

CAPITAL HEALTH AUTHORITY
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

Capital Health Authority

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.

AUDITOR'S REPORT

To the Members of the Capital Health
and the Minister of Health and Wellness

I have audited the consolidated statement of financial position of the Capital Health Authority ("the Authority") as at March 31, 2003 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. I have also audited the supplementary information comprised of:

- the combined consolidated statements of financial position, operations, changes in net assets and cash flows of the Authority and the Caritas Health Group; and
- the combined consolidated schedule of costs of health outputs of the Authority and the Caritas Health Group

as at and for the year ended March 31, 2003, presented in accordance with the basis disclosed in Note 2 to the consolidated financial statements. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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 Authority 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.

In my opinion, the combined consolidated financial statements including the combined consolidated schedule of costs of health outputs present fairly in all material respects:

- the combined financial position, combined results of operations, combined changes in net assets and combined cash flows of the Authority and the Caritas Health Group; and
- the combined costs of health outputs of the Authority and the Caritas Health Group

as at and for the year ended March 31, 2003 in accordance with the basis of presentation disclosed in Note 2 to the consolidated financial statements.

Edmonton, Alberta
June 6, 2003, except for the combined
consolidated schedule of costs of health
outputs, which is June 17, 2003

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

CAPITAL HEALTH AUTHORITY
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED AND COMBINED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

The accompanying consolidated and combined consolidated financial statements are the responsibility of management and have been approved by the Authority. The consolidated and combined 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 Authority has established a code of ethics and corporate directives, which require communication of the code to employees.

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

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

[Original Signed]

Sheila Weatherill
*President and
 Chief Executive Officer*

June 17, 2003

[Original Signed]

Allaudin Merali
*Vice President,
 Finance and Administration*

CAPITAL HEALTH AUTHORITY
CONSOLIDATED AND COMBINED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2003
 (thousands of dollars)

	Consolidated		Combined Consolidated	
	Capital Health Authority		Capital Health Authority and Caritas Health Group	
	2003	2002	2003	2002
	(Restated Note 30)		(Restated Note 30)	
ASSETS				
Current assets:				
Cash and temporary investments (Note 4)	\$ 151,864	\$ 122,763	\$ 193,045	\$ 142,077
Accounts receivable:				
Contributions receivable	25,774	24,765	25,774	24,765
Other receivables	45,518	36,450	47,437	41,528
Inventories	8,613	10,377	9,711	11,458
Prepaid expenses	42,635	33,580	26,227	33,678
	<u>274,404</u>	<u>227,935</u>	<u>302,194</u>	<u>253,506</u>
Contributions receivable (Note 5)	300	94,804	300	94,804
Loans-long-term care partnership projects (Note 6)	15,273	11,911	15,273	11,911
Non-current cash and investments (Note 4)	194,117	141,851	198,045	143,657
Capital assets (Note 7)	<u>772,870</u>	<u>763,165</u>	<u>838,397</u>	<u>830,576</u>
TOTAL ASSETS	\$ 1,256,964	\$ 1,239,666	\$ 1,354,209	\$ 1,334,454
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 149,602	\$ 111,152	\$ 164,589	\$ 123,318
Accrued vacation pay	53,483	50,298	66,328	62,030
Deferred operating contributions (Note 8)	69,968	61,917	69,380	62,142
Current portion of long-term debt (Note 9)	<u>782</u>	<u>2,129</u>	<u>1,812</u>	<u>3,691</u>
	<u>273,835</u>	<u>225,496</u>	<u>302,109</u>	<u>251,181</u>
Non-current liabilities:				
Deferred contributions (Note 8)	2,922	2,799	7,806	6,093
Deferred capital contributions (Note 10)	151,057	177,661	151,131	177,735
Deferred contributions - long-term care partnership projects (Note 6)	45,921	46,363	45,921	46,363
Long-term debt (Note 9)	8,424	9,206	9,668	11,480
Life lease deposits (Note 11)	<u>14,478</u>	<u>13,421</u>	<u>14,478</u>	<u>13,421</u>
	<u>222,802</u>	<u>249,450</u>	<u>229,004</u>	<u>255,092</u>
Unamortized external capital contributions (Note 12)	<u>654,550</u>	<u>653,425</u>	<u>710,279</u>	<u>709,729</u>
Net assets:				
Unrestricted	-	1,870	(484)	1,756
Internally restricted funds for designated purposes (Note 13)	10,572	23,872	10,572	23,872
Investment in capital assets	<u>95,205</u>	<u>85,553</u>	<u>102,729</u>	<u>92,824</u>
	<u>105,777</u>	<u>111,295</u>	<u>112,817</u>	<u>118,452</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 1,256,964	\$ 1,239,666	\$ 1,354,209	\$ 1,334,454
Commitments (Note 15)				
Subsequent event (Note 29)				
The accompanying notes and schedules are part of these consolidated and combined consolidated financial statements.				

CAPITAL HEALTH AUTHORITY
CONSOLIDATED AND COMBINED CONSOLIDATED
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	Consolidated Capital Health Authority				Caritas Health Group (Note 2)			
	2003		2002		2003		2002	
	Operating Internally Restricted Funds for Programmed Reserve (Note 13)	Unrestricted and Internally Restricted Funds (Note 14)	Investment in Capital Assets	Total (Restated Note 30)	Unrestricted and Internally Restricted Funds	Investment in Capital Assets	Total	Total
Balance at beginning of year (Restated Note 30)	\$ 1,870	\$ 23,872	\$ 25,742	\$ 85,533	\$ 112,295	\$ 98,414	\$ 112,295	\$ 118,452
Excess of revenue over expense	(5,518)	-	(5,518)	(5,518)	(5,518)	11,881	(5,518)	11,881
Capital assets purchased with internal funds	(2,966)	(26,749)	(29,715)	29,715	(1,351)	42	(1,351)	42
Amortization on internally funded assets	21,135	-	21,135	(21,135)	-	-	-	-
Transfer of internally funded capital assets	(15,578)	15,578	-	-	-	-	-	-
Reposition of fund-allocated assets	-	(2,129)	(2,129)	2,129	(1,562)	1,562	-	(1,19)
Reposition of fund-allocated assets to fund capital assets	-	-	-	(1,457)	-	-	-	-
Life lease deposits received	1,057	-	1,057	-	-	-	-	-
Balance at end of year	\$ -	\$ 10,572	\$ 10,572	\$ 95,206	\$ 105,777	\$ 111,295	\$ 105,777	\$ 112,295
- Capital Health Authority								
- Caritas Health Group	(484)	-	(484)	7,524	7,040	7,157	7,524	7,157
Total Capital Health Authority and Caritas Health Group	\$ (484)	\$ 10,572	\$ 10,088	\$ 102,729	\$ 112,817	\$ 118,452	\$ 112,817	\$ 119,452

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

CAPITAL HEALTH AUTHORITY
CONSOLIDATED AND COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	Consolidated			Combined Consolidated (Note 2)	
	Capital Health Authority			Capital Health Authority and Caritas Health Group	
	2003 Budget (Note 16)	2003 Actual	2002 Actual (Restated Note 30)	2003 Actual	2002 Actual (Restated Note 30)
Revenue					
Alberta Health and Wellness contributions (Note 17)	\$ 1,450,604	\$ 1,454,096	\$ 1,355,754	\$ 1,454,096	\$ 1,355,754
Other government contributions (Note 18)	20,471	21,703	20,187	11,745	11,534
Fees and charges (Note 19)	114,725	115,762	101,210	115,762	101,210
Ancillary operations, net (Note 20)	4,671	4,853	3,441	7,182	5,635
Research, education, investment and other income (Note 21)	65,049	65,982	61,212	74,194	69,352
Amortization of external capital contributions (Note 12)	38,390	46,107	42,767	52,119	49,171
TOTAL REVENUE	\$ 1,693,910	\$ 1,708,503	\$ 1,584,571	\$ 1,715,098	\$ 1,592,656
Expense (Schedule 1)					
Facility-based inpatient acute care services	\$ 501,636	\$ 505,851	\$ 453,794	\$ 498,951	\$ 442,817
Facility-based emergency and outpatient services	167,033	171,062	157,874	174,630	163,132
Facility-based continuing care services	172,431	171,805	157,173	164,758	149,997
Community and home based services	107,385	108,210	99,064	108,332	99,164
Diagnostic and therapeutic services	328,311	327,600	296,984	334,972	303,227
Promotion, prevention and protection services	24,016	24,554	18,432	24,632	18,516
Research and education	65,518	64,355	65,781	64,754	66,201
Administration (Note 22)	41,754	41,797	40,195	43,483	41,927
Information technology	39,592	35,183	38,293	35,183	38,293
Support services (Note 23)	240,119	237,386	223,675	242,767	228,919
Amortization of facilities and improvements	22,115	26,218	21,425	28,271	28,939
TOTAL EXPENSE	\$ 1,709,910	\$ 1,714,021	\$ 1,572,690	\$ 1,720,733	\$ 1,581,132
Excess (deficiency) of revenue over expense	\$ (16,000)	\$ (5,518)	\$ 11,881	\$ (5,635)	\$ 11,524

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



**CAPITAL HEALTH AUTHORITY
CONSOLIDATED AND COMBINED CONSOLIDATED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2003**
(thousands of dollars)

	Consolidated			Combined Consolidated (Note 2)	
	Capital Health Authority			Capital Health Authority and Caritas Health Group	
	2003	2002	2002	2003	2002
Budget	Actual	Actual (Restated Note 30)	Actual	Actual (Restated Note 30)	
Operating activities:					
Excess (deficiency) of revenue over expense	\$ (16,000)	\$ (5,518)	\$ 11,881	\$ (5,635)	\$ 11,524
Non-cash transactions:					
Amortization of capital equipment - internally funded	11,500	17,973	17,269	18,530	18,016
Amortization of capital equipment - externally funded	18,390	21,992	22,618	24,941	25,426
Amortization of facilities and improvements	22,115	27,701	22,476	31,569	26,519
Amortization of long-term care partnership non-current loan (Note 6)	-	527	-	527	-
Amortization of external capital contributions (Note 12)	(38,390)	(46,767)	(43,259)	(52,795)	(50,117)
Amortization of long-term care partnership deferred contributions (Note 6)	-	(527)	-	(527)	-
Net loss on disposal of capital equipment	-	236	216	241	657
Write-down of investments to market value	-	1,647	-	1,647	-
Loss (gain) on disposal of investments	-	98	(88)	14	(172)
Change in non-cash working capital accounts	-	32,318	(1,783)	53,599	3,263
Cash generated (used) by operations	(2,385)	49,680	29,330	72,111	35,116
Investing activities:					
Purchase of investments	-	(200,528)	(50,930)	(203,632)	(51,887)
Purchase of capital assets:					
Internally funded	(11,500)	(29,715)	(39,566)	(29,757)	(41,755)
Externally funded (Note 12)					
Equipment	(21,900)	(13,386)	(7,208)	(16,725)	(10,935)
Facilities and improvements	-	(34,506)	(35,548)	(36,620)	(44,560)
Proceeds on sale of investments	-	185,394	48,140	186,460	49,177
Proceeds on disposal of capital assets	-	-	-	-	4
Long-term care partnership projects (Note 6)	(18,392)	(3,889)	(8,143)	(3,889)	(8,143)
Allocations to non-current cash	(42,557)	(38,877)	(28,768)	(38,877)	(28,768)
Cash used for investing activities	(94,349)	(135,507)	(122,023)	(143,040)	(136,867)
Financing activities:					
Deferred contributions	-	123	145	3,201	1,127
Capital contributions (Note 10)	21,900	21,288	141,510	26,741	154,249
Long-term care partnership projects (Note 6)	(469)	85	30,292	85	30,292
Change in contributions receivable	63,504	94,504	(79,157)	94,504	(79,157)
Principal payments on long-term debt	(2,100)	(2,129)	(3,168)	(3,691)	-
Proceeds from long-term debt	-	-	-	-	(2,224)
Life lease deposits received	-	1,057	4,827	1,057	4,827
Cash generated from financing activities	82,835	114,928	94,449	121,897	109,114
Increase in current cash and temporary investments	(13,899)	29,101	1,756	50,968	7,363
Current cash and temporary investments at beginning of year	125,251	122,763	121,007	142,077	134,714
Current cash and temporary investments at end of year	\$ 111,352	\$ 151,864	\$ 122,763	\$ 193,045	\$ 142,077

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

**CAPITAL HEALTH AUTHORITY
NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS
MARCH 31, 2003**

Note 1 Authority, Purpose and Operations

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

The Authority is responsible for the delivery of 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.

The geographical boundary of the Capital Region to March 31, 2003 comprised the cities of Edmonton, St. Albert and Leduc, the municipalities of Beaumont, New Sarepta, Rolly View, Nisku, Calmar, Thorsby, Sunnybrook, and Warburg, the counties of Strathcona and Leduc. The Authority provides a significant amount of services to residents of surrounding northern regions, and for some specialized programs, provides services to all Albertans as well as the western provinces and territories.

The Authority operations include the following:

- a) Acute Care Hospitals and Community Hospitals
 - University of Alberta Hospital
 - Royal Alexandra Hospital
 - Glenrose Rehabilitation Hospital
 - Grey Nuns Community Hospital (operated by the Caritas Health Group)
 - Misericordia Community Hospital (operated by the Caritas Health Group)
 - Sturgeon Community Hospital
 - Leduc Community Hospital
- b) Innovative Primary Health Facilities
 - Northeast Community Health Centre

Note 1 Authority, Purpose and Operations (continued)

c) Continuing Care Facilities

Capital Care Group Inc. (wholly owned subsidiary of the Authority):
Dickinsfield, Grandview, Norwood, Lynnwood, Mewburn
Veterans Centre, Strathcona Care Centre, McConnell Care
Centres, Laurier Houses, Family Care Homes and Strathcona Dementia Care
Centre
Edmonton General Hospital (operated by the Caritas Health Group)
Private and Voluntary Continuing Care Providers:
13 providers under contract operating at 22 sites

- d) Home Care
- e) Public Health Clinics - 14 sites
- f) Public Health Speciality Clinics - 4 sites
- g) Medical Education (interns and residents) - various facilities
- h) Research - undertaken at Northern Alberta Clinical Trials Centre and various facilities
- i) Laboratory Services - hospital based laboratory services, and services contracted from a private operator
- j) Provincial Laboratory at the University of Alberta Hospital site
- k) Community Rehabilitation Physiotherapy Clinics at 47 sites under contract and 2 public sites
- l) Community Organizations - 24 providers under contract
- m) Ancillary Operations - non-patient food services, parking, and other commercial activities

These financial statements do not include the assets, liabilities and operations of any voluntary or private facilities providing health services in the region. Information on these facilities is disclosed in Note 24. However, supplementary information comprising the combined financial statements of the Authority and Caritas Health Group is provided (see Note 2).

Note 2 Combined Consolidated Financial Statements

In meeting its responsibilities under the Regional Health Authorities Act, the Authority contracts with the Caritas Health Group to provide certain acute care services as an integral part of the Authority's operations.

Note 2 Combined Consolidated Financial Statements (continued)

The consolidated financial statements of the Capital Health Authority and the audited financial statements of the Caritas Health Group have been combined for the current and prior year and presented as supplementary information, item for item with the information presented in the consolidated financial statements of the Authority. Account balances and transactions between the Authority and the Caritas Health Group have been eliminated. Schedule 4, and the notes thereto, presents information on the combined costs for the Authority and the Caritas Health Group.

Note 3 Significant Accounting Policies and Reporting Practices

The 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. Following are the significant accounting policies:

(a) Basis of Presentation

- (1) These financial statements have been prepared on a consolidated basis, except that foundations are not consolidated (see Note 24). The entities consolidated are the Capital Health Authority and its wholly owned subsidiary, Capital Care Group Inc.

In addition, the Authority has a fifty percent interest in the Northern Alberta Clinical Trials Centre joint venture with the University of Alberta. The proportionate consolidation method has been used to include the Authority's interest in this joint venture.

- (2) These consolidated financial statements have been 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 they become receivable, unless they have been specifically designated by the contributor for a future year.
 - (ii) Externally restricted non-capital contributions are deferred and recognized as revenue in the year when related expenses are incurred. If these contributions are unspent, they are recorded as deferred contributions.

Note 3 Significant Accounting Policies and Reporting Practices (continued)

(a) Basis of Presentation (continued)

- (iii) Externally restricted capital contributions are recorded as deferred contributions until the amount is 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 periods in which the related amortization expense of the funded capital asset is recorded.
- (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 it is earned.
- (vi) Investment income subject to external restrictions is, depending on the nature of the restrictions, recorded as a direct increase to net assets, or is 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 and goods or services would have otherwise been purchased.
- (viii) Revenue from sale of goods and services is recorded in the period that goods are delivered or services are provided.

(b) Full Cost

The Authority accounts for all costs and revenues related to services carried out for which it is responsible.

The fair value of costs of services is recorded. Fair value transactions recorded consist of the following:

- (i) Revenue earned by contracted health service operators from Alberta Health and Wellness designated fees and charges is recorded as fees and charges of the Authority. An equivalent amount is recorded as contracted health service operator expense of the Authority.
- (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 Authority's health programs.

Note 3 Significant Accounting Policies and Reporting Practices (continued)

(b) Full Cost (continued)

- (iii) The fair value for use of acute care facilities not owned by the Authority is recorded as revenue from other government contributions or from donations, and also recorded as program expense, since contract payments from the Authority do not include an amount for use of these facilities.
- (iv) The fair value for use of non-acute care facilities not owned by the Authority and provided to the Authority at zero or nominal rent is recorded as other government contributions and as program expenses.
- (v) 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 Authority in carrying out its programs and services. However, contributed services of volunteers are not recognized as revenue and expenses in the financial statements because fair value cannot be reasonably determined.

(c) Employee Future Benefits

(i) Pension Obligation

The Authority and its eligible employees participate in the Local Authorities Pension Plan. This is a multi-employer defined benefit pension plan that provides pensions for the Authority'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 Authority has insufficient information to apply defined benefit accounting.

Pension expense included in these financial statements comprises 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 Authority's portion of the pension plan's deficit or surplus is not recorded by the Authority.

(ii) Other Future Benefits

The Authority is obligated to pay out accumulated sick leave credits to certain employees employed prior to April 1, 1975 with five continuous years of permanent service. Those who terminate employment shall be entitled to collect pay in an amount equivalent to twenty-five percent (25%) of any unexpended sick leave credits.

Note 3 Significant Accounting Policies and Reporting Practices (continued)

(c) Employee Future Benefits (continued)

(ii) Other Future Benefits (continued)

The Authority participates in a Supplementary Unemployment Benefit Plan (SUBP). This is a post-delivery disability benefit for female employees who meet certain qualification criteria. Qualifying employees are entitled to a top-up of their Employment Insurance Maternity benefits to a percentage of their regular earnings and to a cost sharing of SUBP premiums during the post-delivery disability period.

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

(d) Investments

Short-term investments are recorded at lower of cost and market value. Investments are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the period to maturity. 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 and accounts payable approximates their fair value because of the short-term maturities of these items.

The fair values of cash and investments are disclosed in Note 4.

Non-current contributions receivable approximate their fair value.

The carrying value of the life lease deposits repayable over a long term at the original values is not discounted. The fair value of the life lease deposits is not practically determinable.

The carrying value of long-term debt and obligations under capital leases approximates their fair values.

(f) Inventories

Inventories are valued at the lower of cost and net realizable value.

Note 3 Significant Accounting Policies and Reporting Practices (continued)

(g) Capital Assets

Capital assets and construction projects in progress are recorded at cost. Capital assets costing less than \$5,000 are expensed.

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

Buildings	2.5% - 5%
Parking lots	5%-10%
Land improvements	10%
Furniture and equipment	5% - 20%
Equipment under capital lease	5% - 20%
Leasehold improvements	Lease term plus one renewal period

Capital 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 Authority are accounted for as acquisitions of capital assets financed by long-term obligations.

(h) Trust Funds Received by the Authority for Non-owned Facilities

The Authority receives trust funds from Alberta Infrastructure that are to be paid to operators of non-owned facilities for capital purposes or facility repairs. These amounts are not reflected in the financial statements but are disclosed in Note 27.

(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 estimates of the useful life of the related assets. Actual results could differ from these estimates.

The Authority records amounts to accrue for the impact of unsettled labour contracts. These amounts are estimates of future increases in salaries and benefits payable. Actual results could differ from these estimates.

The Authority is currently included in the Goods and Services (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 Authority ceases to be part of the GST free list of the Alberta Government.

Note 4 Cash and Investments

	2003		2002	
	Cost	Market Value	Cost	Market Value
	(thousands of dollars)			
Cash	\$ 246,519	\$ 246,519	\$ 177,826	\$ 177,826
Money market securities	6,148	6,148	2,660	2,663
Bonds	63,558	64,926	58,687	58,244
Equities	29,756	29,607	25,441	30,926
Total	\$ 345,981	\$ 347,200	\$ 264,614	\$ 269,659
Reported as:				
Current	\$ 151,864		\$ 122,763	
Non-current	194,117		141,851	
	<u>\$ 345,981</u>		<u>\$ 264,614</u>	

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

To earn optimal financial returns at an acceptable level of risk, management has established an asset mix policy of 0% to 100% for fixed-income instruments and 0% to 35% for equities. Risk is reduced through asset class diversification, diversification within each asset class and quality constraints on fixed-income and equity instruments.

- (b) 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 maturity dates range from September 2005 to December 2031. Bond yields to maturity range from 2.5% to 5.3% as at March 31, 2003. (March 31, 2002 – 4.1% to 10.5%). The weighted average term to maturity is 7.5 years.

Fixed-income securities, such as bonds, have an average effective yield of 2.5% per annum based on the market for securities maturing within a year, and 4.1% per annum for securities maturing between 1 and 3 years, 4.8% per annum for securities maturing between 3 and 5 years, 5.0% per annum for securities maturing between 5 and 7 years, 5.6% per annum for securities maturing between 7 and 10 years and 5.3% per annum for securities maturing over 10 years.

Note 4 Cash and Investments (continued)

- (b) (continued)

As at March 31, 2003 the securities have the following term structure based on market.

	%
Under 1 Year	9
1 to 5 years	31
5 to 10 years	45
Over 10 years	15
	<u>100</u>

The carrying value of certain investments is in excess of fair market value at March 31, 2003. The Authority's management has reduced the carrying value of equities by an amount which they have determined to be the decline in value that is other than temporary.

In circumstances where the decline in carrying value of equities is other than temporary (normally over a three or four year period), the carrying value would be written down to fair market value. In management's best judgement, based on a thorough review with both its investment advisors and the Authority's Board, the balance of the decline in carrying value of equities is deemed to be temporary.

- (c) Equities comprise publicly traded equities in Canadian and United States resident corporations. Risk is reduced by prudent security selection and sector rotation.
- (d) Non-current cash and investments held relate to the following:

	2003	2002
	(thousands of dollars)	
Funds committed for long-term care partnership projects (Note 6)	\$ 45,921	\$ 46,363
Non-current loan - long-term care partnership projects	(15,273)	(11,911)
Contributions receivable - long-term care partnership projects (Note 5)	-	(30,000)
Contributions externally restricted for operating purposes	2,922	2,799
Contributions externally restricted for capital purposes (Note 10)	151,057	177,661
Contributions receivable (Note 5)	(300)	(64,804)
Funds committed for capital purposes (Note 13)	10,572	23,872
Current portion of long-term debt (Note 9)	(782)	(2,129)
	<u>\$ 194,117</u>	<u>\$ 141,851</u>

Note 5 Contributions Receivable

	2003	2002
	(thousands of dollars)	
Alberta Infrastructure	\$ -	\$ 51,758
Alberta Health and Wellness capital equipment	-	12,546
Other	300	500
	<u>300</u>	<u>64,804</u>
Alberta Infrastructure - long-term care partnership projects	-	30,000
	<u>\$ 300</u>	<u>\$ 94,804</u>

Note 6 Long-term Care Partnership Projects

Funds received from Alberta Infrastructure for the purpose of providing facility based continuing care to the region's residents are recorded as long-term deferred contributions.
\$ 45,921,000 (2002 \$ 46,363,000)

The Authority uses the Forgivable Mortgage Model for reporting the contribution and advancement of funds. The provincial Government supports partnerships between Capital Health Authority and private, public or voluntary organizations by providing a one-time, up-front capital grant to the Authority. The Authority in turn provides a demand loan to the partner. The partner uses these funds towards the construction of the facility. The loan is forgivable over the useful life of the infrastructure. The loan is repayable on demand, is secured by the facility and is forgivable for services rendered by the owner over the life of the facility. The Authority does not accrue interest on the loan as the Authority will forgive the balance of the loan following the expiry of the initial thirty years of use and any extension arrangement (not to exceed ten years). During the year the Authority advanced \$3,889,000 (2002 \$ 8,143,000) for the construction of new facilities.

During the year, the Authority amortized \$527,000 (2002 \$nil) of loans-long-term care partnership projects to facility-based continuing care services and recognized an equal amount of revenue as other government contributions through the amortization of deferred contributions-long term-care partnership project.

Note 7 Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(thousands of dollars)			
Buildings	\$ 864,184	\$ 281,089	\$ 583,095	\$ 578,051
Parking lots	36,341	14,802	21,539	23,965
Land and improvements	8,006	3,050	4,956	4,196
Furniture and equipment	372,123	252,417	119,706	118,387
Equipment under capital lease	9,532	9,473	59	199
Leasehold improvements	10,419	4,452	5,967	6,532
Projects in progress ⁽¹⁾	37,548	-	37,548	31,835
	<u>\$ 1,338,153</u>	<u>\$ 565,283</u>	<u>\$ 772,870</u>	<u>\$ 763,165</u>

⁽¹⁾ Projects in progress include the Royal Alexandra Hospital redevelopment, University of Alberta Hospital operating rooms, other major capital upgrades and information technology projects under development.

(a) Land

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

Site	Leased From	Lease Period
Royal Alexandra Hospital	City of Edmonton	Expires 2003
Glenrose Rehabilitation Hospital	Province of Alberta	Expires 2038
Mewburn Veterans Centre	Alberta Cancer Board	Expires 2008
Laurier Houses	Alberta Infrastructure	Expires 2056
McConnell Place North	City of Edmonton	Expires 2035
McConnell Place West	Alberta Infrastructure	Expires 2056

Note 7 Capital Assets (continued)

(b) Capital assets have been funded from the following sources:

	2003	2002
	(thousands of dollars)	
Externally funded (unamortized external capital contributions) (Note 12)	\$ 654,550	\$ 653,425
Internally funded (investment in capital assets)	95,205	85,553
Financed through:		
Long-term debt (Note 9)	9,206	11,335
Life lease deposits (Note 11)	14,478	13,421
Other	(569)	(569)
	<u>\$ 772,870</u>	<u>\$ 763,165</u>

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Note 8 Deferred Operating Contributions

	2003	2002
	(thousands of dollars)	
Amounts received:		
Alberta Health and Wellness contributions		
Restricted	\$ 88,762	\$ 71,271
Unrestricted	1,370,771	1,288,968
	1,459,533	1,360,239
Other government contributions	10,160	9,534
Special purpose funds for research and education	31,058	30,385
Other contributions	15,636	4,346
	<u>1,516,387</u>	<u>1,404,504</u>
Amounts recognized as revenue:		
Alberta Health and Wellness contributions (Note 17)		
Restricted	83,325	66,786
Unrestricted	1,370,771	1,288,968
	1,454,096	1,355,754
Other government contributions:		
Primary care projects (Note 18)	-	7
Alberta Mental Health Board (Note 18)	5,136	3,253
School health initiatives (Note 18)	4,717	4,499
Federal government projects (Note 18)	46	25
Community Lottery Boards (Note 18)	139	31
AADAC smoking cessation (Note 18)	18	-
Special purpose funds for research and education (Note 21)	29,888	31,951
Other contributions (Note 21)	14,296	4,941
	<u>1,508,336</u>	<u>1,400,461</u>
Change during the year	8,051	4,043
Balance at beginning of year	61,917	57,874
	<u>\$ 69,968</u>	<u>\$ 61,917</u>
Unspent amounts at end of year are restricted for the following purposes:		
Current:		
Alberta Health and Wellness patient care programs	\$ 26,445	\$ 21,008
Other government contributions for primary care programs	3,118	3,014
Special purpose funds for research and education	33,059	31,887
Other	7,346	6,008
	<u>69,968</u>	<u>61,917</u>
Long-term:		
Other	2,992	2,799
	<u>\$ 72,960</u>	<u>\$ 64,716</u>

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Note 9 Long-term Debt

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Loans	\$ 423	\$ 2,222
Debentures	<u>8,783</u>	<u>9,113</u>
	9,206	11,335
Less: current portion	<u>782</u>	<u>2,129</u>
Long-term portion	<u>\$ 8,424</u>	<u>\$ 9,206</u>
	<u>Loans and</u>	
	<u>Debentures</u>	
Future principal payments:		
For the year ending March 31		
2004	\$ 782	
2005	369	
2006	391	
2007	413	
2008	437	
thereafter	<u>6,814</u>	
	<u>\$ 9,206</u>	

Loan and debenture maturities and rates are as follows:

	Maturity Date	Rate	Amount	
			2003	2002
(thousands of dollars)				
Alberta Municipal Financing Corp ⁽¹⁾	October 1, 2018	5.75%	\$ 8,783	\$ 9,113
Pacific & Western Trust Corporation ⁽²⁾	April 26, 2003	5.55%	<u>423</u>	<u>2,222</u>
			<u>\$ 9,206</u>	<u>\$ 11,335</u>

⁽¹⁾ The parkade at University of Alberta Hospital is pledged as collateral security for the Alberta Municipal Financing Corporation debenture.

⁽²⁾ Capital equipment is pledged as collateral security for the Pacific & Western Trust Corporation loan.

Note 10 Deferred Capital Contributions

The deferred capital contributions balance represent amounts accounted for in accordance with the accounting policy described in Note 3a(2).

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Amounts received:		
Restricted Alberta Health and Wellness contributions	\$ 1,569	\$ 6,115
Restricted other government contributions	1,744	55,983
Interest on externally restricted contributions	178	424
Donations restricted for capital purposes	10,418	10,206
Other	<u>7,379</u>	<u>3,978</u>
	21,288	76,706
Capital contributions receivable (Note 5)	<u>-</u>	<u>64,804</u>
	21,288	141,510
Transferred from deferred contributions - long-term care partnership projects (Note 6)	-	630
Transferred to unamortized external capital contributions (Note 12)	<u>(47,892)</u>	<u>(42,756)</u>
Change during the year	(26,604)	99,384
Balance at beginning of year	<u>177,661</u>	<u>78,277</u>
Balance at end of year	<u>\$ 151,057</u>	<u>\$ 177,661</u>
Balance at the end of the year is restricted for equipment, construction projects, facility upgrades and information technology projects		

Note 11 Life Lease Deposits

Funding for the Laurier Houses, project for long-term care residents, is provided by the tenants with a non-interest bearing repayable deposit, for a right to occupy the unit leased. When the life lease agreement is terminated, which may be by death or the tenant moving out, the life lease deposit is returned to the tenant without interest and in accordance with the terms of the life lease agreement.

Note 12 Unamortized External Capital Contributions

The balance at the end of year represents the external capital contributions that will be recognized as revenue in future years.

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Balance at beginning of year	\$ 653,425	\$ 653,928
Add amounts transferred from deferred capital contributions (Note 10)	47,892	42,756
Less amounts recognized as revenue:		
Ancillary operations (Note 20)	(660)	(492)
Amortization of external capital contributions	<u>(46,107)</u>	<u>(42,767)</u>
	(46,767)	(43,259)
Balance at end of year	<u>\$ 654,550</u>	<u>\$ 653,425</u>

Note 13 Internally Restricted Funds for Designated Purposes

Funds restricted for designated purposes represent amounts internally restricted by the Authority for the following purposes:

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Amounts appropriated for capital commitments	\$ 4,189	\$ 19,040
Debt repayment	782	2,100
Other	<u>5,601</u>	<u>2,732</u>
	<u>\$ 10,572</u>	<u>\$ 23,872</u>

Note 14 Unrestricted and Restricted Funds

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Deficiency in net assets at regionalization - April 1, 1995	\$ (802)	\$ (802)
Changes since regionalization		
Cumulative operating surplus (deficit)	78,922	84,440
Invested in capital assets (net of amortization)	(71,049)	(60,340)
Other	<u>3,501</u>	<u>2,444</u>
	<u>\$ 10,572</u>	<u>\$ 25,742</u>
Unrestricted	\$ -	\$ 1,870
Restricted funds for designated purposes	<u>10,572</u>	<u>23,872</u>
	<u>\$ 10,572</u>	<u>\$ 25,742</u>

Unrestricted and Restricted Funds by Year

	Opening Balance	Operating Surplus/Deficit	Capital Asset Acquisitions	Amortization on Internally Funded Assets	Debt Repayment	Other Including Life Lease Deposits	Ending Balance
	(thousands of dollars)						
1995-96	\$ (802)	\$ (30,822)	\$ (2,429)	\$ 7,036	\$ (835)	\$ (2,113)	\$ (29,965)
1996-97	\$ (29,965)	9,927	(13,132)	7,001	(659)	-	(26,828)
1997-98	(26,828)	25,135	(2,070)	7,299	(1,894)	-	1,642
1998-99	1,642	89	(15,442)	8,536	(3,061)	(225)	(8,461)
1999-00	(8,461)	66,099	(9,492)	7,809	(3,392)	-	52,563
2000-01	52,563	2,131	(26,397)	10,246	(4,450)	(45)	34,048
2001-02	34,048	11,881	(39,566)	19,320	(4,768)	4,827	25,742
2002-03	25,742	<u>(5,518)</u>	<u>(29,715)</u>	<u>21,135</u>	<u>(2,129)</u>	<u>1,057</u>	10,572
Total		<u>\$ 78,922</u> ⁽¹⁾	<u>\$ (138,243)</u>	<u>\$ 88,382</u>	<u>\$ (21,188)</u>	<u>\$ 3,501</u>	

⁽¹⁾ The cumulative operating surplus of \$78,922,000 includes funding of \$33,081,000 received in 1997/1998 for the inherited deficit at regionalization.

Note 15 Commitments

The Authority is committed to operating lease payments in future years as follows:

	(thousands of dollars)
For the year ending March 31,	
2004	2,141
2005	1,610
2006	1,294
2007	921
2008	-
and thereafter	-
	<u>\$ 5,966</u>

The leases expire at various dates from 2004 to 2007.

The Authority has outstanding commitments for capital equipment purchases of \$49,143,000 and the commitments for long-term care partnership projects of \$30,648,000.

The Authority contracts on an ongoing basis with voluntary, private and community health service operators to provide acute and continuing care and other health services in the Region (Note 24(e)). The Authority has contracted for services in the year ending March 31, 2004 similar to those provided by these operators in 2003.

In order to manage its exposure to the volatility in the electrical industry, the Authority has entered into a five year contract to fix its electrical costs at all sites, except the University of Alberta Hospital. This commitment expires on December 31, 2008. Based on 2003 consumption, the estimated annual cost of this contract is \$2,444,000. The University of Alberta Hospital power is provided through the University of Alberta.

Note 16 Budget

Consolidated Statement of Operations

	Approved Budget ⁽¹⁾	Adjustments ⁽²⁾	Reported Budget
	(thousands of dollars)		
Revenue			
Alberta Health and Wellness contributions	\$ 1,427,604	\$ 23,000	\$ 1,450,604
Other government contributions	20,471		20,471
Fees and charges	106,725	8,000	114,725
Ancillary operations, net	4,671		4,671
Research, education, investment and other income	73,049	(8,000)	65,049
Amortization of external capital contributions	38,390		38,390
	<u>1,670,910</u>	<u>23,000</u>	<u>1,693,910</u>
Expense			
Facility-based inpatient acute services	483,636	18,000	501,636
Facility-based emergency and outpatient services	145,033	22,000	167,033
Facility-based continuing care services	226,431	(54,000)	172,431
Community and home based services	95,385	12,000	107,385
Diagnostic and therapeutic services	328,311		328,311
Promotion, prevention and protection services	38,016	(14,000)	24,016
Research and education	75,518	(10,000)	65,518
Administration	39,754	2,000	41,754
Information technology	39,592		39,592
Support services	193,119	47,000	240,119
Amortization of facilities and improvements	22,115		22,115
	<u>1,686,910</u>	<u>23,000</u>	<u>1,709,910</u>
Excess of expense over revenue	<u>\$ (16,000)</u>	<u>\$ -</u>	<u>\$ (16,000)⁽³⁾</u>

(1) The Authority Board approved the budget on June 26, 2002. The Minister of Health and Wellness approved the budget in a letter dated June 27, 2002.

(2) Adjustments relate mainly to accounting for restricted funds, reclassification of items to conform to presentation in these financial statements and reallocation of expenditures.

(3) The Authority is prohibited by Section 2.9(2) of the Regional Health Authorities Regulation from incurring an annual operating deficit. The Authority incurred an operating deficit of \$5,518,000 for the year ended March 31, 2003. In accordance with the Section 2.9(3) of the regulation, the Authority used accumulated unrestricted and internally restricted net assets to offset the deficit.

Note 17 Alberta Health and Wellness Contributions

	2003	2002
	(thousands of dollars)	
Unrestricted funding	\$ 1,368,680	\$ 1,286,871
Unrestricted contributions made directly by Alberta Health and Wellness to contracted health service operators (Note 24(e))	<u>2,091</u>	<u>2,097</u>
	<u>1,370,771</u>	<u>1,288,968</u>
Restricted funding	<u>83,325</u>	<u>66,786</u>
	<u>\$ 1,454,096</u>	<u>\$ 1,355,754</u>

Note 18 Other Government Contributions

	2003	2002
	(thousands of dollars)	
Alberta Infrastructure	\$ 337	\$ 507
Primary care projects (Note 8)	-	7
Alberta Mental Health Board (Note 8)	5,136	3,253
School health initiatives (Note 8)	4,717	4,499
Federal government projects (Note 8)	46	25
Community Lottery Boards (Note 8)	139	31
AADAC smoking cessation (Note 8)	18	-
Fair value of rent less rent charges for non-acute care facilities used by the Authority (Note 24(e))	825	3,213
Fair value for use of non-owned acute care facilities (Note 24(e))	9,958	8,652
Amortization of long-term care partnership deferred contributions (Note 6)	<u>527</u>	<u>-</u>
	<u>\$ 21,703</u>	<u>\$ 20,187</u>

Note 19 Fees and Charges

	2003	2002
	(thousands of dollars)	
Acute Care		
Non-entitled revenue - inpatients	\$ 56,259	\$ 46,128
Non-entitled revenue - outpatients	6,276	6,752
Preferred accommodations	1,585	1,269
Other	<u>6,587</u>	<u>6,755</u>
	<u>70,707</u>	<u>60,904</u>
Continuing Care		
Accommodation charges	33,840	24,320
Preferred accommodation	8,685	13,719
Other	2,333	2,102
Federal government	<u>197</u>	<u>165</u>
	<u>45,055</u>	<u>40,306</u>
	<u>\$ 115,762</u>	<u>\$ 101,210</u>

Note 20 Ancillary Operations

	2003			2002	
	(thousands of dollars)				
	Non-Patient Food Services Operations	Other Operations	Parking Operations	Total	Total
Revenue:					
Revenue	\$ 10,561	\$ 16,155	\$ 7,568	\$ 34,284	\$ 32,052
Amortization of external capital contributions	<u>74</u>	<u>16</u>	<u>570</u>	<u>660</u>	<u>492</u>
	<u>10,635</u>	<u>16,171</u>	<u>8,138</u>	<u>34,944</u>	<u>32,544</u>
Expense:					
Other expenses	10,461	15,046	3,007	28,514	27,686
Amortization of capital assets	<u>74</u>	<u>16</u>	<u>1,487</u>	<u>1,577</u>	<u>1,417</u>
	<u>10,535</u>	<u>15,062</u>	<u>4,494</u>	<u>30,091</u>	<u>29,103</u>
Excess of revenue over expense 2002-03	<u>\$ 100</u>	<u>\$ 1,109</u>	<u>\$ 3,644</u>	<u>\$ 4,853</u>	<u>\$ 3,441</u>
Excess (deficiency) of revenue over expense 2001-02	<u>\$ (124)</u>	<u>\$ 588</u>	<u>\$ 2,977</u>	<u>\$ 3,441</u>	

Note 21 Research, Education, Investment and Other Income

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Investment income	\$ 10,609	\$ 14,140
Funds received for research and education purposes (Note 8)	29,888	31,951
Other contributions (Note 8)	14,296	4,941
Northern Alberta Clinical Trials Centre	205	23
Sales and recoveries	<u>10,984</u>	<u>10,157</u>
	<u>\$ 65,982</u>	<u>\$ 61,212</u>

Investment income comprises interest, dividends, amortization of discount and premiums, net gains and losses on disposal of investments and write-downs of investments to market value.

Note 22 Administration

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
General administration	\$ 15,536	\$ 14,732
Insurance	2,256	1,634
Financial services	7,592	7,377
Human resources	9,266	9,421
Administration - contract operators (Note 24(e))	<u>7,147</u>	<u>7,031</u>
	<u>\$ 41,797</u>	<u>\$ 40,195</u>
Expenses before amortization of related capital assets	\$ 41,615	\$ 39,753
Amortization of related capital assets	<u>182</u>	<u>442</u>
	<u>\$ 41,797</u>	<u>\$ 40,195</u>

Note 23 Support Services

	<u>2003</u>	<u>2002</u>
	(thousands of dollars)	
Clinical engineering	\$ 5,769	\$ 5,055
Building maintenance, operations, security and utility	45,555	42,350
Communications	3,480	3,552
Education	5,967	4,590
Housekeeping	19,342	19,796
Materials management	19,737	19,871
Patient food services	24,438	24,878
Patient registration and health records	14,095	12,868
Patient transportation	8,848	8,756
Support services - contract operators (Note 24(e))	89,326	80,963
Other services	<u>829</u>	<u>996</u>
	<u>\$ 237,386</u>	<u>\$ 223,675</u>
Expenses before amortization of related capital assets	\$ 233,785	\$ 219,439
Amortization of related capital assets	<u>3,601</u>	<u>4,236</u>
	<u>\$ 237,386</u>	<u>\$ 223,675</u>

Note 24 Related Parties

(a) Provincial Government

The Authority is established under the Regional Health Authorities Act. Two-thirds of the members of the Authority were elected up to March 31, 2003. The Minister of Health and Wellness appoints the remaining members. The Authority is economically dependent upon the Ministry of Health and Wellness since the viability of its ongoing operations depends on contributions from the Ministry. Transactions between the Authority and the Province are disclosed in the Consolidated Statement of Operations and notes 8, 10, 17 and 18 to the consolidated financial statements.

- (b) The consolidated financial statements include the accounts of Capital Care Group Inc. a wholly owned subsidiary company, which operates continuing care centres in the Region.

Note 24 Related Parties (continued)

(c) Foundations

The Authority has an economic interest in the following foundations:

	Contributions Received ⁽¹⁾		Resources Held by Foundations		
	2003	2002	2003		
			Endowments & Externally Restricted	Internally Restricted	Unrestricted
			(thousands of dollars)		
University Hospital Foundation	\$ 6,154	\$ 5,442	\$ 16,374	\$ 6,183	\$ 4,731
Royal Alexandra Hospital Foundation	1,876	1,079	5,397	1,570	284
Children's Health Foundation of Northern Alberta	1,747	2,958	1,109	2,712	832
Capital Care Foundation	1,084	550	657	342	93
Black Gold Health Foundation	225	143	-	104	226
Glenrose Foundation	-	479	1,162	224	899
Sturgeon Community Hospital & Health Centre Foundation	285	298	580	-	554
Strathcona Health Care Foundation	-	254	-	-	-
Council of Foundations	214	5	3,922	1,470	-
	<u>\$ 11,585</u>	<u>\$ 11,208</u>	<u>\$ 29,201</u>	<u>\$ 12,605</u>	<u>\$ 7,619</u>

⁽¹⁾ Contributions comprise externally restricted amounts for equipment, programs, research and education.

Note 24 Related Parties (continued)

(c) Foundations (continued)

Amounts related to administrative support provided to foundations and the accounts receivable from (payable to) the foundations at year-end are as follows:

	Administrative Support		Accounts Receivable (Payable)	
	2003	2002	2003	2002
	(thousands of dollars)			
University Hospital Foundation	\$ -	\$ -	\$ (132)	\$ (286)
Royal Alexandra Hospital Foundation	-	-	-	-
Children's Health Foundation of Northern Alberta	-	-	837	453
Capital Care Foundation	164	154	(181)	77
Black Gold Health Foundation	35	26	-	-
Glenrose Foundation	150	167	13	-
Sturgeon Community Hospital & Health Centre Foundation	-	-	9	12
Strathcona Health Care Foundation	-	-	-	-
Council of Foundations	7	11	-	(137)
	<u>\$ 356</u>	<u>\$ 358</u>	<u>\$ 546</u>	<u>\$ 119</u>

Note 24 Related Parties (continued)

(d) Other Voluntary Organizations

The Authority has an economic interest in the following organizations affiliated with the hospitals:

	Contributions Received		Resources Held by Organizations		
			2003		
	2003	2002	Endowments & Externally Restricted	Internally Restricted	Unrestricted
	(thousands of dollars)				
The Friends of University Hospital	\$ 250	\$ 250	\$ 100	\$ -	\$ 749
Royal Alexandra Hospital Women's Auxiliary	109	142	-	-	328
Sturgeon Healthcare Auxiliary Volunteer Association	100	85	-	-	-
Glenrose Rehabilitation Hospital Women's Auxiliary	-	-	-	-	-
	<u>\$ 459</u>	<u>\$ 477</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 1,077</u>

(e) Contracted Health Service Operators

The Authority contracts with voluntary, private and community health service operators to provide acute and continuing care and other health services in the Region.

One of the major service providers within the region is the Caritas Health Group. A Cooperation Agreement, dated March 21, 1996, arising from the agreement between the Catholic Health Association of Alberta and Associates and Alberta Health and Wellness dated December 20, 1994, describes the relationship between the Authority and the Caritas Health Group. These financial statements include, as supplementary information, financial information related to the Caritas Health Group. The consolidated statement of operations amounts include expenses of the Caritas Health Group to the extent of funding provided by the Authority plus approved patient or resident fees and charges and a fair value adjustment for the use of the Caritas Health Group's acute care and non-acute care facilities.

Note 24 Related Parties (continued)

(e) Contracted Health Service Operators (continued)

The Authority has an economic interest in the following voluntary and private health providers as it transfers significant resources to these entities.

Facility Name:	2003				2002	
	Direct Funding by the Authority	Direct Funding by Alberta Health and Wellness (Note 17)	Approved Patient/ Resident Fees and Charges (thousands of dollars)	Full Cost Adjustments (Note 18)	Total	Total
Allen Gray Continuing Care Centre	\$ 5,296		\$ 1,468		\$ 6,764	\$ 2,961
Caritas Health Group	201,592		13,434	10,783	225,809	202,640
Central Park Lodge	7,579		2,443		10,022	9,720
Extencicare	8,876	184	3,050		12,110	11,454
Good Samaritan	29,025	297	7,480		36,802	34,773
Hardisty Nursing Home	4,411		1,885		6,296	5,904
Jubilee Lodge Nursing Home	5,051	392	1,719		7,162	6,853
Millwoods Shepherd's Care Centre	6,674	373	2,218		9,265	9,141
Salem Manor	3,338	55	1,149		4,542	4,426
Sherwood Park Care Centre	3,312		1,120		4,432	4,337
St. Joseph's Auxiliary Hospital	9,386		2,298		11,684	11,131
St. Michael's Long-term Care Centre	5,894	480	1,640		8,014	7,738
Venta Nursing Home	2,586	244	956		3,786	3,663
Youville Nursing Home (St. Albert)	5,552	66	1,771		7,389	7,159
Physiotherapy providers	6,887				6,887	6,184
Homecare providers	35,011				35,011	35,391
Others ⁽¹⁾	79,254				79,254	72,050
	<u>\$ 419,724</u>	<u>\$ 2,091</u>	<u>\$ 42,631</u>	<u>\$ 10,783</u>	<u>\$ 475,229</u>	<u>\$ 435,525</u>

Reported in the following expenses categories:

Facility-based continuing care services	\$ 109,680	\$ 98,165
Facility-based inpatient acute services	90,913	79,758
Facility-based emergency and outpatient services	24,295	22,536
Community and home based services	35,518	35,788
Diagnostic and therapeutic services	116,290	109,205
Promotion, prevention and protection services	324	332
Research and education	1,736	1,747
Support services	89,326	80,963
Administration	7,147	7,031
	<u>\$ 475,229</u>	<u>\$ 435,525</u>

(1) Includes services such as laboratory, self managed care, non-hospital surgical facilities, etc.

Note 25 Province Wide Services

Included in Alberta Health and Wellness contributions is funding to provide a specific range of complex, high technology, high cost services (classified as Province Wide Services). These services are only provided at Capital Health and Calgary Health and are available to all Albertans.

Funding and cost information for Capital Health, included in revenues and expenditures, is as follows:

	2003				2002			
	(thousands of dollars)							
	Funding ⁽¹⁾		Costs ⁽²⁾		Variance		Variance	
		\$	%	\$	%	\$	%	
Inpatient ⁽³⁾	\$ 108,603	\$ 114,398	\$ (5,795)	(5.3)	\$ 98,478	\$ 103,695	\$ (5,217)	(5.3)
Clinics and home services ⁽⁴⁾	60,941	60,642	299	0.5	57,491	57,310	181	0.3
High cost drugs and devices ⁽⁵⁾	19,261	20,196	(935)	(4.9)	17,848	18,637	(789)	(4.4)
Tertiary services ⁽⁶⁾	21,311	28,602	(7,291)	(34.2)	20,466	25,921	(5,455)	(26.7)
Unallocated Funding ⁽¹⁾	3,477	-	3,477	100.0	3,129	-	3,129	100.0
	<u>\$ 213,593</u>	<u>\$ 223,838</u>	<u>\$ (10,245)</u>	<u>(4.8)</u>	<u>\$ 197,412</u>	<u>\$ 205,563</u>	<u>\$ (8,151)</u>	<u>(4.1)</u>

- (1) Funding provided by Alberta Health and Wellness does not include amortization of related external capital contributions.
- (2) Costs for inpatient, and clinics and home services include direct costs, allocation of overhead and amortization of equipment.
- (3) Inpatient services consist of organ transplants, most heart surgeries, high end trauma and burns cases, selected neurosurgery procedures, neuromodulation, neonatology and selected oncology procedures. In 2002/03, inpatient cases are grouped and defined in Case Mix Groups. (in the previous years, they were grouped under Refined Diagnosis Related Groups.) Therefore, volumes and costs for inpatient are not fully comparable between the two years. Inpatient costs were based on the costing methodology adopted by Alberta Health and Wellness Costing Partnership Project. Inpatient costs are based on average case cost for in-province cases for the year. Patient activity is based on patient discharge date.
- (4) Clinics and home services represent actual costs for programs such as renal and peritoneal dialysis services, pre and post transplant services, islet cell transplantation, home enteral nutrition therapy, medical genetics testing, COMPRU, visudyne therapy, pediatric transport and HIV Clinic. Costs for our of province patients are excluded.
- (5) High cost drugs represent actual costs for transplantation drugs, HIV drugs and other pre-established high cost drugs. Drug distribution costs are included. High cost devices represent actual costs for cranioplasty, implantable cardiac defibrillators and cochlear implants.

Note 25 Province Wide Services (continued)

⁽⁶⁾ Tertiary services compensate for indirect costs relating to teaching and research hospitals. The amounts reported are based on methodology developed by the Province Wide Services Advisory Committee.

⁽⁷⁾ The unallocated funding of \$3.5 million was for all province wide services, and therefore, was not allocated to a specific service.

Note 26 Surgical Services Contracts

The Authority has entered into contracts with accredited surgical facilities pursuant to the Health Care Protection Act to provide health services. Information of the facilities, contract value and payments is as follows:

Entity	Service	Term of Contract ⁽¹⁾		Total Value of Contract	Total Expense	
		Start Date	End Date		2003	2002
(thousands of dollars)						
Don Groot Professional Corporation	Dermatology	01-Oct-00	31-Mar-03	\$ 591	\$ 241	\$ 236
Alberta Eye Institute, Inc.	Ophthalmology	01-Oct-00	31-Mar-03	710	261	239
Buski Eye Centre and Surgical Suite	Ophthalmology	01-Oct-00	31-Mar-03	42	13	20
Coronation Day Surgery Centre	Ophthalmology	01-Oct-00	31-Mar-03	204	138	14
David B. Climenhaga Professional Corporation	Ophthalmology	01-Oct-00	31-Mar-03	686	274	269
Gimbel Eye Centre - Edmonton, Inc.	Ophthalmology	01-Oct-00	31-Mar-03	748	286	290
Royce L.C. Johnson Professional Corporation	Ophthalmology	01-Oct-00	31-Mar-03	384	147	143
Surgical Centres Inc.	Ophthalmology	01-Oct-00	31-Mar-03	129	24	61
Darrell Andrew Paul Gotaas Professional Corporation	Oral Surgery	01-Nov-00	31-Mar-03	238	92	61
E. Christopher Robinson Professional Corporation	Oral Surgery	01-Nov-00	31-Mar-03	131	40	45
E. Wayne Tunis Professional Corporation	Oral Surgery	01-Nov-00	31-Mar-03	132	40	30
Kevin E. Lung Professional Corporation	Oral Surgery	01-Nov-00	31-Mar-03	295	103	99
Randall W. Kreutz Professional Corporation	Oral Surgery	01-Nov-00	31-Mar-03	90	18	15
Terence K. Vankka Professional Corporation	Oral Surgery	01-Nov-00	31-Mar-03	63	25	23
Thomas R. Stevenson Professional Corporation	Oral Surgery	01-Nov-00	31-Mar-03	121	46	32
Walter Dobrovolsky Professional Corporation	Oral Surgery	01-Nov-00	31-Mar-03	225	90	90
Plastic & Cosmetic Laser Surgical Centre	Plastic Surgery	01-Oct-00	31-Mar-03	628	236	277
Surgical Centres Inc.	Plastic Surgery	01-Oct-00	31-Mar-03	73	16	19
Baya 91 Limited - Morgentaler Clinic	Reproductive Health	01-Oct-00	31-Mar-03	2,819	1,130	1,112
				<u>\$ 8,309</u> ⁽²⁾	<u>\$ 3,220</u>	<u>\$ 3,075</u>

⁽¹⁾ The terms of the contracts have been extended by means of contract extensions from October 1, 2000 and November 1, 2000 respectively, through to March 31, 2003. Payments to these accredited surgical facilities are reported under facility-based emergency and outpatient services in the Consolidated Statement of Operations.

⁽²⁾ Total contract value of \$8,309,000 is for a three year period.

Note 27 Trust Funds

The Authority receives funds in trust 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 Authority received \$1,636,000 (2002 \$ 12,739,000) and disbursed \$2,450,000 (2002 \$ 13,174,000) for capital and facility repairs for non-owned facilities. The balance of funds held by the Authority is \$3,580,000 (2002 \$4,394,000).

The Authority also receives funds in trust from Alberta Health and Wellness that are flowed through to other health regions or in trust for specified purposes. During the year the authority received and disbursed \$326,000 in Remicade Drug funding for other health regions. These regions will be reporting both the revenues and related expenditures. There were no funds remaining at the end of 2002/03.

During the year the Authority received \$1,433,000 for Provincial Laboratory Hepatitis C funding and \$95,000 for Complex Pediatrics Therapeutics funding. The balance of funds held by the Authority for these projects at the end of 2002/03 was \$543,000 and \$19,000 respectively.

Note 28 Pension Costs

The Authority participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit plan. The pension expense recorded in these financial statements is equivalent to the Authority's annual contributions payable of \$25,104,000 for the year ended March 31, 2003 (2002 \$22,598,000).

At December 31, 2002 the Local Authorities Pension Plan reported a deficit of \$444,980,000 (2001 surplus of \$634,960,000).

Note 29 Boundary Realignment and Transfer of Mental Health Services

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 Aspen, Lakeland and Westview Health Authorities will be assumed in part by the Aspen Health Authority, the Capital Health Authority and the East Central Health Authority at carrying value.

As of April 1, 2003, Capital Health Authority includes the cities of Edmonton, Fort Saskatchewan, Leduc, Spruce Grove and St. Albert, and the counties of Leduc, Parkland, Strathcona and Sturgeon and the communities in eastern part of Yellowhead county, the Town of Devon, the Hamlet of Evansburg and the Municipalities of Stony Plain and Spruce Grove.

The revised boundaries now include Acute Care facilities such as the Devon General Hospital, the Fort Saskatchewan Health Centre, the Redwater Health Centre and the Westview Health Centre. In addition, Community Clinics, Continuing Care facilities and Health Units have been transferred.

Note 29 Boundary Realignment and Transfer of Mental Health Services (continued)

In addition, on April 1, 2003 mental health services were also transferred to the region. The Alberta Hospital Edmonton as well as all mental health clinics and mental health programs within the newly expanded area served by the Authority were transferred to Region 6. On May 27, 2003, The Minister of Health and Wellness announced that Region 6 was named "Capital Health". Assets and liabilities of the realigned Regional Health Authorities and Mental Health Services will be assumed at carrying value.

Note 30 Comparative Figures

Consolidated Capital Health Authority:

Deferred operating contributions of \$2,130,000 have been reclassified to deferred capital.

Deferred capital contributions have been increased by the \$2,130,000 above and reduced by \$686,000 due Capital Care Group Inc. Charitable Trust contributions previously recorded as deferred capital contributions now being recorded as unrestricted net assets. Also, \$2,799,000 previously recorded as unrestricted net assets relating to the Trusts has been reclassified as long-term deferred operating contributions. The Trust Deed establishes guidelines for administration of funds held as deferred contributions. Previously, the Capital Care Group Inc. recorded restricted operating contributions as unrestricted net assets. These corrections have been accounted for retroactively with the restatement of prior period amounts. The net change of \$2,113,000 due to the correction in recording the Capital Care Group Inc. Charitable Trust contributions has been reflected as a net reduction in the beginning balance of net assets for the year ended March 31, 2002 from \$99,623,000 to \$97,510,000. To eliminate the deficit in Capital Care Group Inc. unrestricted net assets, \$1,552,000 was transferred from internally restricted assets.

Also, the Authority has changed its accounting treatment of Northern Alberta Clinical Trial Centre revenues from externally restricted contributions to unrestricted contributions. An internal restriction has been placed on these funds for future clinical research, the operation of the Northern Alberta Clinical Trial Centre, and the establishment and operation of a clinical research centre. This change has been made retroactively and the year ended March 31, 2002 and opening net assets have been restated. Deferred operating contributions have been reduced by \$1,927,000 and internally restricted assets have been increased by \$1,927,000. Revenue from research, education, investment and other income was increased by \$23,000.

The above changes have been reflected in the Statement of Cash Flows, Schedule 3 and in Notes 4, 8, 10, 14 and 21.

Note 30 Comparative Figures (continued)

The restatements on the Statement of Financial Position as at March 31, 2002 are summarized in the table below:

	Deferred capital contributions	Deferred operating contributions	Unrestricted net assets	Cash and temporary investments	Non-current cash and investments	Long-term deferred contributions	Internally Restricted Assets
(in thousands of dollars)							
As previously reported on March 31, 2002	\$ 176,217	\$ 65,974	\$ 2,431	\$ 127,381	\$ 137,233	\$ -	\$ 23,497
Restatement of deferred capital contributions	2,130	(2,130)		(2,130)	2,130	-	-
Trust contributions recorded in previous years now transferred to unrestricted net assets	(686)	-	686	686	(686)	-	-
Items previously classified as unrestricted net assets relating to the Capital Care Group Inc. charitable trusts	-	-	(2,799)	(2,799)	2,799	2,799	-
Transfer from Capital Care Group Inc.'s internally restricted assets	-	-	1,552	-	-	-	(1,552)
Change in accounting treatment of Northern Alberta Clinical Trial Centre revenues from externally restricted contributions to unrestricted and to reflect internal restriction of funds	-	(1,927)	-	-	-	-	1,927
Restated as at March 31, 2002	\$ 177,661	\$ 61,917	\$ 1,870	\$ 123,138	\$ 141,476	\$ 2,799	\$ 23,872

Certain March 31, 2002 figures on the Consolidated Statement of Operations have been restated to conform to the current year's presentation. The associated notes have also been restated.

Combined Consolidated Statements:

In addition to the above, the combined consolidated statements have been changed due to an accounting policy change by Caritas Health Group not to capitalize minor equipment (capital assets with a cost less than \$5,000). The change affected the ending balances as of March 31, 2001. Capital assets were reduced by \$5,116,000 and investment in capital assets was reduced by a similar amount.

Also, non-current cash of \$1,806,000 has been classified separately from cash and temporary investments and the Statement of Cash Flow has been adjusted to reflect the change.

Certain March 31, 2002 figures on the Combined Consolidated Statement of Operations have been restated to conform to the current year's presentation.

Note 31 Approval of Financial Statements

These financial statements have been approved by the Authority.

Schedule 1

CAPITAL HEALTH AUTHORITY
CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
FOR YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	2003		2002
	Budget	Actual	Actual
Salaries, honoraria, benefits, allowances and severance (Schedule 2)	\$ 796,643	\$ 797,463	\$ 724,966
Contracts with health service operators (Note 24(e))	478,626	475,229	435,525
Contracts under the Health Care Protection Act (Note 26)	3,420	3,220	3,075
Drugs, gases, medical and surgical supplies	135,281	135,428	122,372
Medical, consulting and other professional services	104,653	104,702	101,301
Interest on long term debt	1,216	583	699
Other ⁽¹⁾	167,586	159,585	151,276
Amortization:			
Capital equipment - internally funded	11,500	17,973	17,269
Capital equipment - externally funded	18,390	22,228	22,834
Facilities and improvements	22,115	27,701	22,476
	1,739,430	1,744,112	1,601,793
Less amounts reported in ancillary operations (Note 20)	(29,520)	(30,091)	(29,103)
	<u>\$ 1,709,910</u>	<u>\$ 1,714,021</u>	<u>\$ 1,572,690</u>

⁽¹⁾ Significant amounts under "Other" include

Office, general supplies and miscellaneous	\$ 32,680	\$ 25,685
Diagnostic & therapeutic supplies	20,742	18,422
Plant operations	20,151	20,183
Referred-out services	13,059	18,883
Equipment maintenance	12,213	10,560
Food supplies	11,869	10,861
Equipment (minor, construction, rental, and building/ground maintenance)	12,405	11,873

Schedule 2
CAPITAL HEALTH AUTHORITY
CONSOLIDATED SCHEDULE OF SALARIES, HONORARIA, BENEFITS, ALLOWANCES AND SEVERANCE
FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	2001				2002			
	Number of Individuals	Salaries and Honoraria	Benefits and Allowances	Sub-total	Number of Individuals	Salaries, Benefits, Honoraria	Severance	Total
Board Compensation								
Chairperson	1	\$ 85	-	\$ 85	-	\$ 83	-	\$ 83
Wilkinson, Neil								
Board Members								
Members at March 31, 2003								
Bechtel Brian	1	5	-	5	-	2	-	2
Bell, Dean	1	9	-	9	-	9	-	11
Blumenhal Leonard	1	16	-	16	-	18	-	18
Burch, Bill	1	10	-	10	-	11	-	11
Burt, Orlita	1	13	-	13	-	7	-	7
Crawford, Ian	1	8	-	8	-	6	-	6
Dalser, Joan	1	8	-	8	-	4	-	4
Kinsella, Wendy	1	10	-	10	-	5	-	5
Mackay, Sheila	1	10	-	10	-	10	-	10
Plain, Margaret	1	10	-	10	-	10	-	10
Polowick, Karen M.	1	15	-	15	-	16	-	16
Ramsey, John C.	1	5	-	5	-	3	-	3
Thompson, Barbara	1	6	-	6	-	3	-	3
Warring, Molly	1	9	-	9	-	8	-	8
Prior Members								
Bullock, Peter	-	-	-	-	-	8	-	8
Hook, David	-	-	-	-	-	1	-	1
Huntley, Andrew	-	-	-	-	-	4	-	4
Krasewich, Robert	-	-	-	-	-	4	-	4
Monder, Al	-	-	-	-	-	3	-	3
Mahbout, Linda	-	-	-	-	-	9	-	9
Marcl, Dan	-	-	-	-	-	1	-	1
Young, Leslie	-	-	-	-	-	3	-	3
Total honoraria	15	\$ 219	-	\$ 219	-	\$ 219	-	\$ 220
						23		\$ 220

(1) Term expired October 15, 2001

Schedule 2 (continued)
CAPITAL HEALTH AUTHORITY
CONSOLIDATED SCHEDULE OF SALARIES, HONORARIA, BENEFITS, ALLOWANCES AND SEVERANCE
FOR THE YEAR ENDED MARCH 31, 2003
(thousands of dollars)

	2003				2002			
	Number of Individuals	Salaries and Honoraria	Benefits and Allowances	Sub-total	Number of Individuals	Salaries, Benefits, Honoraria	Severance	Total
Staff								
Chief Executive Officer	1.00	410	\$ 65	\$ 475	-	\$ 472	-	\$ 472
Management persons reporting to the CEO - Vice Presidents, Operating Officers and Others								
Chief Clinical Officer	1.00	311	17	328	-	313	-	313
Chief Planning Officer	1.00	160	23	183	-	183	-	152
Senior Vice President	1.00	273	42	315	-	315	-	305
Finance & Administration	1.00	258	32	290	-	290	-	265
Human Resources	1.00	210	16	226	-	226	-	189
Public Affairs	1.00	160	23	183	-	183	-	180
Royal Alexandra Hospital	1.00	198	29	227	-	227	-	221
Academic Affairs	1.00	242	13	255	-	255	-	99
University of Alberta Hospital	1.00	209	28	237	-	212	-	218
Community Hospitals	1.00	184	28	212	-	200	-	200
Government Relations	1.00	105	15	120	-	99	-	99
Chief Liaison Officer	1.00	124	15	139	-	129	-	129

**SCHEDULE OF SALARIES, HONORARIA, BENEFITS, ALLOWANCES AND SEVERANCE
FOR THE YEAR ENDED MARCH 31, 2003**

1. Full time equivalent (FTE) is calculated based on a weighted average number of individuals occupying a category or position for the year based on a standard work year of 2,023 hours, except for named individuals.

Total actual discrete number of individuals employed were 20,488 (2002 19,893).
2. Salaries include regular base pay, overtime, lumpsum payments, honoraria and any other direct cash remuneration including sick leave, short-term disability and vacation.
3. Benefits and allowances include the employers 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, unemployment insurance, workers compensation, car benefits and allowances, and tuition.
4. Severance expenses include amounts paid in lieu of notice and certain other severance related costs. Numbers of staff reported under the severance category are the discrete numbers of people receiving severance.
5. The average salary and benefits amounts exclude severance payments.

**CAPITAL HEALTH AUTHORITY
CONSOLIDATED SCHEDULE OF SALARIES, HONORARIA, BENEFITS, ALLOWANCES AND SEVERANCE
FOR THE YEAR ENDED MARCH 31, 2003**
(thousands of dollars)

	2003				2002			
	Number of Individuals	Salaries and Honoraria	Benefits and Allowances	Sub-total	Number of Individuals	Salaries, Benefits, Honoraria	Severance	Total
Other management personnel (reporting to those above) (avg. 2003 \$110 - avg. 2002 \$109) (excluding severance)	100	\$ 9,600	\$ 1,372	\$ 10,972	2	\$ 190	\$ 11,162	94 \$ 9,629 \$ 139 \$ 9,768
Other management personnel reporting to those above (avg. 2003 \$80 - avg. 2002 \$82) (excluding severance)	595	41,627	6,001	47,628	16	566	48,194	551 44,923 284 45,207
Medical doctors not included above (avg. 2003 \$177 - avg. 2002 \$147) (excluding severance)	27	4,428	363	4,791	-	-	4,791	28 4,101 175 4,276
Regulated nurses not included above (avg. 2003 \$76 - avg. 2002 \$70) (excluding severance)	4,530	296,132	48,986	345,118	2	21	345,139	4,408 308,340 139 308,479
Other health technical and professionals (avg. 2003 \$74 - avg. 2002 \$67) (excluding severance)	1,940	122,314	21,389	143,803	2	35	143,838	1,895 127,323 99 127,422
Unregulated health service providers (avg. 2003 \$34 - avg. 2002 \$33) (excluding severance)	1,191	34,652	6,164	40,816	1	34	40,850	1,152 38,321 - 38,321
Other frontline staff (avg. 2003 \$43 - avg. 2002 \$41) (excluding severance)	4,678	171,498	28,303	199,801	28	279	200,080	4,614 188,058 373 188,431
Capital Health Authority Total	13,079/30	\$ 683,414	\$ 112,934	\$ 796,348	51	\$ 1,125	\$ 797,463	12,277/25 \$ 723,277 \$ 1,209 \$ 724,666
Capital Health Group Total	2,891/0	\$ 148,972	\$ 25,921	\$ 174,893	21	\$ 328	\$ 175,421	2,800/0 \$ 156,581 \$ 449 \$ 157,030
Total Capital Health Authority and Capital Health Group	15,970/30	\$ 832,386	\$ 138,855	\$ 971,231	72	\$ 1,453	\$ 972,884	15,077/25 \$ 880,338 \$ 1,658 \$ 881,996

CAPITAL HEALTH AUTHORITY
CONSOLIDATED SUMMARY OF REVENUE AND EXPENSE
FOR THE THREE YEAR PERIOD
(thousands of dollars)

	Actual		
	2003	2002	2001 (as restated)
Revenue:			
Alberta Health and Wellness contributions	\$ 1,454,096	\$ 1,355,754	\$ 1,178,289
Other government contributions	21,703	20,187	18,013
Fees and charges	115,762	101,210	91,240
Ancillary operations, net	4,853	3,441	3,581
Research, education, investment and other income	65,982	61,212	62,677
Amortization of external capital contributions	46,107	42,767	38,613
	\$ 1,708,503	1,584,571	1,392,413
Expense:			
Facility-based inpatient acute care services	\$ 505,851	\$ 453,794	\$ 377,645
Facility-based emergency and outpatient services	171,062	157,874	113,172
Facility-based continuing care services	171,805	157,173	140,591
Community and home based services	108,210	99,064	69,193
Diagnostic and therapeutic services	327,600	296,984	281,614
Promotion, prevention and protection services	24,554	18,432	34,321
Research and education	64,355	65,781	67,196
Administration	41,797	40,195	38,356
Information technology and alberta we/net	35,183	38,293	34,706
Support services	237,386	223,675	213,249
Amortization of facilities and improvements	26,218	21,425	20,239
	\$ 1,714,021	1,572,690	1,390,282
Excess of revenue over expense	\$ (5,518)	\$ 11,881	\$ 2,131

Pro-forma amounts have not been included as there have been no program transfers or boundary changes from Alberta Health and Wellness affecting the Authority part way during the three year period.

Schedule 3

CAPITAL HEALTH AUTHORITY
COMBINED CONSOLIDATED SCHEDULE OF COSTS OF HEALTH OUTPUTS
FOR YEAR ENDED MARCH 31, 2003

Schedule 4

	2003			2002		
	Activity Measure	Average Cost	Total Cost	Activity Measure	Average Cost	Total Cost
	(thousands of dollars)					
Acute Care						
Inpatient	Cases			Cases		
Inpatient cases (Note b(i))	101,260	\$ 7,223	\$ 731,408	95,255	\$ 7,114	\$ 677,690
	Days			Days		
Cost per patient day	727,454	1,005	731,408	697,517	972	677,690
Outpatient services	Visits			Visits		
Emergency	365,363	\$ 253	92,488	360,962	\$ 246	88,952
Day procedures	82,453	847	69,809	82,076	794	65,183
Clinic visits	1,565,256	123	191,753	1,378,178	126	174,070
Other:						
Home peritoneal dialysis supplies (therapy days)	48,830	55	2,671	49,158	66	3,221
Pediatric transport (trips)	171	5,018	858	233	3,532	823
Telehealth (participants)	24,709	17	421	11,859	28	331
Total outpatient services		\$ 358,000				\$ 332,580
Total inpatient and outpatient acute care expenses		\$ 1,089,408				\$ 1,010,270
Other acute care expenses (Note b(ii))						
Outpatient drugs			21,894			16,742
Provincial Laboratory			18,409			15,995
Other costs (organ retrieval costs, neuromodulation brain injury services, etc.)			8,765			12,805
Work in progress (Note b(iii))			8,206			6,682
Total acute care expenses		\$ 1,146,682				\$ 1,062,494

Schedule 4 (continued)

CAPITAL HEALTH AUTHORITY
COMBINED CONSOLIDATED SCHEDULE OF COSTS OF HEALTH OUTPUTS
FOR YEAR ENDED MARCH 31, 2003

Program	2003			2002		
	Activity Measure	Average Cost	Total Cost	Activity Measure	Average Cost	Total Cost
Community Health and Continuing Care (Note b(v))			(thousands of dollars)			(thousands of dollars)
Community Rehabilitation	Visits			Visits		
Physiotherapy	220,934	\$ 34	\$ 7,621	233,229	\$ 32	\$ 7,349
Speech and language pathology	160,637	62	9,891	163,235	59	9,675
Audiology	3,145	54	169	3,335	51	169
Other services (aides to daily living, neurodevelopment occupational and respiratory therapy)	-	-	3,188	-	-	2,781
Total Community Rehabilitation		\$ 20,869			\$ 19,974	
Home care	Hours			Hours		
	2,503,386	\$ 29	\$ 72,996	2,578,852	\$ 28	\$ 71,286
Continuing Care Services	Client Days			Client Days		
Continuing care facilities	1,658,638	\$ 146	\$ 241,797	1,597,576	\$ 131	\$ 208,866
Day programs	157,418	73	11,512	141,224	80	11,407
Palliative care	20,597	301	6,196	20,597	276	5,686
Personal care homes/assisted living	169,231	80	13,455	97,214	83	8,089
Subacute care	46,456	245	11,367	42,815	247	10,595
Total continuing care services	2,052,340	\$ 139	\$ 284,326	1,899,426	\$ 129	\$ 244,642
Prevention, protection, promotion and other related services	Visits			Visits		
Birth control	8,997	\$ 90	809	9,426	\$ 87	818
Health link (calls)	307,122	20	6,294	278,185	20	5,509
Health beginnings	10,351	508	5,257	9,998	524	5,238
Immunizations	178,934	42	7,519	146,158	40	5,791
Environmental health inspections	26,964	147	3,961	25,500	139	3,546
Sexually transmitted diseases services	15,984	85	1,363	15,082	86	1,295
Traveller's clinic	19,421	84	1,625	16,441	84	1,375
Other prevention, protection, promotion	Not available	-	23,041	Not available	-	18,780
Total prevention, protection, promotion services		\$ 49,869			\$ 42,352	
Community diagnostic services (procedures)	8,577,508	\$ 6	52,966	7,586,660	\$ 6	46,126
Total community health and continuing care expenses		\$ 481,026			\$ 424,380	

SUMMARY

Total acute care expenses	\$ 1,146,682	\$ 1,062,494
Total community health and continuing care expenses	481,026	424,380
Research and education	64,754	66,121
Amortization of facilities and improvements	28,271	28,137
Total expenses per Combined Consolidated Statement of Operations	\$ 1,720,733	\$ 1,581,132

Schedule 4 (continued)

CAPITAL HEALTH
NOTES TO THE COMBINED CONSOLIDATED SCHEDULE OF HEALTH OUTPUTS
MARCH 31, 2003

Note a) Introduction

The Capital Health Authority has prepared Schedule 4 "Combined Consolidated Schedule of Health Outputs" to classify the combined expenses of the Authority and the Caritas Health Group by program and calculate an output unit cost where the expenses can be allocated to patient-specific activities. The information in the schedule was generated by the Authority's costing system from its regional corporate database, in accordance with a methodology that meets the recommendations of Alberta Health & Wellness for patient specific costing. Direct and indirect costs of all clinical services, including staffing, supplies and drugs, are allocated to specific patients based on utilization.

Certain March 31, 2002 figures have been reclassified to conform to the March 31, 2003 presentation.

The Leduc, Sturgeon and Northeast ambulatory care activity and cost are included with all other Outpatient, Day Procedures and Clinic visits.

Community Speech Pathology and School Health Initiative are combined, as school-aged Speech Pathology services are included in both categories. Respiratory Therapy is included with other Community Rehab. Preventative Dental Services are included with Other Prevention, Protection, Promotion.

The disclosure of Alberta Department of Health and Wellness physician fees was not required by the Department for 2003. For comparison, it is also excluded for 2002.

The Authority plans to continue to expand the utilization of its costing system to be able to provide and allocate additional patient-specific costs in future years.

The information on costs of health outputs has been prepared as described in the following notes.

Note b) Basis of Presentation

(i) Patient Specific Acute Care Expenses

Inpatient Services comprise inpatient cases based on separations during the period (discharges and deaths).

Supplementary information is provided on the cost per day. Both costs and days are based on the full length of stay of patients who were discharged or died during the fiscal year.

Outpatient Services costs are measured by outpatient visits during the periods.

Schedule 4 (continued)

Note b) Basis of Presentation (continued)

(i) Patient Specific Acute Care Expenses (continued)

Outpatient visits comprise persons who receive one or more services at a healthcare facility without being admitted as an inpatient. The number of visits consists of the number of patients that registered for emergency, day surgery or clinic visits during the year. Clinic visits counts are based on the Alberta Health and Wellness ambulatory care visit definition.

- Emergency - patients registered as emergency cases.
- Day procedures - patients attending distinct day surgery and day procedure locations.
- Clinic visits - all other outpatient, clinic, diagnostic and therapeutic services visits.
- Home Peritoneal Dialysis Supplies reflect supplies consumed in the home and are not associated with specific inpatient or outpatient cases in the costing system.
- Pediatric Transport is the pre-hospitalization transport of children by ground or air utilizing a specialized team of respiratory therapy, nursing and medical staff.
- Telehealth – full costs are associated with comparative output measures on the number of clinical, educational, administrative and other participants at teleconference sessions.
- Average cost per case/visit includes costs that are directly associated with the provision of the services such as staffing, supply and drug as well as indirect and overhead costs but not amortization of the cost of physical facilities.

(ii) Other Acute Care Expenses

Other acute care expenses also include the following instances where costs are not associated with an inpatient case or outpatient hospital visit, or where patient-specific costing has not been implemented. Where available, output measures have been provided for the most notable of these services:

- Outpatient Drugs, includes high cost drugs consumed by patients, not associated with a specific inpatient or outpatient case (e.g. post-transplant, HIV), as well as other pharmacy expenses;
- Provincial Laboratory – services not associated with an inpatient or outpatient case such as environmental water testing;
- Other Costs include organ retrieval, neuromodulation supplies, external grants for brain injury services, and other non-allocated costs.

Schedule 4 (continued)

Note b) Basis of Presentation (continued)

(iii) Work in Progress

Work in Progress reflects the costs of services provided for patients not yet discharged. It includes inpatient case costs incurred in the prior year, to enable reconciliation to financial statements.

(iv) Community Health and Continuing Care – Activity Measures

Community Rehabilitation Visits reflect the number of contacts for physiotherapy, speech and language pathology, and audiology assessment or intervention funded by the Capital Health and Caritas Health Group's community rehabilitation programs.

Home Care Services Hours reflect the number of hours of home care service provided by home care agencies, the operators of residences, the Authority's professional staff, and home care service recipients themselves (i.e. self-managed care).

Continuing Care Client Days reflects the number of days of service for continuing care recipients. For continuing care clients in personal care homes and continuing care facilities, including sub-acute and palliative care, client days usually represent 24-hour periods. For day programs where clients attend for a number of hours in a day, one client day is counted for each day, regardless of the number of hours of care.

Prevention, Protection, Promotion and Other Related Services Visits reflects contacts for specific community health services. For Birth Control, this represents the number of clinic visits for birth control counselling. For Health Link, this represents the number of telephone calls for health advice. For Healthy Beginnings, this represents the number of visits, usually in the home, for parents and with newborn infants. For Immunization, this represents the number of vaccinations or inoculations provided. Environmental Health Inspections include visits to premises for licensing, inspection and response to complaints. STD Services Visits reflect contacts with the specialized sexually transmitted diseases health service. Traveller's Clinic Visits reflect contacts for advice and health services related to foreign travel.

Community Diagnostic Services Procedures reflect clinical laboratory tests not associated with hospital inpatient or outpatient visits (e.g. laboratory tests ordered by community physicians).