
Community and home-based services	52,126	49,869
Diagnostic and therapeutic services	116,285	108,996
Promotion, prevention and protection services	-	5
Administration and support services	12,402	12,250
	<u>\$ 310,660</u>	<u>\$ 286,546</u>

Note 21 Related Parties (continued)

(d) Health Authorities

The Region shares a common relationship with other Health Authorities through its relationship with the Province of Alberta. Transactions between the Region and other Health Authorities are reported in the statement of operations and disclosed in Notes 7, 8, and 13 to the financial statements.

(e) Other

Various volunteer and auxiliary associations solicit donations, operate gift shops and undertake fund raising activities to provide operating and capital donations to further the objectives of the Region.

Note 22 Surgical Services Contracts

The Region has entered into contracts with the following accredited surgical facilities pursuant to the *Health Care Protection Act*:

Entity & Nature of Service	Term of Contract	Annual Value	Total Expense at March 31	
			2003	2002
(thousands of dollars)				
Ophthalmology	October 1, 2002 – September 30, 2003			
Gimbel Eye Centre		\$ 969	\$ 778	\$ 599
Holy Cross Surgical		2,154	1,623	1,475
Mitchell Eye Centre		474	428	284
Rocky Mountain Surgical Services		684	657	571
Surgical Centres Inc.		1,616	1,518	1,328
Oral Surgery	October 1, 2002 – September 30, 2003	131		
Brian Abrams, Prof. Corp.			4	5
Brian Whitestone, Prof. Corp.			18	24
Donald I. Wakeham, Prof. Corp.			-	4
Douglas J. Vincelli, Prof. Corp.			59	37
Francis Skulsky, Prof. Corp.			5	5
Hedd-Wyn Lloyd Williams, Prof. Corp.			6	4
John W. Conley, Prof. Corp.			6	1
Terrence A. Summers			14	14
Pregnancy Terminations	October 1, 2002 – September 30, 2003			
Kensington Clinic		1,454	920	849
		<u>\$ 7,482</u>	<u>\$ 6,036</u>	<u>\$ 5,200</u>

Payments to these accredited surgical facilities are reported under facility-based emergency and outpatient services in the Consolidated Statement of Operations.

Note 23 Pension Costs

The Region participates in the Local Authorities Pension Plan which is a multi-employer defined benefit plan. The pension expense recorded in these consolidated financial statements is equivalent to the Region's annual contributions payable of \$25,411,212 for the year ended March 31, 2003 (2002 - \$20,596,750). At December 31, 2002, the Local Authorities Pension Plan reported a deficit of \$444,980,000 (2001 – surplus of \$634,960,000).

The Region provides a non-contributory defined benefit Supplemental Executive Retirement Plan (SERP) to senior executives. The SERP is fully secured by a Letter of Credit held by Royal Trust Corporation of Canada. At March 31, 2003, the required full amount of the letter of credit was \$2,575,649. As this is a new plan, a letter of credit was not required in prior year.

Note 24 Province Wide Services

Included in Alberta Health and Wellness contributions is funding for Province Wide Services. Province Wide Services are a range of complex, high technology and high cost medical interventions provided to all Albertans. A sufficient number of cases are required for these services every year to maintain provider competence. Information on costs and funding for these services, included in revenues and expenses, is as follows:

	2003				2002			
			Variance				Variance	
	Funding ⁽¹⁾	Costs ⁽²⁾	\$	%	Funding ⁽¹⁾	Costs ⁽²⁾	\$	%
Inpatient ⁽³⁾	\$ 104,355	\$ 103,438	\$ 917	0.9	\$ 102,359	\$ 101,659	\$ 700	0.7
Clinics and home services ⁽⁴⁾	61,887	69,656	(7,769)	(12.6)	54,699	60,070	(5,371)	(9.8)
High cost drugs and devices ⁽⁵⁾	17,523	17,468	55	0.3	16,190	15,520	670	4.1
Tertiary services ⁽⁶⁾	14,208	14,208	-	-	14,113	14,113	-	-
Unallocated funding ⁽¹⁾	2,477	-	2,477	100.0	3,339	-	3,339	100.0
	<u>\$ 200,450</u>	<u>\$ 204,770</u>	<u>\$ (4,320)</u>	<u>(2.2)</u>	<u>\$ 190,700</u>	<u>\$ 191,362</u>	<u>\$ (662)</u>	<u>(0.3)</u>

- (1) Funding provided for Province Wide Services does not include amortization of related external capital contributions. The unallocated funding of \$2.5 million was provided at the end of 2003 and was not allocated to any specific Province Wide Service.
- (2) An allocation of overhead and amortization of equipment is included in the costs for inpatient and clinics and home services.
- (3) Inpatient services include kidney and bone marrow transplants, high end trauma and burn cases, most heart surgeries, neuromodulation activity and selected neurosurgery, neonatology and oncology procedures. In 2003, inpatient volumes funded were 5,391 cases while the actual volumes were 4,973 cases, a difference of 418 cases. Inpatient costs are based on an average cost per case throughout the year. Patient activity is based on the patient discharge date.
- (4) Clinics and home services represent areas such as the renal program, prevention of end stage renal disease, pre and post transplant services, medical genetics testing, HIV clinics, home enteral nutrition therapy, poison and drug information services, pediatric transport, ocular photodynamic therapy and children with complex health needs. Services provided for out-of-province patients are excluded.
- (5) High cost drugs include actual costs for transplantation drugs, HIV drugs, human growth hormone drugs and other pre-established high cost drugs. Included in high cost devices are actual costs for cranioplasty, implantable cardiac defibrillators and cochlear implants.
- (6) Tertiary services compensate for indirect costs relating to teaching and research hospitals.

Note 25 Commitments and Obligations under Capital Leases

(i) Commitments

The Region is contractually committed to future operating lease payments of \$36,991,084 (2002 - \$39,952,856) until 2012. Future annual commitments are as follows:

<u>Year ended March 31</u>	<u>(thousands of dollars)</u>
2004	\$ 6,394
2005	5,349
2006	4,803
2007	4,344
2008	3,818
Thereafter	<u>12,283</u>
Total	<u>\$ 36,991</u>

The Region has outstanding contractual commitments for capital projects totaling \$40,930,880 (2002 - \$44,718,875). The total commitments represent \$2,179,067 (2002 - \$5,909,338) for new equipment, \$3,341,723 (2002 - \$6,780,417) for ITS systems development and \$35,410,090 (2002 - \$32,029,120) for construction which will be capitalized by March 31, 2004.

In addition, the Region contracts on an ongoing basis with voluntary, private and community health service operators to provide acute and continuing care health services in the Region (Note 21(c)). The Region has contracted for services in the year ending March 31, 2004 similar to those provided by these operators in 2003.

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

(ii) Obligations under capital leases

During the year, the Region entered into a capital lease with the University of Calgary to accommodate a new core lab facility. The term of the lease is 25 years and lease payments are expected to commence in November 2003. The implicit interest rate payable on the lease is 6.5%.

	<u>2003</u>	<u>2002</u>
	<u>(thousands of dollars)</u>	
Obligations under capital leases	\$ 17,249	\$ 252
Less: current portion	<u>(293)</u>	<u>(250)</u>
Long-term portion	<u>\$ 16,956</u>	<u>\$ 2</u>

Note 25 Commitments and Obligations under Capital Leases (continued)

(ii) Obligations under capital leases (continued)

Future payments for the year ended March 31 are:

	<u>(thousands of dollars)</u>
2004	\$ 1,318
2005	1,318
2006	1,318
2007	1,318
2008	1,318
2009 and thereafter	<u>29,825</u>
	36,415
Amount representing interest	<u>(19,168)</u>
Obligations under capital leases	<u>\$ 17,247</u>

Note 26 Trust Funds

The Region receives funds from Alberta Infrastructure for non-owned facilities for capital purposes and facility repairs. These amounts are not reported in the consolidated financial statements. During the year the Region did not receive any funds (2002 - \$3,782,000) and disbursed \$78,028 (2002 - \$110,392) for capital and facility repairs for non-owned facilities. The balance of funds held by the Region is \$3,761,943 (2002 - \$3,839,971).

The Region receives other trust funds, including funds for research and development, education and other miscellaneous programs. The balance of these funds held by the Region as at March 31, 2003 is \$3,906,446 (2002 - \$4,186,264).

Note 27 Subsequent Events

On April 24, 2003, the Region sold land that was being held for the new South Diagnostic and Treatment Centre. Subsequent to the sale, the Region entered into a 10 year lease with the purchaser who has agreed to develop the land and provide facility space to house the centre.

Construction of the new Colonel Belcher Veteran's Care Centre, operated by the Region's subsidiary Carewest, was substantially complete in May 2003, at which time residents began to take occupancy.

The Region intends to enter into a long term operating lease with the University of Calgary for the West Campus land site to construct the new Alberta Children's Hospital. To date, the Region has spent \$13,500,000 relating to planning and design of the new facility and site development of land.

Note 28 Boundary Realignment

On December 19, 2002, the Minister of Health and Wellness announced that the number of Regional Health Authorities would be reduced to nine effective April 1, 2003.

The assets, liabilities and net assets of the Headwaters Health Authority will be assumed by the Region at carrying value. As at March 31, 2003, the condensed audited financial statements of the Headwaters Health Authority are as follows:

	(thousands of dollars)
Total assets	\$ 52,942
Total liabilities	49,043
Net assets	<u>\$ 3,899</u>
Revenue	\$ 76,875
Expenditures	79,416
Deficiency of revenue over expenditures	<u>\$ (2,541)</u>

The Region will also assume its pro-rata share of the assets, liabilities and net assets of the Health Authority 5 and the Alberta Mental Health Board at carrying value. This financial information is not available at this time.

Effective April 1, 2003, all of the Board members are appointed by the Minister of Health and Wellness.

Note 29 Operating Deficit

Section 2.9(2) of the Regional Health Authorities Regulation prohibits the Region from incurring an annual operating deficit. Section 2.9(3) of the Regulation permits the offsetting of a deficit with previously accumulated unrestricted net assets. The Region incurred an operating deficit of \$7,619,169 for the year ended March 31, 2003 which has been offset by unrestricted net assets, in accordance with the Regulation.

Note 30 Comparative Figures

Certain 2002 figures have been reclassified to conform to 2003 presentation.

Note 31 Approval of Financial Statements

These consolidated financial statements have been approved by the Board of the Region.

CALGARY HEALTH REGION**CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED MARCH 31, 2003**

(thousands of dollars)

	2003		2002
	Budget	Actual	Actual
Salaries, benefits, allowances and severance (Schedule 2)	\$ 818,823	\$ 821,799	\$ 751,051
Contracts with health service operators (Note 21 (c))	307,427	310,660	286,546
Contracts under the Health Care Protection Act (Note 22)	5,986	6,036	5,200
Drugs, gases, medical and surgical supplies	128,388	135,835	125,983
Other contracted services	138,985	137,855	119,638
Other ⁽¹⁾	143,022	149,840	135,362
Amortization			
Capital equipment – internally funded	13,846	13,310	13,353
Capital equipment – externally funded	22,925	22,146	18,854
Facilities and improvements	22,084	21,401	18,005
	<u>1,601,486</u>	<u>1,618,882</u>	<u>1,473,992</u>
Less amounts reported in ancillary operations (Note 15)	(12,881)	(15,006)	(14,252)
Less administrative support to Calgary Health Trust (Note 21)	-	(3,278)	-
	<u>\$ 1,588,605</u>	<u>\$ 1,600,598</u>	<u>\$ 1,459,740</u>

⁽¹⁾ Other is comprised of:

	2003	2002
Utilities	\$ 24,027	\$ 17,972
Referred out services	21,407	16,585
Department and office supplies	15,308	14,316
Equipment maintenance	12,197	9,852
Clinical lab & therapeutic supplies	12,113	11,721
Food supplies	11,242	10,871
Minor equipment	8,616	8,671
Communication & education expenses	8,512	7,564
Rented space	8,124	8,496
Housekeeping and laundry supplies	5,987	5,599
Recruitment and travel	4,507	6,301
Plant & equipment maintenance supplies	3,521	3,151
Repairs & maintenance	3,439	5,369
Insurance	2,665	1,857
Other	8,175	7,037
	<u>\$ 149,840</u>	<u>\$ 135,362</u>

CALGARY HEALTH REGION

CONSOLIDATED SCHEDULE OF SALARIES, HONORARIA, BENEFITS,

ALLOWANCES AND SEVERANCE

FOR THE YEAR ENDED MARCH 31, 2003

1. The full time equivalents (FTE's) is based on the number of hours worked in a standard work year, which generally is 2,022.75 hours for most occupation groups.

Total actual discrete number of individuals employed: 19,986 (2002 – 19,236).
2. Salaries include regular base pay, overtime, lump sum payments, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation.
3. Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, out of country medical benefits, group life insurance, accidental death and dismemberment, long-term disability plans, Canada Pension Plan, employment insurance, workers compensation, car benefits and allowances and tuition.
4. Severance includes all monies paid directly or on behalf of an employee upon termination which are not included in salaries and benefits.
5. The total amount of \$821,798,971 is reported in Schedule 1.
6. In 2003, the salaries and honoraria and benefits and allowances for the Vice President, Risk Management and Chief Financial Officer included retroactive amounts for the 2002 fiscal period. In 2002, the Chief Executive Officer's salary included retroactive pay for the 2001 fiscal period.
7. The position of Senior Vice President and Chief Medical Officer was held by two incumbents during the year.
8. The position of Vice President People and Learning and Vice President Strategic Business Alliances was held by the same incumbent during the year.
9. The Chief Executive Officer is provided with an automobile allowance. No dollar amount is included under benefits and allowances.
10. The prior year's figures were reclassified to reflect an adjustment relating to the initial adoption of the Supplemental Executive Retirement Plan.